

**Cathay Century Insurance 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 companies 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 CENTURY INSURANCE CO., LTD.

By

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March 10, 2026

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Cathay Century Insurance Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Cathay Century Insurance Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), 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 Group as of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise, 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

The key audit matter identified in the audit of the Group's consolidated financial statements for the year ended December 31, 2025 is described as follows:

#### Adequacy of Loss Reserves

Loss reserve is a significant liability to the Company, representing 37% of the Group's total assets as of December 31, 2025.

Loss reserves is provided for claims filed but not yet paid and claims not yet filed. The reserve for claims filed but not yet paid is assessed by the claim department based on the relevant information from each received claim. The reserve for claims not yet filed is comprised of the provision calculated by the actuary department according to the claim development methods (accident year basis) or past claim experiences that complied with actuarial principle, along with a reserve for the unallocated loss adjustment expenses; such accrual principle is also applied to ceded loss reserve under reinsurance contract assets. The claims not yet filed that were estimated by the abovementioned claim development methods or past experiences with the actuarial principles were calculated by considering the weighted results of the claim development and expected loss rates. The actuary department exercises its professional judgment in determining the appropriate models, assumptions and parameters. Therefore, we identified the adequacy of loss reserves as a key audit matter. For the accounting policies and relevant disclosure information, refer to Notes 4, 5 and 20.

By performing control testing, we obtained an understanding of the valuation of loss reserves and the design and implementation of relevant internal controls. Moreover, we also performed the following audit procedures:

1. We obtained the actuarial report prepared by the contracted actuary and determined that the loss reserves were properly accrued, evaluated the contracted actuary's professional competence and capability were compliant with the regulations issued by the Financial Supervisory Commission of the Republic of China.
2. Our internal actuarial specialists evaluated the accuracy and completeness of the relevant data, as well as the reasonableness of the reserve for claims not yet filed by the actuarial method.

#### **Other Matter**

We have also audited the parent company only financial statements of Cathay Century Insurance Co., Ltd. as of and for the years 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 Insurance Enterprises, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee or supervisors, are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group 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 10, 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 CENTURY INSURANCE 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 27)	\$ 15,285,098	19	\$ 11,174,184	17
RECEIVABLES (Notes 4, 11, 27 and 34)	3,433,902	4	3,338,812	5
INVESTMENTS				
Financial assets at fair value through profit or loss (Notes 4, 7 and 27)	14,680,235	19	14,496,026	22
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	653,324	1	654,599	1
Financial assets at amortized cost (Notes 4 and 9)	11,350,480	14	10,039,725	15
Investments accounted for using the equity method, net (Notes 4 and 14)	2,553,784	3	2,406,891	4
Loans (Notes 4, 10 and 27)	68,788	-	96,451	-
REINSURANCE CONTRACT ASSETS (Notes 4, 12, 20 and 34)	26,001,932	33	17,312,724	27
PROPERTY AND EQUIPMENT (Notes 4 and 15)	315,734	-	463,754	1
RIGHT-OF-USE ASSETS (Notes 4, 16 and 27)	299,613	-	197,399	-
INTANGIBLE ASSETS (Notes 4 and 17)	122,111	-	104,478	-
DEFERRED TAX ASSETS (Notes 4 and 24)	4,558,554	6	4,585,963	7
OTHER ASSETS (Notes 18, 27 and 29)	<u>559,980</u>	<u>1</u>	<u>632,440</u>	<u>1</u>
TOTAL	<u>\$ 79,883,535</u>	<u>100</u>	<u>\$ 65,503,446</u>	<u>100</u>
LIABILITIES AND EQUITY				
PAYABLES (Notes 4, 19, 27 and 34)	\$ 5,100,128	7	\$ 4,395,390	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 7 and 27)	213,942	-	224,161	-
LEASE LIABILITIES (Notes 4, 16 and 27)	300,801	-	197,630	-
INSURANCE LIABILITIES (Notes 4, 5 and 20)	52,059,315	65	40,284,468	61
OTHER LIABILITIES	1,520,231	2	1,659,061	3
PROVISIONS (Notes 4 and 21)	292,047	-	349,882	1
DEFERRED TAX LIABILITIES (Notes 4 and 24)	<u>369,643</u>	<u>1</u>	<u>445,671</u>	<u>1</u>
Total liabilities	<u>59,856,107</u>	<u>75</u>	<u>47,556,263</u>	<u>73</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22)				
Share capital				
Ordinary shares	<u>2,000,000</u>	<u>3</u>	<u>2,000,000</u>	<u>3</u>
Capital surplus	<u>7,861,133</u>	<u>10</u>	<u>7,861,133</u>	<u>12</u>
Retained earnings				
Legal reserve	776,426	1	249,102	-
Special reserve	6,025,832	7	5,326,764	8
Unappropriated earnings	<u>3,057,471</u>	<u>4</u>	<u>1,984,109</u>	<u>3</u>
Total retained earnings	<u>9,859,729</u>	<u>12</u>	<u>7,559,975</u>	<u>11</u>
Other equity	<u>306,566</u>	<u>-</u>	<u>526,075</u>	<u>1</u>
Total equity attributable to owners of the Company	<u>20,027,428</u>	<u>25</u>	<u>17,947,183</u>	<u>27</u>
Total equity	<u>20,027,428</u>	<u>25</u>	<u>17,947,183</u>	<u>27</u>
TOTAL	<u>\$ 79,883,535</u>	<u>100</u>	<u>\$ 65,503,446</u>	<u>100</u>

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

# CATHAY CENTURY INSURANCE 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	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Retained earned premium (Notes 4, 27 and 34)				
Written premium	\$ 40,155,717	130	\$ 37,463,714	133
Reinsurance premium	<u>1,066,167</u>	<u>3</u>	<u>1,095,283</u>	<u>4</u>
Premium income	41,221,884	133	38,558,997	137
Less: Reinsurance expenses	12,683,533	41	12,142,012	43
Less: Net change in unearned premium reserves (Notes 4, 20 and 34)	<u>953,567</u>	<u>3</u>	<u>1,073,807</u>	<u>4</u>
Total retained earned premium	<u>27,584,784</u>	<u>89</u>	<u>25,343,178</u>	<u>90</u>
Reinsurance commission income (Note 34)	<u>1,237,445</u>	<u>4</u>	<u>1,230,029</u>	<u>5</u>
Fee income	<u>52,674</u>	<u>-</u>	<u>54,248</u>	<u>-</u>
Net gain on investments				
Interest income (Notes 23 and 27)	952,606	3	858,863	3
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 7)	948,254	3	678,426	2
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	5,073	-	220	-
Share of profit (loss) of associates and joint ventures accounted for using equity method (Notes 4 and 14)	147,226	1	(126,818)	-
Foreign exchange (loss) gain - investment (Notes 4 and 31)	(234,252)	(1)	447,559	2
Expected credit impairment (loss) gain on investments (Note 4)	(830)	-	268	-
Gain (loss) on reclassification using overlay approach (Notes 4 and 7)	<u>200,304</u>	<u>1</u>	<u>(451,384)</u>	<u>(2)</u>
Total net gain on investments	<u>2,018,381</u>	<u>7</u>	<u>1,407,134</u>	<u>5</u>
Other operating income	<u>-</u>	<u>-</u>	<u>66,796</u>	<u>-</u>
Total operating revenues	<u>30,893,284</u>	<u>100</u>	<u>28,101,385</u>	<u>100</u>
<b>OPERATING COSTS</b>				
Retained claims payments (Notes 4, 27 and 34)				
Insurance claims payments	18,258,015	59	16,764,222	60
Less: Claims and payments recovered from reinsurers	<u>6,221,034</u>	<u>20</u>	<u>4,230,258</u>	<u>15</u>
Total retained claims payments	<u>12,036,981</u>	<u>39</u>	<u>12,533,964</u>	<u>45</u>
Net changes in other insurance liabilities (Notes 4 and 20)	<u>2,933,083</u>	<u>9</u>	<u>1,353,758</u>	<u>5</u>
Commission expenses (Notes 4, 23, 27 and 34)	<u>4,795,849</u>	<u>16</u>	<u>4,651,993</u>	<u>16</u>
Other operating costs	<u>211,140</u>	<u>1</u>	<u>36,796</u>	<u>-</u>
Total operating costs	<u>19,977,053</u>	<u>65</u>	<u>18,576,511</u>	<u>66</u>
<b>GROSS PROFIT</b>	<u>10,916,231</u>	<u>35</u>	<u>9,524,874</u>	<u>34</u>

(Continued)

# CATHAY CENTURY INSURANCE 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	
	Amount	%	Amount	%
OPERATING EXPENSES (Notes 23 and 27)				
General expenses	\$ 5,338,161	17	\$ 5,106,598	18
Administrative expenses	1,136,227	4	1,110,120	4
Employee training expenses	19,757	-	19,290	-
Expected credit impairment loss of non-investments	<u>14,225</u>	-	<u>117,308</u>	-
Total operating expenses	<u>6,508,370</u>	<u>21</u>	<u>6,353,316</u>	<u>22</u>
OPERATING INCOME	4,407,861	14	3,171,558	12
NON-OPERATING INCOME AND EXPENSES (Note 27)	<u>8,125</u>	-	<u>23,184</u>	-
PROFIT BEFORE INCOME TAX	4,415,986	14	3,194,742	12
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(661,108)</u>	<u>(2)</u>	<u>(558,120)</u>	<u>(2)</u>
NET PROFIT	<u>3,754,878</u>	<u>12</u>	<u>2,636,622</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	3,290	-	(25,600)	-
Share of the other comprehensive income of associates accounted for using the equity method	1,390	-	-	-
Income tax related to items that will not be reclassified subsequently to profit or loss	<u>(658)</u>	-	<u>5,120</u>	-
	<u>4,022</u>	-	<u>(20,480)</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(42,224)	-	96,765	-
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(10,983)	-	128,992	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	6,153	-	(16,972)	-

(Continued)

# CATHAY CENTURY INSURANCE 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	
	Amount	%	Amount	%
Other comprehensive (loss) income reclassified under the overlay approach	\$ (200,304)	(1)	\$ 451,384	2
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>26,195</u>	<u>-</u>	<u>(21,653)</u>	<u>-</u>
	<u>(221,163)</u>	<u>(1)</u>	<u>638,516</u>	<u>2</u>
Other comprehensive (loss) income, net of income tax	<u>(217,141)</u>	<u>(1)</u>	<u>618,036</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 3,537,737</u>	<u>11</u>	<u>\$ 3,254,658</u>	<u>12</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	\$ 3,754,878	12	\$ 2,636,622	9
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,754,878</u>	<u>12</u>	<u>\$ 2,636,622</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 3,537,737	11	\$ 3,254,658	12
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,537,737</u>	<u>11</u>	<u>\$ 3,254,658</u>	<u>12</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 18.77</u>		<u>\$ 13.18</u>	

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

(Concluded)

**CATHAY CENTURY INSURANCE 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 Company						Other Equity				Total Equity
	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Remeasurement of Defined Benefit Plans	Other Comprehensive Income (Loss) Reclassified Under Overlay Approach	
				Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE ON JANUARY 1, 2024	200,000	\$ 2,000,000	\$ 7,861,133	\$ -	\$ 4,674,882	\$ 538,325	\$ (329,230)	\$ (79,179)	\$ (154,495)	\$ 470,943	\$ 14,982,379
Appropriation of 2023 earnings											
Legal reserve	-	-	-	249,102	-	(249,102)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(289,854)	-	-	-	-	(289,854)
Special reserve	-	-	-	-	(631)	631	-	-	-	-	-
The newly recognized of special reserve for catastrophic event and the special reserve for fluctuation of risk	-	-	-	-	634,193	(634,193)	-	-	-	-	-
Appropriation of special reserve for personal insures travel insurance	-	-	-	-	18,320	(18,320)	-	-	-	-	-
Net profit for the year ended December 31, 2024	-	-	-	-	-	2,636,622	-	-	-	-	2,636,622
Other comprehensive income (loss) for the year ended December 31, 2024, net of income tax	-	-	-	-	-	-	96,765	112,020	(20,480)	429,731	618,036
Total comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	-	2,636,622	96,765	112,020	(20,480)	429,731	3,254,658
BALANCE ON DECEMBER 31, 2024	200,000	2,000,000	7,861,133	249,102	5,326,764	1,984,109	(232,465)	32,841	(174,975)	900,674	17,947,183
Appropriation of 2024 earnings											
Legal reserve	-	-	-	527,324	-	(527,324)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(1,457,492)	-	-	-	-	(1,457,492)
Special reserve	-	-	-	-	(707)	707	-	-	-	-	-
The newly recognized of special reserve for catastrophic event and the special reserve for fluctuation of risk	-	-	-	-	678,667	(678,667)	-	-	-	-	-
Appropriation of special reserve for personal insures travel insurance	-	-	-	-	21,108	(21,108)	-	-	-	-	-
Change from associates accounted for using the equity method	-	-	-	-	-	2,368	-	(2,368)	-	-	-
Net profit for the year ended December 31, 2025	-	-	-	-	-	3,754,878	-	-	-	-	3,754,878
Other comprehensive income (loss) for the year ended December 31, 2025, net of income tax	-	-	-	-	-	-	(42,224)	(3,440)	2,632	(174,109)	(217,141)
Total comprehensive income (loss) for the year ended December 31, 2025	-	-	-	-	-	3,754,878	(42,224)	(3,440)	2,632	(174,109)	3,537,737
BALANCE ON DECEMBER 31, 2025	200,000	\$ 2,000,000	\$ 7,861,133	\$ 776,426	\$ 6,025,832	\$ 3,057,471	\$ (274,689)	\$ 27,033	\$ (172,343)	\$ 726,565	\$ 20,027,428

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

# CATHAY CENTURY INSURANCE 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 4,415,986	\$ 3,194,742
Adjustments for:		
Depreciation expense	341,195	318,112
Amortization expense	61,023	67,185
Net gain on financial assets and liabilities at fair value through profit or loss	(948,254)	(678,426)
Interest expense	5,220	5,735
Net gain on derecognition of financial assets measured at amortized cost	(5,073)	(220)
Interest income	(952,606)	(858,863)
Net changes in insurance liabilities	11,774,847	6,570,544
Expected credit impairment loss (gain) on investments	830	(268)
Expected credit impairment loss on non-investment	14,225	117,308
Share of (profit) loss of associates accounted for using the equity method	(147,226)	126,818
(Gain) loss on reclassification using the overlay approach	(200,304)	451,384
Loss on disposal of property and equipment	23	148
Gain on lease modification	(22)	(10)
Others	-	98
Changes in operating assets and liabilities		
Decrease (increase) in notes receivable	11,095	(10,629)
Increase in premiums receivable	(20,126)	(128,243)
Increase in other receivables	(79,221)	(104,700)
Decrease (increase) in financial instruments at fair value through profit or loss	497,004	(3,078,089)
Decrease in financial assets at fair value through other comprehensive income	7,423	7,301
Increase in financial assets at amortized cost	(1,306,505)	(573,438)
Increase in reinsurance contract assets	(8,689,208)	(3,833,474)
Decrease in other assets	72,458	22,651
Decrease in claims outstanding	-	(2,238)
Increase in commissions payable and fees	22,363	73,243
Increase (decrease) in due to reinsurers and ceding companies	478,134	(421,734)
Increase in other payables	34,410	323,797
Decrease in provisions	(54,545)	(103,290)
(Decrease) increase in other liabilities	(138,830)	102,457
Cash generated from operations	5,194,316	1,587,901
Interest received	938,720	821,498
Dividends received	249,645	217,105
Interest paid	(5,220)	(5,735)
Income tax paid	(513,716)	(211,686)
Net cash generated from operating activities	<u>5,863,745</u>	<u>2,409,083</u>

(Continued)

# CATHAY CENTURY INSURANCE 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	\$ (66,392)	\$ (165,164)
Acquisition of intangible assets	(35,881)	(37,519)
Decrease in loans	<u>27,663</u>	<u>26,626</u>
Net cash used in investing activities	<u>(74,610)</u>	<u>(176,057)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(170,299)	(161,292)
Cash dividends paid	<u>(1,457,492)</u>	<u>(289,854)</u>
Net cash used in financing activities	<u>(1,627,791)</u>	<u>(451,146)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(50,430)</u>	<u>9,341</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,110,914	1,791,221
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>11,174,184</u>	<u>9,382,963</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 15,285,098</u>	<u>\$ 11,174,184</u>

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

(Concluded)

# CATHAY CENTURY INSURANCE 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)

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### 1. GENERAL INFORMATION

Cathay Century Insurance Co., Ltd. (the “Company”) was incorporated in Taiwan on July 19, 1993, under the Company Act of the Republic of China (R.O.C.). On April 22, 2002, the Company became a wholly-owned subsidiary of Cathay Financial Holdings Co., Ltd. (“Cathay Financial Holdings”) through a share swap pursuant to the Financial Holdings Company Act. The Company was renamed from Tong-Tai Insurance Co., Ltd. to Cathay Century Insurance Co., Ltd., as approved by Letter No. 0910706108 issued by the Ministry of Finance on June 28, 2002 and officially announced on August 2, 2002. The Company mainly engages in the business of property and casualty insurance. The Company’s registered office and the main business location are at No. 296, Sec. 4, Jen Ai Road, Taipei, Taiwan, R.O.C. Cathay Financial Holdings is the Company’s parent company and ultimate parent company.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 10, 2026.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (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 Group has reassessed its relationship with funds managed by the 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 Group, 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

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by International Accounting Standards Board (IASB)</b>
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

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

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

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

- i. 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.
- ii. 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.
- iii. 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.

- b) The amendments to the application guidance of derecognition of financial liabilities

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

- The Group having no practical ability to withdraw, stop or cancel the payment instruction;

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

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

## 2) IFRS 17 “Insurance Contracts”(including the 2020 and 2021 amendments to IFRS 17)

Under the current financial reporting framework, insurance contracts and financial instruments with or without discretionary participation features are accounted for in accordance with the requirements of IFRS 4 and the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises. The related policy reserves are determined and certified by qualified actuaries approved by the FSC. Please refer to Note 4, summary of material accounting policy information.

In accordance with the regulations of the FSC, the date of initial application of IFRS 17 is January 1, 2026. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and will replace IFRS 4. IFRS 17 applies to insurance contracts issued by an entity (including reinsurance contracts), reinsurance contracts held, and investment contracts with discretionary participation features issued by an entity, provided that the entity also issues insurance contracts. IFRS 17 introduces a consistent measurement model for insurance liabilities. The standard provides three measurement approaches: The General Measurement Model, the Variable Fee Approach, and the Premium Allocation Approach. The Variable Fee Approach applies to insurance contracts with direct participation features. In addition, when certain eligibility criteria are met, an entity may elect to apply the Premium Allocation Approach as a simplified method for measuring groups of insurance contracts.

The General Measurement Model estimates the amount, timing, and uncertainty of the future cash flows of a group of insurance contracts based on current assumptions, and includes a risk adjustment for non-financial risk to reflect the compensation required for bearing the uncertainty. The model considers the market interest rates and the effects of options and guarantees embedded in insurance contracts on the related cash flows. The model also determines the contractual service margin (“CSM”), which represents the unearned profit that the entity recognizes as it provides services under the insurance contracts.

The Group applies the transition requirements of IFRS 17 in the preparation of its financial statements. As a general principle, the Group applies the full retrospective approach. Where the application of the full retrospective approach is impracticable, the Group applies either the modified retrospective approach or the fair value approach, as appropriate.

When applying the full retrospective approach, the Group identifies, recognizes, and measures each group of insurance contracts as of January 1, 2025 as if IFRS 17 had always been applied. When applying the modified retrospective approach, the Group uses reasonable and supportable information to achieve results that are as close as possible to those obtained under the full retrospective approach. When applying the fair value approach, the Group also uses reasonable and supportable information, and determines the contractual service margin or loss component of the liability for remaining coverage as of January 1, 2025 based on the difference between the fair value of the group of insurance contracts at that date and the fulfillment cash flows measured as of the same date.

Prior to the application of IFRS 17, in order to mitigate the potential impacts and inconsistencies arising from the earlier effective date of IFRS 9 relative to IFRS 17, the Group elected to apply the overlay approach to the designated financial assets in accordance with IFRS 4. Upon the application of IFRS 17, the Group will discontinue the application of the overlay approach.

#### Redesignation of financial assets

At the date of initial application of IFRS 17, an entity that has already applied IFRS 9 may redesignate financial assets that meet the requirements of paragraph C29 of IFRS 17. In addition, for financial assets that were derecognized during the comparative period prior to the date of initial application of IFRS 17, an entity may elect to apply the classification overlay approach on an instrument-by-instrument basis as if those financial assets had been redesignated in accordance with paragraph C29 of IFRS 17 during the comparative period.

The Group expects to assess the redesignation of relevant financial assets based on the financial assets held as of January 1, 2026 and the facts and circumstances existing on that date.

The Group has elected not to restate the comparative information for the year ended December 31, 2025 in relation to the redesignation of financial assets. Any difference between the previous carrying amounts of those financial assets and their carrying amounts at the date of initial application will be recognized in opening retained earnings (or other appropriate components of equity) at the date of initial application. The Group will disclose the classification changes under IFRS 9 and the related reconciliation information in the financial statements for the year ended December 31, 2026.

As of the date of issuance of the financial statements, the Group has completed its preliminary assessment of the impact of IFRS 17 on its financial position and financial performance for the year ended December 31, 2025 as of the date of initial application (i.e., January 1, 2026). Reflecting changes in market interest rates and the resulting impact on insurance contract liabilities, as well as the redesignation of financial assets to support investment stability and asset-liability management objectives, the Group expects that, as of the initial application date, equity would increase by approximately \$1,596,233 thousand.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group'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 Group 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 Group 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 Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group 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 Group as a whole, the Group 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 Group 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 Group shall be classified as investing activities, while interest and dividends paid shall be classified as financing activities. However, if, after assessment, the Group 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 Group is continuously assessing the other impacts of the above amended standards and interpretations on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## **4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

### **a. Statement of compliance**

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments 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:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) 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
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Assets and liabilities of the consolidated financial statements are classified by nature and are presented in the order of liquidity instead of being classified as current or noncurrent.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Refer to Note 13 and Table 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity'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.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is 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 directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting consolidated financial statements, the financial statements of the Company's foreign operations (including subsidiaries and associates 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 average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Investments in associates

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

The Group 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 Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

When the Company 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 Group's proportionate interest in the associate. The Group 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 and joint ventures accounted for using the equity method. If the Group'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 accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group'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 Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group 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, that 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 Group 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 Group 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 Group continues to apply the equity method and does not remeasure the retained interest.

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

g. Property and equipment

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

The depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in 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.

h. Intangible assets

1) 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 loss. 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.

2) Derecognition of intangible assets

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.

i. Impairment of property and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to the individual cash-generating units; otherwise, they are allocated to the smallest group of cash-generating units.

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.

j. Financial instruments

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

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 fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Categories of financial assets, initial recognition and subsequent measurement

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset.

Fair value is determined in the manner described in Note 26.

In addition, to reduce the fluctuations in profit or loss as a result of IFRS 9 being applied earlier than IFRS 17, the Group elects to remove profit or loss arising from changes in fair value in subsequent measurement and present it in other comprehensive income based on the overlay approach under IFRS 4. Overlay approach is applied to financial assets if all of the following conditions are met:

- i) The financial assets are held in respect of activities related to IFRS 4.
- ii) The financial assets are measured at FVTPL applying IFRS 9 but would not have been measured at FVTPL in its entirety applying under IAS 39.
- iii) The financial assets designated to apply the overlay approach at initial recognition when an entity first applies IFRS 9 or when a new financial asset is initially recognized or when a financial asset newly meets the criteria having previously not met.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial 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 amortized cost, including cash and cash equivalents and receivables at amortized cost, equal 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 assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized 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 amortized 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.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

Bank balances used by the Group that are subject to third-party contractual restrictions are included as part of cash unless the restrictions result in a bank balance that no longer meets the definition of cash.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet both of 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.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime ECLs for receivables. For all other financial instruments, the Group 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 Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

ECLs 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.

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

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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.

In addition, in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, credit assets are classified as normal assets (“First Category”), assets that require special attention (“Second Category”), assets that are substandard (“Third Category”), assets that are doubtful (“Fourth Category”) and assets for which there is loss (“Fifth Category”) based on the borrower’s financial conditions and the delay for payment of principal and interests as well as the status of the loan collateral and the length of time overdue. The minimum amounts of allowance for bad debts are based upon each of the following categories:

- i. The sum of 0.5% of the First Category loan assets excluding life insurance policy loans, premium loans and loans to government agencies, 2% of the Second Category loan assets, 10% of the Third Category loan assets, as well as 50% and 100% of the Fourth and Fifth Category loan assets.

ii. 1% of the sum of all five categories of loan assets, excluding life insurance loans, automatic premium loans and loans to government agencies.

iii. Total unsecured portion of non-performing loans and non-accrual loans.

Besides, pursuant to Jin Guan Bao Tsai No. 10402506096, the Company shall keep the ratio of the allowance for bad debt over the loans at 1.5% or above to strengthen its ability against loss exposure to specific loan assets.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

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

Equity instruments issued by the Group 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. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps, foreign exchange swaps, cross-currency swap contract, options and futures.

Derivatives are initially recognized at fair value at the date on which 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 unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. 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 that are within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

k. Reinsurance business

In order to limit the possible losses caused by certain events, the Group arranges reinsurance business based on its business needs and related insurance regulations. For reinsurance of ceded business, the Group cannot refuse to fulfill its obligations to the insured when the reinsurer fails to fulfill its obligations.

For the ceding reinsurance, reinsurance expenses are recognized based on the ceding reinsurance contract. According to matching principle, the reinsurance expenses should be recognized in the same accounting period as the insurance premiums. In addition, the Group accrues the reinsurance expense at the balance sheet date in a reasonable and systematic manner for the billing statements that have not yet been received as well as related income (for example, reinsurance commission income). The related profit or loss for reinsurance is not deferred.

Reinsurance reserve assets present the rights to reinsurers and comprise of ceded unearned premium reserve, ceded loss reserve, and ceded premium deficiency reserve, which are recognized according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and other regulations as well as the conditions of reinsurance contracts.

l. Reserves for liabilities

Insurance reserves provided for insurance contracts should be audited by the actuaries certified by the FSC and should also conform to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance and the Regulations for the Reserves for Nuclear Energy Insurance.

The descriptions of these reserves are as follows:

1) Unearned premium reserve

For an in-force contract with a remaining policy period or an unterminated insured risk, the calculation and the provision of unearned premium reserve are based on the unexpired risk of each insurance.

Unearned premium reserve for the compulsory insurance contract is provided in conformity with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

Unearned premium reserve for the policy-oriented residential earthquake insurance contracts is provided in conformity with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

Unearned premium reserve for nuclear energy insurance contracts is provided in conformity with the Regulations for the Reserves of Nuclear Energy Insurance.

Except as otherwise provided by regulations, the manners of provisions for unearned premium reserve are decided by actuaries according to the characteristics of each insurance, which cannot be changed without permission by the authorities, and the year-end balance of unearned premium reserve should be audited by actuaries at the end of the year.

2) Loss reserve

Loss reserve is provided for losses filed but not yet paid and losses not yet filed by insurance type based on the past experiences of actual claims and expenses in line with the actuarial principles. The reserve for losses filed but not yet paid is assessed based on the actual relevant information of each case and provided by insurance type.

Loss reserve for the compulsory insurance contracts is provided in conformity with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

Loss reserve for policy-oriented residential earthquake insurance contracts is provided in conformity with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

Loss reserve for Nuclear Energy Insurance contracts is provided in conformity with the Regulations for the Reserves for Nuclear Energy Insurance.

3) Special reserve

Special reserves are comprised of special reserves for catastrophic events, special reserves for fluctuation of risk and special reserves for other special purposes.

In accordance with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, the Group shall set aside the special reserves as liabilities which is calculated based on the sum of retained earned pure premiums, recovery of loss reserve and the interest accrued of the beginning balance of the special reserve, minus the retained claims and the provision of loss reserve; if the sum of retained earned pure premiums, recovery of loss reserve and the interest accrued of the beginning balance of the special reserve in the preceding fiscal year is less than the sum of the retained claims and the provision of loss reserve, the deficit shall be amended with the cumulative recovery of the special reserve in the previous years. If any deficit remains, the balance shall be recorded as a memorandum entry and amended with the recovery of the special reserves in the subsequent years.

Furthermore, according to the Notice for the improvement of the reserves of natural disaster insurance (commercial-business earthquake, typhoon and flood insurance enterprises) issued by the Financial Supervisory Commission on November 9, 2012, except for those special reserves of compulsory automobile insurance, nuclear energy insurance, residential earthquake insurance, commercial-business earthquake insurance and typhoon and flood insurance, the special reserves recognized as liabilities before December 31, 2012 were used to compensate the deficiencies of commercial-business earthquake insurance and typhoon and flood insurance to the required level and recognized as liabilities. The remaining special reserves were reclassified as equity, net of tax according to IAS 12 starting from January 1, 2013. In addition, the above precautions were amended by Rule No. 11101405951 on June 30, 2022, and the name was changed to “Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises”. According to point eight of the Notices, when the actual retained claims that resulted from disasters exceeded the expected claims net of the reversal of the special reserve for a catastrophic event, or the reserves accumulate to the full water level, the Group should offset or recover the special reserves for hazard changes according to point three of the “Regulations Governing Various Reserves for Commercial Earthquake Insurance and Typhoon and Flood Insurance Operated by Non-Life Insurance Enterprises”. The write off and recovery of special reserves for catastrophic events and fluctuation of risk that is provided under liabilities should be in conformity with the notice mentioned above.

a) Special reserves for catastrophic event

Special reserves for catastrophic events are provided at the rates for each insurance type required by the authorities.

As a single event which meets the government’s definition of a major accident, special reserves for catastrophic events can be reversed if the total retained claims for each insurance type of an individual company reach \$30 million and the total claims for each insurance type of all non-life insurance companies reach \$2,000 million.

Special reserves for catastrophic events that have been provided for more than 15 years may be reversed in the recovery manner prescribed by the appointed actuary, which should be filed with the authorities. In addition, such reserves for commercial businesses earthquake insurance and typhoon and flood insurance may be reversed only if they have been provided for more than 30 years.

b) Special reserves for fluctuation of risk

For retained business of each insurance, when actual claims net of the debit amounts to special reserves for catastrophic events are lower than the expected claims, 15% of the difference should be provided as special reserves for fluctuation of risk. For commercial-business earthquake insurance and typhoon and flood insurance, the provision rate is 75% of the difference.

For retained business of each insurance, when actual claims net of the debit amounts to special reserves for catastrophic events are higher than the expected claims, the difference may be debited to the existing special reserves for fluctuation of risk. If the special reserves for fluctuation of risk for an insurance type are insufficient to cover the difference, the shortfall may be debited to the special reserves for fluctuation of risk of other insurance types. The insurance type and debit amounts for covering the shortfall should be filed with the authorities.

For each type of insurance, when the accumulated provisions of the special reserves for fluctuation of risk exceed 60% (30% for accident insurance and health insurance) of the retained earned premiums for the current year, the excess should be recovered. For commercial-business earthquake insurance and typhoon and flood insurance, if the accumulated provisions of special reserves for fluctuation of risk exceed 18 times and 8 times, respectively, of the retained earned premiums for the current year, the excess should be recovered as income.

4) Premium deficiency reserve

For unexpired in-force contracts or unterminated incurred risks of each insurance, if the estimated amounts of the future claims and expenses exceed the sum of the unearned premium reserves and the expected future premium income, the deficiency should be set aside as premium deficiency reserve.

5) Policy reserve

The minimum provision for policy reserve for health insurance with policy periods longer than one year is determined by the full preliminary term method. However, the method of provision for health insurance with a special nature is regulated by the authorities.

6) Liability adequacy reserve

When performing the liability adequacy test required by IFRS 4, the future cash flows are estimated based on current information on recognized liabilities as of each reporting date. If the test result shows inadequate liability reserve, the shortfall should be recognized as a liability adequacy reserve.

m. Classification of insurance products

An insurance contract refers to a contract where the insurer accepts the insurance policyholder's transfer of significant insurance risk and agrees to compensate the policyholder for any damages caused by a particular uncertain future event (insured event). The Group's identification of a significant insurance risk refers to any insured event that occurs and causes the Group to incur additional significant payments.

For a policy that meets the definition of an insurance contract in the initial phase, it is treated as an insurance contract before the right of ownership and obligations expired or extinguished, even if the exposure to insurance risk during the policy period has significantly decreased. However, if an insurance contract with features of financial instruments transfers a significant insurance risk to the Group subsequently, the Group should reclassify the contract as an insurance contract.

n. Revenue and acquisition costs of insurance business

Direct premiums are recognized for all insurance policies underwritten and issued in current periods. Reinsurance premiums are usually recognized as the billing statements are delivered, and, on the balance sheet date, reinsurance premiums of which the billing statements are not yet received are accrued in a reasonable and systematic manner. Related acquisition costs are recognized in the same periods, including commission expenses, agency fees, service fees and reinsurance commission expenses.

Taxes related to the insurance premium revenue are recognized pursuant to "Value-added and Non-value-added Business Tax Act" and "Stamp Tax Act" on an accrual basis.

o. Insurance claims and payments

Claims and payments (including claim expenses) filed and paid pertaining to the direct insurance business are recognized as paid claims in current periods. For claims filed but not yet paid with determined amounts and those without determined amounts are recognized as net changes in loss reserve based on relevant information of each case by insurance type.

For direct insurance and ceding reinsurance, claims not yet filed are estimated based on past experience according to actuarial principles and recognized as net changes in loss reserve.

For claims to be recovered from the reinsurer under the reinsurance contract, claims and payments (including claim expenses) recoverable from reinsurers are recognized as claims recovered from reinsurers. For those of filed but not yet paid and not yet filed cases, claims and payments (including claim expenses) are recognized as net changes in loss reserve.

Provision for loss reserve is undiscounted.

p. Liability adequacy test

At the end of each reporting period, each type of insurance is subjected to the test by the expected cost method to assess the adequacy of insurance liabilities. The expected cost method requires the Group to estimate future cash flows of insurance contracts in accordance with the requirements for actuaries that was issued by the Actuarial Institute of the Republic of China. If an assessment shows that the carrying amount of insurance liabilities (less related intangible assets) is not enough to cover the estimated future cash flows, the entire shortfall is recognized in profit or loss.

Liability adequacy test is calculated on the undiscounted basis.

q. Salvage and subrogation

Salvage legally acquired from the claim procedure for direct written business should be recognized at its fair value. Subrogation legally acquired should be recognized when the actual recovery is definite (the inflow of the economic benefits in the future is more likely than not) and reliably measured.

r. Co-insurance organization, co-insurance and guarantee fund agreement

The Company and all the members approved by the competent authority set the “Co-insurance Contract of Compulsory Automobile Liability Insurance” and agreed that the business should be fully included in the co-insurance, violators have to pay liquidated damages and agreed to be inspected by co-insurance team. The business is calculated on the basis of pure premiums and in accordance with the agreed portion. In addition to the liquidation or going out of business, the members shall not withdraw. If the members stop to operate the compulsory automobile liability insurance, it should drop out from the co-insurance organization at the same time, and the responsibility of unearned premiums applies natural expiry.

The Company, the property insurance company with the order for traveling industry performance guarantee insurance and the reinsurance company set the “Co-insurance Contract of Traveling Industry Performance Guarantee Insurance” and agreed that the business should be fully included in the co-insurance, violators have to pay liquidated damages and agreed to be inspected by the co-insurance organization. The business is calculated on the basis of the co-insurance premium and in accordance with the agreed proportion. Members shall make notice in writing when going to withdraw from co-insurance three months before the start of the following year began three months ago. The original undertaken responsibility will cease to exist at the end of the year and the member company which drops out from the co-insurance organization will be held responsible for the unfinished part of the responsibility until its natural expiry.

s. Leases

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

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by 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. 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 lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group 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.

t. Employee benefits

1) 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.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses 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 are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which 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 represent the actual deficit in the Group'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.

### 3) Termination benefits

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

#### u. Share-based payment arrangements

The fair value at the grant date of the employee share options granted to employees and others providing similar services is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of the parent company's issued ordinary shares for cash which are reserved for employees is the date on which the board of directors approves the transaction.

#### v. Income tax expense

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

##### 1) Current tax

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

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

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

##### 2) 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 Group 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 such temporary 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured 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 reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

### 3) 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, in which case, the current and deferred tax are also recognized in other comprehensive income.

## 5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, 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 Group considers the possible impact of catastrophe on the cash flow projection and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

### **Material Accounting Judgments**

#### Adequacy test on loss reserve

Loss reserves are estimated for possible claims of both filed but not yet paid and not yet filed of all insurance contracts. Such estimates are made based on historical data, actuarial analysis, financing modeling and other analytical techniques and are adjusted when necessary; however, the actual results may differ from these estimates.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Cash on hand	\$ 25,130	\$ 31,258
Checking accounts and demand deposits	4,696,452	2,828,564
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	4,805,834	4,811,491
Short-term notes	<u>5,757,682</u>	<u>3,502,871</u>
	<u>\$ 15,285,098</u>	<u>\$ 11,174,184</u>

## 7. FINANCIAL INSTRUMENTS AT FVTPL

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Currency swaps contract	\$ 37,087	\$ -
Non-derivative financial assets		
Listed shares	10,065,542	7,743,911
Beneficiary certificates	4,300,969	6,493,778
Financial bonds	<u>276,637</u>	<u>258,337</u>
	<u>\$ 14,680,235</u>	<u>\$ 14,496,026</u>
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Currency swaps contract	<u>\$ 213,942</u>	<u>\$ 224,161</u>

- a. At the end of the reporting period, outstanding foreign exchange swaps contract not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2025</u>			
Currency swaps contract	USD/NTD	2026.01.13-2026.12.18	USD 219,900
<u>December 31, 2024</u>			
Currency swaps contract	USD/NTD	2025.01.13-2025.12.18	USD 173,600

The Group entered into currency swaps contract to manage exposures to exchange rate fluctuations of foreign currency-denominated assets and liabilities.

- b. The financial assets at FVTPL were not pledged.

- c. The Group elects to present the profit or loss of the designated financial assets in the overlay approach under IFRS 4. Financial assets designated to apply overlay approach by the Group for investing activities relating to insurance contracts issued by the Group are as follows:

	<u>December 31</u>	
	2025	2024
Financial assets at FVTPL		
Listed shares	\$ 10,065,542	\$ 7,743,911
Beneficiary certificates	4,300,969	6,493,778
Financial bonds	276,637	258,337

Reclassification from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the years ended December 31, 2025 and 2024 were as follows:

	<u>For the Year Ended December 31</u>	
	2025	2024
Gain due to application of IFRS 9 to profit or loss	\$ (946,242)	\$ (1,247,027)
Gain if applying IAS 39 to profit or loss	<u>1,146,546</u>	<u>795,643</u>
Gain (loss) from reclassification using the overlay approach	<u>\$ 200,304</u>	<u>\$ (451,384)</u>

Due to application of overlay approach, the amount of gain and loss on financial assets and liabilities at FVTPL increase from gain of \$948,254 thousand to gain of \$1,148,558 thousand and decreased from gain of \$678,426 thousand to gain of \$227,042 thousand for the years ended December 31, 2025 and 2024, respectively.

## 8. FINANCIAL ASSETS AT FVTOCI

	<u>December 31</u>	
	2025	2024
Investments in debt instruments at FVTOCI		
Domestic investments		
Government bonds	<u>\$ 653,324</u>	<u>\$ 654,599</u>

- a. Refer to Note 26 for information relating to the credit risk management and impairment of investments in debt instruments at FVTOCI.
- b. The financial assets at FVTOCI were not pledged as collateral.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2025	2024
Corporate bonds	\$ 1,699,988	\$ 1,599,987
Government bonds	900,144	949,930
Financial bonds	200,000	200,000
Foreign bonds	<u>8,864,386</u>	<u>7,603,611</u>
	11,664,518	10,353,528

(Continued)

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Less: Deposits in the Central Bank	\$ (299,897)	\$ (299,749)
Less: Loss allowance	<u>(14,141)</u>	<u>(14,054)</u>
	<u>\$ 11,350,480</u>	<u>\$ 10,039,725</u>
		(Concluded)

- a. The Group's gains on disposal of bonds resulting from repayments at maturities for the years ended December 31, 2025 and 2024 were \$5,073 thousand and \$220 thousand, respectively.
- b. Refer to Note 26 for information relating to their credit risk management and impairment.
- c. The financial assets at amortized cost were not pledged.

## 10. LOANS

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Secured loans	\$ 69,775	\$ 97,850
Less: Loss allowance	<u>(987)</u>	<u>(1,399)</u>
	<u>\$ 68,788</u>	<u>\$ 96,451</u>

Secured loans are secured by property and equipment. The Group applied IFRS 9 and assessed impairment in accordance with the regulation of "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises". Refer to Note 26 for information relating to the credit risk management and impairment for the years ended December 31, 2025 and 2024.

## 11. RECEIVABLES

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Notes receivable	\$ 181,126	\$ 192,200
Premiums receivables	2,751,247	2,744,520
Other receivables	<u>542,476</u>	<u>442,148</u>
	3,474,849	3,378,868
Less: Loss allowance	<u>(40,947)</u>	<u>(40,056)</u>
	<u>\$ 3,433,902</u>	<u>\$ 3,338,812</u>

The allowance for impairment loss was reconciled as follows:

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Beginning balance	\$ 40,056	\$ 40,438
Impairment losses recognized (reversed)	<u>891</u>	<u>(382)</u>
Ending balance	<u>\$ 40,947</u>	<u>\$ 40,056</u>

## 12. REINSURANCE ASSETS

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Claims and payments recoverable from reinsurers, net	\$ 663,125	\$ 665,331
Due from reinsurers and ceding companies, net	2,696,694	1,891,740
Reinsurance reserve assets		
Ceded unearned premium reserve	6,399,332	6,512,085
Ceded loss reserve	<u>16,242,781</u>	<u>8,243,568</u>
	<u>\$ 26,001,932</u>	<u>\$ 17,312,724</u>

### a. Claims and payments recoverable from reinsurers

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Gross carrying amount	\$ 669,921	\$ 672,052
Less: Loss allowance	<u>(6,796)</u>	<u>(6,721)</u>
	<u>\$ 663,125</u>	<u>\$ 665,331</u>

The allowance for impairment loss was reconciled as follows:

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Beginning balance	\$ 6,721	\$ 8,439
Impairment losses recognized (reversed)	<u>75</u>	<u>(1,718)</u>
Ending balance	<u>\$ 6,796</u>	<u>\$ 6,721</u>

### b. Due from reinsurers and ceding companies

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Gross carrying amount	\$ 3,018,933	\$ 2,200,214
Less: Loss allowance	<u>(322,239)</u>	<u>(308,474)</u>
	<u>\$ 2,696,694</u>	<u>\$ 1,891,740</u>

The allowance for impairment loss was reconciled as follows:

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Beginning balance	\$ 308,474	\$ 189,422
Impairment losses recognized	<u>13,765</u>	<u>119,052</u>
Ending balance	<u>\$ 322,239</u>	<u>\$ 308,474</u>

### 13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

<b>Investor</b>	<b>Investee</b>	<b>Nature of Activities</b>	<b>Proportion of Ownership (%)</b>	
			<b>December 31</b>	<b>December 31</b>
			<b>2025</b>	<b>2024</b>
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Operating non-life insurance business	100	100

### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Investments in associates	<u>\$ 2,553,784</u>	<u>\$ 2,406,891</u>

Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
The Group's share of:		
Profit (loss) from continuing operations	\$ 147,226	\$ (126,818)
Other comprehensive (loss) income	<u>(333)</u>	<u>216,132</u>
Total comprehensive income for the year	<u>\$ 146,893</u>	<u>\$ 89,314</u>

Investments were calculated based on financial statements which have not been audited. 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.

The investments accounted for using the equity method were not pledged.

## 15. PROPERTY AND EQUIPMENT

	<b>Computer Equipment</b>	<b>Other Equipment</b>	<b>Prepayments for Equipment</b>	<b>Total</b>
<u>Cost</u>				
Balance on January 1, 2024	\$ 782,198	\$ 253,437	\$ 49,466	\$ 1,085,101
Additions	30,654	69,612	64,898	165,164
Disposals	(5,181)	(28,965)	-	(34,146)
Reclassification	40,850	-	(53,299)	(12,449)
Foreign exchange	<u>-</u>	<u>1,062</u>	<u>-</u>	<u>1,062</u>
Balance on December 31, 2024	<u>\$ 848,521</u>	<u>\$ 295,146</u>	<u>\$ 61,065</u>	<u>\$ 1,204,732</u>
<u>Accumulated depreciation and impairment</u>				
Balance on January 1, 2024	\$ 446,204	\$ 172,740	\$ -	\$ 618,944
Depreciation expense	127,485	27,521	-	155,006
Disposals	(5,180)	(28,818)	-	(33,998)
Foreign exchange	<u>-</u>	<u>1,026</u>	<u>-</u>	<u>1,026</u>
Balance on December 31, 2024	<u>\$ 568,509</u>	<u>\$ 172,469</u>	<u>\$ -</u>	<u>\$ 740,978</u>
Carrying amounts on December 31, 2024	<u>\$ 280,012</u>	<u>\$ 122,677</u>	<u>\$ 61,065</u>	<u>\$ 463,754</u>
<u>Cost</u>				
Balance on January 1, 2025	\$ 848,521	\$ 295,146	\$ 61,065	\$ 1,204,732
Additions	27,188	27,133	12,071	66,392
Disposals	(1,902)	(17,424)	-	(19,326)
Reclassification	22,620	4,600	(71,522)	(44,302)
Foreign exchange	<u>-</u>	<u>(5,467)</u>	<u>-</u>	<u>(5,467)</u>
Balance on December 31, 2025	<u>\$ 896,427</u>	<u>\$ 303,988</u>	<u>\$ 1,614</u>	<u>\$ 1,202,029</u>
<u>Accumulated depreciation and impairment</u>				
Balance on January 1, 2025	\$ 568,509	\$ 172,469	\$ -	\$ 740,978
Depreciation expense	130,173	39,729	-	169,902
Disposals	(1,902)	(17,401)	-	(19,303)
Foreign exchange	<u>-</u>	<u>(5,282)</u>	<u>-</u>	<u>(5,282)</u>
Balance on December 31, 2025	<u>\$ 696,780</u>	<u>\$ 189,515</u>	<u>\$ -</u>	<u>\$ 886,295</u>
Carrying amounts on December 31, 2025	<u>\$ 199,647</u>	<u>\$ 114,473</u>	<u>\$ 1,614</u>	<u>\$ 315,734</u>

The above items of property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3-5 years
Other equipment	3-5 years

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
<u>Carrying amounts</u>		
Buildings	\$ 289,017	\$ 187,982
Transportation equipment	<u>10,596</u>	<u>9,417</u>
	<u>\$ 299,613</u>	<u>\$ 197,399</u>
Additions to right-of-use assets	<u>\$ 277,161</u>	<u>\$ 90,309</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 168,107	\$ 160,200
Transportation equipment	<u>3,186</u>	<u>2,906</u>
	<u>\$ 171,293</u>	<u>\$ 163,106</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Carrying amounts	<u>\$ 300,801</u>	<u>\$ 197,630</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Buildings	1.13%-8.57%	1.12%-8.57%
Transportation equipment	1.96%-2.76%	2.15%-2.76%

### c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Expenses relating to short-term leases	<u>\$ 24,592</u>	<u>\$ 34,366</u>
Total cash outflow for leases	<u>\$ 199,370</u>	<u>\$ 200,259</u>

The Group leases certain transportation equipment and buildings which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 17. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Other</b>	<b>Total</b>
<u>Cost</u>			
Balance on January 1, 2024	\$ 544,332	\$ 598	\$ 544,930
Additions	37,519	-	37,519
Reclassification	12,044	-	12,044
Others	-	(98)	(98)
Foreign exchange	<u>1,425</u>	<u>-</u>	<u>1,425</u>
Balance on December 31, 2024	<u>\$ 595,320</u>	<u>\$ 500</u>	<u>\$ 595,820</u>
<u>Accumulated amortization</u>			
Balance on January 1, 2024	\$ 423,090	\$ -	\$ 423,090
Amortization expense	67,185	-	67,185
Foreign exchange	<u>1,067</u>	<u>-</u>	<u>1,067</u>
Balance on December 31, 2024	<u>\$ 491,342</u>	<u>\$ -</u>	<u>\$ 491,342</u>
Carrying amounts on December 31, 2024	<u>\$ 103,978</u>	<u>\$ 500</u>	<u>\$ 104,478</u>
<u>Cost</u>			
Balance on January 1, 2025	\$ 595,320	\$ 500	\$ 595,820
Additions	35,881	-	35,881
Reclassification	44,302	-	44,302
Foreign exchange	<u>(7,487)</u>	<u>-</u>	<u>(7,487)</u>
Balance on December 31, 2025	<u>\$ 668,016</u>	<u>\$ 500</u>	<u>\$ 668,516</u>
<u>Accumulated amortization</u>			
Balance on January 1, 2025	\$ 491,342	\$ -	\$ 491,342
Amortization expense	61,023	-	61,023
Foreign exchange	<u>(5,960)</u>	<u>-</u>	<u>(5,960)</u>
Balance on December 31, 2025	<u>\$ 546,405</u>	<u>\$ -</u>	<u>\$ 546,405</u>
Carrying amounts on December 31, 2025	<u>\$ 121,611</u>	<u>\$ 500</u>	<u>\$ 122,111</u>

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	3 years
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## 18. OTHER ASSETS

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Deposits in the Central Bank	\$ 299,897	\$ 299,749
Statutory deposits	27,471	27,980
Other deposits	177,663	219,430
Prepayments	29,709	34,968
Others	<u>25,240</u>	<u>50,313</u>
	<u>\$ 559,980</u>	<u>\$ 632,440</u>

Refer to Note 29 for the information of the assets, including government bonds and time deposits, pledged as guarantee deposits of the Group.

## 19. PAYABLES

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Commissions payable	\$ 493,658	\$ 471,295
Due to reinsurers and ceding companies	2,568,220	2,090,086
Integrated income tax payable	670,533	499,959
Other payables	<u>1,367,717</u>	<u>1,334,050</u>
	<u>\$ 5,100,128</u>	<u>\$ 4,395,390</u>

## 20. INSURANCE LIABILITIES

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Unearned premium reserve	\$ 20,405,643	\$ 19,558,885
Loss reserve	29,780,570	18,932,743
Special reserve	1,872,313	1,792,120
Premium deficiency reserve	789	692
Policy reserve	<u>-</u>	<u>28</u>
	<u>\$ 52,059,315</u>	<u>\$ 40,284,468</u>

a. Unearned premium reserve

1) Details of unearned premium reserve and ceded unearned premium reserve

<b>December 31, 2025</b>				
<b>Insurance Type</b>	<b>Unearned Premium Reserve</b>		<b>Ceded Unearned Premium Reserve</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	
	Fire insurance	\$ 2,154,719	\$ 26,920	
Marine insurance	218,215	3,232	161,294	60,153
Land and air insurance	9,213,523	-	355,365	8,858,158
Liability insurance	1,824,448	7,404	470,844	1,361,008
Guarantee insurance	53,666	1,376	39,581	15,461
Other property insurance	2,981,168	38,897	2,564,379	455,686
Accident insurance	1,724,178	4,257	84,395	1,644,040
Health insurance	55,102	-	23,658	31,444
Policy-oriented residential earthquake insurance	257,008	38,150	257,008	38,150
Compulsory automobile liability insurance	<u>1,313,337</u>	<u>490,043</u>	<u>788,002</u>	<u>1,015,378</u>
	<u>\$ 19,795,364</u>	<u>\$ 610,279</u>	<u>\$ 6,399,332</u>	<u>\$ 14,006,311</u>
<b>December 31, 2024</b>				
<b>Insurance Type</b>	<b>Unearned Premium Reserve</b>		<b>Ceded Unearned Premium Reserve</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	
	Fire insurance	\$ 2,450,514	\$ 29,210	
Marine insurance	225,031	2,788	166,845	60,974
Land and air insurance	8,644,774	96	427,433	8,217,437
Liability insurance	1,666,668	1,353	428,527	1,239,494
Guarantee insurance	56,420	682	37,346	19,756
Other property insurance	2,608,024	40,650	2,199,512	449,162
Accident insurance	1,710,424	4,081	97,548	1,616,957
Health insurance	50,951	-	-	50,951
Policy-oriented residential earthquake insurance	248,913	37,433	248,914	37,432
Compulsory automobile liability insurance	<u>1,292,594</u>	<u>488,279</u>	<u>775,557</u>	<u>1,005,316</u>
	<u>\$ 18,954,313</u>	<u>\$ 604,572</u>	<u>\$ 6,512,085</u>	<u>\$ 13,046,800</u>

2) Reconciliation of unearned premium reserve and ceded unearned premium reserve

	<b>For the Year Ended December 31</b>			
	<b>2025</b>		<b>2024</b>	
	<b>Unearned Premium Reserves</b>	<b>Ceded Unearned Premium Reserve</b>	<b>Unearned Premium Reserves</b>	<b>Ceded Unearned Premium Reserve</b>
Beginning balance	\$ 19,558,885	\$ 6,512,085	\$ 17,487,375	\$ 5,538,053
Provision	20,406,194	6,399,615	19,557,495	6,511,396
Recovery	(19,551,539)	(6,498,527)	(17,514,938)	(5,542,646)
Foreign exchange	<u>(7,897)</u>	<u>(13,841)</u>	<u>28,953</u>	<u>5,282</u>
Ending balance	<u>\$ 20,405,643</u>	<u>\$ 6,399,332</u>	<u>\$ 19,558,885</u>	<u>\$ 6,512,085</u>

b. Loss reserve

1) Loss reserve and ceded loss reserve

	<b>December 31, 2025</b>			
	<b>Loss Reserve</b>		<b>Ceded Loss Reserve</b>	
	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
Filed but not yet paid	\$ 15,678,262	\$ 668,032	\$ 9,469,558	\$ 6,876,736
Not yet filed	<u>12,928,071</u>	<u>506,205</u>	<u>6,773,223</u>	<u>6,661,053</u>
	<u>\$ 28,606,333</u>	<u>\$ 1,174,237</u>	<u>\$ 16,242,781</u>	<u>\$ 13,537,789</u>
	<b>December 31, 2024</b>			
	<b>Loss Reserve</b>		<b>Ceded Loss Reserve</b>	
	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
Filed but not yet paid	\$ 10,432,690	\$ 886,929	\$ 5,727,594	\$ 5,592,025
Not yet filed	<u>7,116,113</u>	<u>497,011</u>	<u>2,515,974</u>	<u>5,097,150</u>
	<u>\$ 17,548,803</u>	<u>\$ 1,383,940</u>	<u>\$ 8,243,568</u>	<u>\$ 10,689,175</u>

2) Net changes in loss reserve and ceded loss reserve

For the year ended December 31, 2025

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	Loss Reserve (5)=(1)-(2)+ (3)-(4)
Filed but not yet paid	\$ 15,715,866	\$ 10,451,016	\$ 668,032	\$ 886,929	\$ 5,045,953
Not yet filed	<u>12,892,647</u>	<u>7,076,155</u>	<u>506,205</u>	<u>497,011</u>	<u>5,825,686</u>
	<u>\$ 28,608,513</u>	<u>\$ 17,527,171</u>	<u>\$ 1,174,237</u>	<u>\$ 1,383,940</u>	<u>\$ 10,871,639</u>

Items	Ceded Reinsurance Business		Net Changes in
	Provision (6)	Recovery (7)	Ceded Loss Reserve (8)=(6)-(7)
Filed but not yet paid	\$ 9,488,629	\$ 5,729,831	\$ 3,758,798
Not yet filed	<u>6,755,883</u>	<u>2,495,864</u>	<u>4,260,019</u>
	<u>\$ 16,244,512</u>	<u>\$ 8,225,695</u>	<u>\$ 8,018,817</u>

For the year ended December 31, 2024

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	Loss Reserve (5)=(1)-(2)+ (3)-(4)
Filed but not yet paid	\$ 10,468,257	\$ 7,082,822	\$ 886,929	\$ 989,786	\$ 3,282,578
Not yet filed	<u>7,076,591</u>	<u>5,880,217</u>	<u>497,011</u>	<u>522,105</u>	<u>1,171,280</u>
	<u>\$ 17,544,848</u>	<u>\$ 12,963,039</u>	<u>\$ 1,383,940</u>	<u>\$ 1,511,891</u>	<u>\$ 4,453,858</u>

Items	Ceded Reinsurance Business		Net Changes in
	Provision (6)	Recovery (7)	Ceded Loss Reserve (8)=(6)-(7)
Filed but not yet paid	\$ 5,744,580	\$ 3,133,967	\$ 2,610,613
Not yet filed	<u>2,496,354</u>	<u>1,967,463</u>	<u>528,891</u>
	<u>\$ 8,240,934</u>	<u>\$ 5,101,430</u>	<u>\$ 3,139,504</u>

3) Details of claims filed but not yet paid and claims not yet filed of policyholders

Insurance Type	December 31, 2025		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 4,555,550	\$ 4,482,911	\$ 9,038,461
Marine insurance	822,002	434,137	1,256,139
Land and air insurance	3,072,253	3,076,375	6,148,628
Liability insurance	1,133,567	1,648,010	2,781,577
Guarantee insurance	62,969	16,820	79,789
Other property insurance	5,870,329	1,299,457	7,169,786
Accident insurance	226,685	811,814	1,038,499
Health insurance	6,494	83,629	90,123
Policy-oriented residential earthquake insurance	-	153	153
Compulsory automobile liability insurance	<u>596,445</u>	<u>1,580,970</u>	<u>2,177,415</u>
	<u>\$ 16,346,294</u>	<u>\$ 13,434,276</u>	<u>\$ 29,780,570</u>

Insurance Type	December 31, 2024		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 5,074,743	\$ 494,333	\$ 5,569,076
Marine insurance	894,316	376,131	1,270,447
Land and air insurance	2,398,458	2,318,718	4,717,176
Liability insurance	944,002	1,222,057	2,166,059
Guarantee insurance	50,647	35,091	85,738
Other property insurance	1,192,471	895,506	2,087,977
Accident insurance	218,429	618,349	836,778
Health insurance	5,191	71,254	76,445
Policy-oriented residential earthquake insurance	800	330	1,130
Compulsory automobile liability insurance	<u>540,562</u>	<u>1,581,355</u>	<u>2,121,917</u>
	<u>\$ 11,319,619</u>	<u>\$ 7,613,124</u>	<u>\$ 18,932,743</u>

4) Details of ceded loss reserve for claims filed but not yet paid and claims not yet filed of policyholders

Insurance Type	December 31, 2025		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 3,141,941	\$ 4,080,761	\$ 7,222,702
Marine insurance	649,622	302,728	952,350
Land and air insurance	112,884	98,349	211,233
Liability insurance	575,758	601,269	1,177,027
Guarantee insurance	14,331	6,153	20,484
Other property insurance	4,730,859	940,118	5,670,977
Accident insurance	14,139	64,732	78,871
Health insurance	210	5,711	5,921
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>229,814</u>	<u>673,402</u>	<u>903,216</u>
	<u>\$ 9,469,558</u>	<u>\$ 6,773,223</u>	<u>\$ 16,242,781</u>

Insurance Type	December 31, 2024		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 3,480,060	\$ 293,145	\$ 3,773,205
Marine insurance	721,929	248,445	970,374
Land and air insurance	98,993	64,885	163,878
Liability insurance	448,593	461,020	909,613
Guarantee insurance	10,802	21,750	32,552
Other property insurance	765,261	689,664	1,454,925
Accident insurance	8,750	58,129	66,879
Health insurance	-	931	931
Policy-oriented residential earthquake insurance	800	-	800
Compulsory automobile liability insurance	<u>192,406</u>	<u>678,005</u>	<u>870,411</u>
	<u>\$ 5,727,594</u>	<u>\$ 2,515,974</u>	<u>\$ 8,243,568</u>

5) Reconciliation of loss reserve and ceded loss reserve

	For the Year Ended December 31			
	2025		2024	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	\$ 18,932,743	\$ 8,243,568	\$ 14,473,113	\$ 5,099,991
Provision	29,782,750	16,244,512	18,928,788	8,240,934
Recovery	(18,911,111)	(8,225,695)	(14,474,930)	(5,101,430)
Foreign exchange	<u>(23,812)</u>	<u>(19,604)</u>	<u>5,772</u>	<u>4,073</u>
Ending balance	<u>\$ 29,780,570</u>	<u>\$ 16,242,781</u>	<u>\$ 18,932,743</u>	<u>\$ 8,243,568</u>

c. Special reserve

1) Special reserve for compulsory automobile liability insurance

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Beginning balance	\$ 1,388,959	\$ 1,070,300
Provision	179,385	321,770
Recovery	<u>(4,530)</u>	<u>(3,111)</u>
Ending balance	<u>\$ 1,563,814</u>	<u>\$ 1,388,959</u>

In accordance with Article 2 of the Compulsory Automobile Liability Insurance Act and Article 24-2, Paragraph 1 of the Deposit and Withdrawal Methods of Various Reserves in the Insurance Industry, as authorized by Article 145, Paragraph 2 and Article 148-3, Paragraph 2 of the Insurance Act, for the years ended December 31, 2025 and 2024, NT\$15 and NT\$30 per insurance contract will be set aside as this reserve, respectively, recognized as expenses in its own compulsory automobile liability insurance business. In the case of a deficit in the annual net insurance premium in the business run by a property insurance company in the future, the deficit shall be compensated with the special reserve first; if there is still any shortage, it shall be handled in accordance with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

2) Special reserve for all insurances other than compulsory automobile liability insurance

	<b>For the Year Ended December 31, 2025</b>		
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Total</b>
Beginning balance	\$ 94,662	\$ 308,499	\$ 403,161
Provision	-	-	-
Recovery	<u>(94,662)</u>	<u>-</u>	<u>(94,662)</u>
Ending balance	<u>\$ -</u>	<u>\$ 308,499</u>	<u>\$ 308,499</u>
	<b>For the Year Ended December 31, 2024</b>		
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Total</b>
Beginning balance	\$ 374,537	\$ 308,499	\$ 683,036
Provision	-	-	-
Recovery	<u>(279,875)</u>	<u>-</u>	<u>(279,875)</u>
Ending balance	<u>\$ 94,662</u>	<u>\$ 308,499</u>	<u>\$ 403,161</u>

If the Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises (formerly, Directions for Strengthening Natural Disaster Insurance (Commercial Earthquake, Typhoon and Flood Insurance) Reserve by Non-Life Insurance Enterprises), Directions for Strengthening the Reserve Provision Made by the Co-Insurance Members Undertaking the Taiwan Residential Earthquake Insurance, and Directions for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises were not applied, the Group's pre-tax income/loss would decrease by \$94,662 thousand and \$279,875 thousand for the years ended December 31, 2025 and 2024, respectively. The special reserve under liabilities would decrease by \$0 thousand and \$94,662 thousand, and the special reserve under equity would increase by \$163,489 thousand and \$239,520 thousand. Earnings

per share would decrease by \$0.38 and \$1.12 for the years ended December 31, 2025 and 2024, respectively, when the Group did not apply to the notices and regulations.

d. Premium deficiency reserves

1) Details of premium deficiency reserve and ceded premium deficiency reserve

Insurance Type	December 31, 2025			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ -	\$ -	\$ -	\$ -
Marine insurance	47	742	-	789
Land and air insurance	-	-	-	-
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ 47</u>	<u>\$ 742</u>	<u>\$ -</u>	<u>\$ 789</u>

Insurance Type	December 31, 2024			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ 409	\$ -	\$ -	\$ 409
Marine insurance	20	143	-	163
Land and air insurance	-	120	-	120
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ 429</u>	<u>\$ 263</u>	<u>\$ -</u>	<u>\$ 692</u>

2) Net loss recognized for premium deficiency reserve, net changes in premium deficiency reserve and ceded premium deficiency reserve

For the Year Ended December 31, 2025									
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$ -	\$ 409	\$ -	\$ -	\$ (409)	\$ -	\$ -	\$ -	\$ (409)
Marine insurance	47	20	742	143	626	-	-	-	626
Land and air insurance	-	-	-	120	(120)	-	-	-	(120)
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ 47</u>	<u>\$ 429</u>	<u>\$ 742</u>	<u>\$ 263</u>	<u>\$ 97</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97</u>

For the Year Ended December 31, 2024									
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$ 409	\$ -	\$ -	\$ -	\$ 409	\$ -	\$ -	\$ -	\$ 409
Marine insurance	20	12	143	-	151	-	-	-	151
Land and air insurance	-	-	120	-	120	-	-	-	120
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ 429</u>	<u>\$ 12</u>	<u>\$ 263</u>	<u>\$ -</u>	<u>\$ 680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 680</u>

3) Reconciliation statement for premium deficiency reserve and ceded premium deficiency reserve

	For the Year Ended December 31			
	2025		2024	
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve
Beginning balance	\$ 692	\$ -	\$ 12	\$ -
Provision	789	-	692	-
Recovery	(692)	-	(12)	-
Ending balance	<u>\$ 789</u>	<u>\$ -</u>	<u>\$ 692</u>	<u>\$ -</u>

e. Policy reserve

1) Details of policy reserve and ceded policy reserve

December 31, 2025

Insurance Type	Policy Reserve		Ceded Reserve	Retained Business
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	(4)=(1)+(2)-(3)
Health insurance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2024

Insurance Type	Policy Reserve		Ceded Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	\$ 28	\$ -	\$ -	\$ 28

2) Net changes in policy reserve and ceded policy reserve

For the year ended December 31, 2025

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve (5)=(1)-(2)+(3)-(4)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	
Health insurance	\$ -	\$ 28	\$ -	\$ -	\$ (28)

Insurance Type	Ceded Reinsurance Business		Net Changes in Ceded Policy Reserve (8)=(6)-(7)
	Provision (6)	Recovery (7)	
Health insurance	\$ -	\$ -	\$ -

For the year ended December 31, 2024

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve (5)=(1)-(2)+(3)-(4)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	
Health insurance	\$ -	\$ 60	\$ -	\$ -	\$ (60)

Insurance Type	Ceded Reinsurance Business		Net Changes in Ceded Policy Reserve (8)=(6)-(7)
	Provision (6)	Recovery (7)	
Health insurance	\$ -	\$ -	\$ -

## 21. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

b. Defined benefit plans

The defined benefit plans adopted by the Company of the Group in accordance with 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 6 months before retirement. The Company contributes amounts equal to 3.14% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Present value of defined benefit obligation	\$ 939,274	\$ 914,465
Fair value of plan assets	<u>(647,227)</u>	<u>(564,583)</u>
Provision, net defined benefit liabilities	<u>\$ 292,047</u>	<u>\$ 349,882</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance on January 1, 2024	<u>\$ 874,657</u>	<u>\$ (447,085)</u>	<u>\$ 427,572</u>
Service cost			
Current service cost	20,386	-	20,386
Net interest expense (income)	<u>10,507</u>	<u>(5,524)</u>	<u>4,983</u>
Recognized in profit or loss	<u>30,893</u>	<u>(5,524)</u>	<u>25,369</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(38,229)	(38,229)
Actuarial (gain) loss			
Changes in financial assumptions	(36,743)	-	(36,743)
Experience adjustments	<u>100,572</u>	<u>-</u>	<u>100,572</u>
Recognized in other comprehensive income	<u>63,829</u>	<u>(38,229)</u>	<u>25,600</u>
Contributions from the employer	-	(117,239)	(117,239)
Benefits paid	<u>(54,914)</u>	<u>43,494</u>	<u>(11,420)</u>
Balance on December 31, 2024	<u>914,465</u>	<u>(564,583)</u>	<u>349,882</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Service cost			
Current service cost	\$ 21,353	\$ -	\$ 21,353
Net interest expense (income)	<u>14,601</u>	<u>(9,238)</u>	<u>5,363</u>
Recognized in profit or loss	<u>35,954</u>	<u>(9,238)</u>	<u>26,716</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(36,953)	(36,953)
Actuarial (gain) loss			
Changes in financial assumptions	23,839	-	23,839
Experience adjustments	<u>9,824</u>	<u>-</u>	<u>9,824</u>
Recognized in other comprehensive income	<u>33,663</u>	<u>(36,953)</u>	<u>(3,290)</u>
Contributions from the employer	-	(78,064)	(78,064)
Benefits paid	<u>(44,808)</u>	<u>41,611</u>	<u>(3,197)</u>
Balance on December 31, 2025	<u>\$ 939,274</u>	<u>\$ (647,227)</u>	<u>\$ 292,047</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Group 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 the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the 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 are as follows:

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Discount rate(s)	1.36%	1.63%
Expected rate(s) of salary increase	1.50%	1.50%

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

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Discount rate(s)		
0.25% increase	<u>\$ (21,603)</u>	<u>\$ (21,947)</u>
0.25% decrease	<u>\$ 22,543</u>	<u>\$ 22,862</u>
Expected rate(s) of salary increase		
0.50% increase	<u>\$ 43,207</u>	<u>\$ 45,723</u>
0.50% decrease	<u>\$ (41,328)</u>	<u>\$ (42,980)</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.

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Expected contributions to the plans for the next year	<u>\$ 41,340</u>	<u>\$ 41,710</u>
Average duration of the defined benefit obligation	9.2 years	9.7 years

## 22. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Shares authorized (in thousands of shares)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>200,000</u>	<u>200,000</u>
Shares issued	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

### b. Capital surplus

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of ordinary shares	\$ 7,806,316	\$ 7,806,316
<u>May only be used to offset a deficit</u>		
Recognition of employee share options by the parent company	<u>54,817</u>	<u>54,817</u>
	<u>\$ 7,861,133</u>	<u>\$ 7,861,133</u>

Note: The capital surplus from shares issued in excess of par (share premium from the issuance of ordinary shares) may be used to offset a deficit. In addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital. However, under Rule No. 10202501991 issued by the FSC, the Company can distribute its capital surplus pursuant to Article 241 of the Company Act only if the Company's legal reserve exceeds its paid-in capital, other conditions requested under the Rule are met, and the related information is delivered and approved by the authority.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 20% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. In formulating its dividend policy, the Company considers both its operating needs and the shareholders' interests. Thus, dividends are distributed after the Company reserves the cash requirement for future capital expenditures. For the policies on the distribution of employees' compensation and remuneration to directors and supervisors, refer to Note 23.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserves may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. However, under Rule No. 10202501991 issued by the FSC, the Company can distribute its capital surplus pursuant to Article 241 of the Company Act only if the Company's legal reserve exceeds its paid-in capital, other conditions requested under the Rule are met and the related information is delivered and approved by the authority.

Under Rule No. 11004920441, Rule No. 10904939031 and Rule No. 10804932431 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRS Accounting Standards", the Company should appropriate or reverse to a special reserve.

The appropriations of earnings for 2024 and 2023, which were resolved by the board of directors, which acted on behalf of the shareholders, separately on April 29, 2025 and April 30, 2024, respectively, were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2024</b>	<b>2023</b>
Legal reserve	\$ 527,324	\$ 249,102
Special reserve (according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises)	634,193	694,129
Special reserve (FinTech development)	(707)	(631)
Special reserve (according to Rule No. 10904939031)	18,320	13,057
Cash dividends	1,457,492	289,854
Cash dividends per shares (NT\$)	7.29	1.45

The appropriation of earnings for 2025, which was proposed by the Company's board of directors on March 10, 2026, was as follows:

	<b>For the Year Ended December 31, 2025</b>
Legal reserve	\$ 751,449
Special reserve (according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises)	678,667
Special reserve (FinTech development)	(567)
Special reserve (according to Rule No. 10904939031)	21,108
Cash dividends	2,306,589
Cash dividends per shares (NT\$)	11.53

The appropriation of earnings for 2025 will be resolved by the board of directors, which will act on behalf of the shareholders, in their meeting to be held in 2026.

d. Special reserve

	<b>For the Year Ended December 31, 2025</b>				
	<b>Special Reserve</b>				
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Others</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 1,046,427	\$ 4,213,400	\$ -	\$ 66,937	\$ 5,326,764
Provision	296,793	590,139	-	21,108	908,040
Recovered/reversal	-	(208,265)	-	(707)	(208,972)
Ending balance	<u>\$ 1,343,220</u>	<u>\$ 4,595,274</u>	<u>\$ -</u>	<u>\$ 87,338</u>	<u>\$ 6,025,832</u>

	<b>For the Year Ended December 31, 2024</b>				
	<b>Special Reserve</b>				
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Others</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 786,571	\$ 3,839,063	\$ -	\$ 49,248	\$ 4,674,882
Provision	259,856	499,119	-	18,320	777,295
Recovered/reversal	-	(124,782)	-	(631)	(125,413)
Ending balance	<u>\$ 1,046,427</u>	<u>\$ 4,213,400</u>	<u>\$ -</u>	<u>\$ 66,937</u>	<u>\$ 5,326,764</u>

According to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, the increased reserved amounts of special reserve for catastrophic events and the special reserve for fluctuation of risk should be recognized at the end of each year. This portion of retained earnings cannot be used for any purpose.

e. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Beginning balance	\$ (232,465)	\$ (329,230)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	(51,484)	9,625
Share from associates accounted for using the equity method	<u>9,260</u>	<u>87,140</u>
Other comprehensive (loss) income recognized for the year	<u>(42,224)</u>	<u>96,765</u>
Ending balance	<u>\$ (274,689)</u>	<u>\$ (232,465)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Beginning balance	\$ 32,841	\$ (79,179)
Recognized for the year		
Unrealized gain (loss) - debt instruments	6,148	(16,981)
Adjustments of loss allowance in debt instruments	5	9
Shares from associates accounted for using the equity method	<u>(9,593)</u>	<u>128,992</u>
Other comprehensive (loss) income recognized for the year	<u>(3,440)</u>	<u>112,020</u>
Changes from investments in associates accounted for using equity method	<u>(2,368)</u>	<u>-</u>
Ending balance	<u>\$ 27,033</u>	<u>\$ 32,841</u>

3) Remeasurement of defined benefit plans

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Beginning balance	\$ (174,975)	\$ (154,495)
Remeasurement of defined benefit plans	3,290	(25,600)
Tax effects	<u>(658)</u>	<u>5,120</u>
Other comprehensive income recognized for the year	<u>2,632</u>	<u>(20,480)</u>
Ending balance	<u>\$ (172,343)</u>	<u>\$ (174,975)</u>

4) Other comprehensive income reclassified under the overlay approach

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Beginning balance	\$ 900,674	\$ 470,943
Recognized for the year	689,421	1,027,775
Reclassification adjustments		
Disposal of financial instruments	(889,725)	(576,391)
Tax effects	26,195	(21,653)
Other comprehensive (loss) income recognized for the year	<u>(174,109)</u>	<u>429,731</u>
Ending balance	<u>\$ 726,565</u>	<u>\$ 900,674</u>

**23. PROFIT BEFORE INCOME TAX**

a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Bank deposits	\$ 113,953	\$ 103,622
Financial instruments at FVTPL	262,122	242,016
Financial assets at amortized cost	474,782	441,446
Others	<u>101,749</u>	<u>71,779</u>
	<u>\$ 952,606</u>	<u>\$ 858,863</u>

b. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Short-term employee benefits		
Salaries and wages	\$ 3,482,551	\$ 3,534,567
Labor and health insurance	338,902	318,881
Post-employment benefits		
Defined contribution plans	121,061	113,686
Defined benefit plans (Note 21)	26,716	25,369
Remuneration of directors	41,691	33,364
Other employee benefits	<u>73,054</u>	<u>68,324</u>
	<u>\$ 4,083,975</u>	<u>\$ 4,094,191</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 429,126	\$ 429,488
Operating expenses	<u>3,654,849</u>	<u>3,664,703</u>
	<u>\$ 4,083,975</u>	<u>\$ 4,094,191</u>

For the years ended December 31, 2025 and 2024, the Group's average number of employees were 2,557 and 2,528, respectively. There were 2,579 and 2,574 employees, which include both 7 directors not serving concurrently as employees, in the Group as of December 31, 2025 and 2024, respectively.

c. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 0.1% and no higher than 1.5%, respectively, of net profit before income tax, compensation of employees and remuneration of directors and supervisors. The estimated compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2025 and 2024, which were approved by the Company's board of directors on March 10, 2026 and March 5, 2025, are as follows:

Accrual rate

	<b><u>For the Year Ended December 31</u></b>	
	<b>2025</b>	<b>2024</b>
Compensation of employees	0.10%	0.10%
Remuneration of directors and supervisors	0.09%	0.12%

Amount

	<b><u>For the Year Ended December 31</u></b>	
	<b>2025</b>	<b>2024</b>
Compensation of employees	\$ 4,422	\$ 3,915
Remuneration of directors and supervisors	3,900	3,900

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

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

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

d. Depreciation and amortization

	<b><u>For the Year Ended December 31</u></b>	
	<b>2025</b>	<b>2024</b>
Right-of-use assets	\$ 171,293	\$ 163,106
Property and equipment	169,902	155,006
Intangible assets	<u>61,023</u>	<u>67,185</u>
	<b><u>\$ 402,218</u></b>	<b><u>\$ 385,297</u></b>
An analysis of depreciation by function		
Operating expenses	<u>\$ 341,195</u>	<u>\$ 318,112</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 61,023</u>	<u>\$ 67,185</u>

## 24. INCOME TAX

a. Major components of income tax expense recognized are as follows

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Current tax		
In respect of the current year	\$ 715,377	\$ 527,096
Adjustment for prior year	<u>(31,172)</u>	<u>4,567</u>
	<u>684,205</u>	<u>531,663</u>
Deferred tax		
In respect of the current year	(41,386)	26,576
Adjustment for prior year	<u>18,289</u>	<u>(119)</u>
	<u>(23,097)</u>	<u>26,457</u>
Income tax expense recognized in profit or loss	<u>\$ 661,108</u>	<u>\$ 558,120</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Profit before tax	<u>\$ 4,415,986</u>	<u>\$ 3,194,742</u>
Income tax expense calculated at the statutory rate of the Group's parent company	\$ 883,197	\$ 638,948
Tax-exempt income	(179,490)	(111,121)
Effect of different tax rates of group entities operating in other jurisdictions	1,476	5,149
Adjustments for prior years' tax	(12,883)	4,448
Others	<u>(31,192)</u>	<u>20,696</u>
Income tax expense recognized in profit or loss	<u>\$ 661,108</u>	<u>\$ 558,120</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
<u>Deferred tax</u>		
In respect of the current year		
Other comprehensive losses reclassified under overlay approach	\$ (26,195)	\$ 21,653
Remeasurement of defined benefit plans	<u>658</u>	<u>(5,120)</u>
Total income tax recognized in other comprehensive income	<u>\$ (25,537)</u>	<u>\$ 16,533</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2025

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
FVTPL financial assets	\$ 62,289	\$ (9,461)	\$ -	\$ -	\$ 52,828
Defined benefit obligations	93,221	(18,324)	(658)	-	74,239
Allowance for loss	60,399	1,251	-	-	61,650
Others	217	(217)	-	-	-
Loss carryforwards	<u>4,369,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,369,837</u>
	<u>\$ 4,585,963</u>	<u>\$ (26,751)</u>	<u>\$ (658)</u>	<u>\$ -</u>	<u>\$ 4,558,554</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Other comprehensive income (loss) reclassified under the overlay approach	\$ 40,562	\$ -	\$ (26,195)	\$ -	\$ 14,367
Unrealized foreign exchange gains and losses	134,161	(49,848)	-	15	84,328
Associates	<u>270,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,948</u>
	<u>\$ 445,671</u>	<u>\$ (49,848)</u>	<u>\$ (26,195)</u>	<u>\$ 15</u>	<u>\$ 369,643</u>

For the year ended December 31, 2024

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
FVTPL financial assets	\$ 18,361	\$ 43,928	\$ -	\$ -	\$ 62,289
Defined benefit obligations	88,150	(49)	5,120	-	93,221
Allowance for loss	36,401	23,998	-	-	60,399
Others	173	44	-	-	217
Loss carryforwards	<u>4,369,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,369,837</u>
	<u>\$ 4,512,922</u>	<u>\$ 67,921</u>	<u>\$ 5,120</u>	<u>\$ -</u>	<u>\$ 4,585,963</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Other comprehensive income (loss) reclassified under the overlay approach	\$ 18,909	\$ -	\$ 21,653	\$ -	\$ 40,562
Unrealized foreign exchange gains and losses	39,779	94,378	-	4	134,161
Associates	<u>270,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,948</u>
	<u>\$ 329,636</u>	<u>\$ 94,378</u>	<u>\$ 21,653</u>	<u>\$ 4</u>	<u>\$ 445,671</u>

d. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Investment accounted for using the equity method	<u>\$ 566,266</u>	<u>\$ 670,413</u>

e. Unused loss carryforwards

Loss carryforwards as of December 31, 2025 comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
<u>\$ 21,849,185</u>	2032

f. Income tax assessments

Income tax returns through 2019 of the Company have been assessed by the tax authorities.

g. Pillar Two Income Tax Legislation

The Company's Vietnam subsidiary is incorporated in Vietnam, where the Pillar Two income tax legislation was enacted and became effective from January 1, 2024. The enactment of this legislation has no material impact on the Group's current income tax expense. The Group will continue to monitor and assess the potential impact of the Pillar Two income tax legislation on its future financial performance.

## 25. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	<b><u>For the Year Ended December 31</u></b>	
	<b>2025</b>	<b>2024</b>
Profit for the year attributable to owners of the Company	<u>\$ 3,754,878</u>	<u>\$ 2,636,622</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2025</b>	<b>2024</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>200,000</u>	<u>200,000</u>

## 26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

December 31, 2025

	<b>Carrying Amount</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets</u>					
Financial assets at amortized cost	<u>\$ 11,350,480</u>	<u>\$ -</u>	<u>\$ 10,971,493</u>	<u>\$ -</u>	<u>\$ 10,971,493</u>
<u>Other assets</u>					
Domestic government bonds (deposits in the Central Bank)	<u>\$ 299,897</u>	<u>\$ -</u>	<u>\$ 298,369</u>	<u>\$ -</u>	<u>\$ 298,369</u>

December 31, 2024

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 10,039,725	\$ -	\$ 9,502,171	\$ -	\$ 9,502,171
Other assets					
Domestic government bonds (deposits in the Central Bank)	\$ 299,749	\$ -	\$ 294,726	\$ -	\$ 294,726

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

1) Fair value hierarchy

December 31, 2025

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 37,087	\$ -	\$ 37,087
Listed shares	10,065,542	-	-	10,065,542
Beneficiary certificates	4,300,969	-	-	4,300,969
Domestic financial bonds	-	276,637	-	276,637
	<u>\$ 14,366,511</u>	<u>\$ 313,724</u>	<u>\$ -</u>	<u>\$ 14,680,235</u>
Financial assets at FVTOCI				
Domestic government bonds	<u>\$ -</u>	<u>\$ 653,324</u>	<u>\$ -</u>	<u>\$ 653,324</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 213,942</u>	<u>\$ -</u>	<u>\$ 213,942</u>

December 31, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed shares	\$ 7,743,911	\$ -	\$ -	\$ 7,743,911
Beneficiary certificates	6,493,778	-	-	6,493,778
Domestic financial bonds	-	258,337	-	258,337
	<u>\$ 14,237,689</u>	<u>\$ 258,337</u>	<u>\$ -</u>	<u>\$ 14,496,026</u>
Financial assets at FVTOCI				
Domestic government bonds	<u>\$ -</u>	<u>\$ 654,599</u>	<u>\$ -</u>	<u>\$ 654,599</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 224,161</u>	<u>\$ -</u>	<u>\$ 224,161</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Derivatives - currency swaps contract	Discounted cash flow.  Future cash flows are estimated based on observable forward exchange rates at the end of the reporting year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Domestic financial bonds	Quotation by Taipei Exchange
Domestic government bonds	Reference to quotation by the investment system

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 14,680,235	\$ 14,496,026
Financial assets at amortized cost (1)	30,643,300	25,196,331
Financial assets at FVTOCI		
Debt instruments	653,324	654,599
<u>Financial liabilities</u>		
FVTPL		
Held for trading	213,942	224,161
Amortized cost (2)	5,100,128	4,395,390

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, receivables, financial assets at amortized cost, loans, and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, derivatives, receivables and payables. The major risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

Market risk is the risk that changes in market risk factors, such as exchange rate, product price, interest rate, credit spread, and stock price, may decrease the Group's income or value of investment portfolio.

The Group continues to use market risk management tools such as value at risk ("VaR") and stress testing to completely and effectively measure, monitor and manage market risk.

a) Value at Risk

VaR is used to measure the maximum potential loss of a portfolio in a given period and confidence level when the market risk factors change. The Group calculates VaR on the next day (week or two weeks) at a 99% confidence level.

b) Stress testing

In addition to the VaR model, the Group periodically uses stress testing to assess the potential risk of extreme and abnormal events.

The Group conducts stress testing regularly on positions by simple sensitivity analysis tests and scenario analysis. Such tests cover the losses on positions resulting from changes of various risk factors in various historical scenarios.

i. Simple sensitivity test

Simple sensitivity test measures the changes in value of the investment portfolio caused by specific risk factors.

ii. Scenario analysis

Scenario analysis measures the changes in the total value of the investment portfolio under a stress event, including the following scenarios:

i) Historical scenario

By considering the fluctuations in risk factors during a specific historical event, the Group evaluates that losses would be incurred for the current investment portfolio in the event.

ii) Hypothetical scenario

The Group simulates rational expectations for possible extreme market changes to evaluate the losses incurred for the investment positions by considering the fluctuations in related risk factors and the relevance between the investment targets and the risk factors.

The risk management department performs stress testing with historical and hypothetical scenarios regularly. The Group's risk analysis, early warning, and business management are in accordance with the stress testing report.

<b>Table of Stress Testing</b>			
<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Equity price risk (index)	-10%	\$ (1,386,476)	\$ (1,369,416)
Interest rate risk (yield curve)	+20bps	(192,023)	(166,666)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(196,354)	(144,208)

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

Note 3: Information of subsidiaries is not disclosed due to immaterial effects on disclosures for consolidation of subsidiaries.

i) Foreign currency risk

The Group has foreign currency-denominated assets and liabilities, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 31.

ii) Price risk

The Group was exposed to equity price risk through its investments in listed shares and beneficiary certificates.

iii) Sensitivity analysis

<b>For the Year Ended December 31, 2025</b>			
<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>
Foreign currency risk sensitivity	USD appreciates 1%	\$ 46,038	\$ 5,180
	CNY appreciates 1%	772	-
	HKD appreciates 1%	261	-
	EUR appreciates 1%	10	-
	VND appreciates 1%	-	6,903
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(7,344)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(10)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,537)	(641)
Equity securities price sensitivity	Increases 1% in equity price	-	138,648
<b>For the Year Ended December 31, 2024</b>			
<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>
Foreign currency risk sensitivity	USD appreciates 1%	\$ 33,506	\$ 8,094
	CNY appreciates 1%	747	-
	HKD appreciates 1%	58	175
	EUR appreciates 1%	9	-
	VND appreciates 1%	-	7,330
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,610)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(17)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(2,080)	(700)
Equity securities price sensitivity	Increases 1% in equity price	-	136,942

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

Note 3: Impacts of changes in profit or loss are not included in those of changes in equity.

Note 4: Information of subsidiaries is not disclosed due to immaterial effects on disclosures for consolidation of subsidiaries.

## 2) Credit risk

a) The Group's credit risk exposure of financial transactions includes issuer credit risk, counterparty credit risk and credit risk of underlying assets.

i. Issuer credit risk is the risk that the Group may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations in accordance with agreed conditions due to default, bankruptcy or liquidation.

ii. Counterparty credit risk is the risk that the Group may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.

iii. Credit risk of underlying assets is the risk that the Group may suffer losses due to deterioration of the credit quality, increase in credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Credit concentration risk analysis

The amounts of credit risk exposure of the Group's financial assets by region are as follows:

### December 31, 2025

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 14,999,363	\$ -	\$ -	\$ -	\$ 260,605	\$ 15,259,968
Financial assets at FVTPL	313,724	-	-	-	-	313,724
Financial assets at FVTOCI	653,324	-	-	-	-	653,324
Financial assets at amortized cost	3,095,126	410,726	884,494	6,032,344	1,227,686	11,650,376
Total	\$ 19,061,537	\$ 410,726	\$ 884,494	\$ 6,032,344	\$ 1,488,291	\$ 27,877,392
Proportion	68.38%	1.47%	3.17%	21.64%	5.34%	100.00%

### December 31, 2024

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 10,813,135	\$ -	\$ -	\$ -	\$ 329,791	\$ 11,142,926
Financial assets at FVTPL	258,337	-	-	-	-	258,337
Financial assets at FVTOCI	654,599	-	-	-	-	654,599
Financial assets at amortized cost	3,051,541	194,940	685,430	5,083,953	1,323,610	10,339,474
Total	\$ 14,777,612	\$ 194,940	\$ 685,430	\$ 5,083,953	\$ 1,653,401	\$ 22,395,336
Proportion	65.99%	0.87%	3.06%	22.70%	7.38%	100.00%

c) Determinants for whether the credit risk has increased significantly since initial recognition

i. The Group assesses at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, the Group considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.

- ii. If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.
- d) Definitions of a default occurring on a financial asset and a credit-impaired financial asset

The definition of a default occurring on financial assets of the Group is the same as a credit-impaired financial asset. If one or more of the criteria below are met, a default occurs, and a financial asset is credit-impaired:

- i. Quantitative factor: When contractual payments are more than 90 days past due, a default occurs, and a financial asset is credit impaired.
  - ii. Qualitative factor: Evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
    - i) The issuers and borrowers have entered bankruptcy or are probable to enter bankruptcy or financial reorganization.
    - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
    - iii) The collaterals of the borrowers are seized provisionally or enforced.
    - iv) The borrowers claim for a change of credit conditions due to financial difficulties.
  - iii. The above-mentioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by the Group and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment models.
- e) Measurement of expected credit losses
- i. Methods and assumptions adopted

For financial instruments on which the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance for financial instruments at an amount equal to 12-month expected credit losses; for financial instruments on which the credit risk has increased significantly since initial recognition or are credit impaired, the Group measures the loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, the Group multiplies exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. The Group also considers the effect of the time value of money when calculating the 12-month and lifetime expected credit losses.

The default rate is the rate at which a default occurs on issuers, guarantee agencies and borrowers, while the loss given default is the loss rate that resulted from the default of issuers, guarantee agencies and borrowers. The loss given default used by the Group in impairment assessment is based on information regularly issued by Moody's, while the probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historical data. The exposure at default is measured at amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

The Group takes forward-looking information into consideration when measuring expected credit losses of the financial assets.

f) Gross carrying amount of maximum credit risk exposure and category of credit quality

i. Financial assets of the Group

	December 31, 2025					
	Stage 1	Stage 2	Stage 3			Gross Carrying Amount
			12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 653,324	\$ -	\$ -	\$ -	\$ -	\$ 653,324
Financial assets measured at amortized cost	11,664,518	-	-	-	(14,141)	11,650,377
	December 31, 2024					
	Stage 1	Stage 2	Stage 3			Gross Carrying Amount
			12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 654,599	\$ -	\$ -	\$ -	\$ -	\$ 654,599
Financial assets measured at amortized cost	10,353,528	-	-	-	(14,054)	10,339,474

Note: Investment grade assets refer to those with credit rating of at least BBB-; non-investment grade assets are those with credit rating lower than BBB-.

ii. Secured loans of the Group

	December 31, 2025					
	Stage 1	Stage 2	Stage 3			Gross Carrying Amount
			12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	
Secured loans	\$ 69,775	\$ -	\$ -	\$ -	\$ (987)	\$ 68,788
	December 31, 2024					
	Stage 1	Stage 2	Stage 3			Gross Carrying Amount
			12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	
Secured loans	\$ 97,850	\$ -	\$ -	\$ -	\$ (1,399)	\$ 96,451

g) Reconciliation for loss allowance is summarized below:

i. Debt instrument at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2025	\$ 51	\$ -	\$ -	\$ -	\$ 51
Changes in models/risk parameters	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>
December 31, 2025	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56</u>
January 1, 2024	\$ 42	\$ -	\$ -	\$ -	\$ 42
Changes in models/risk parameters	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>
December 31, 2024	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51</u>

ii. Financial assets at amortized cost

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2025	\$ 14,054	\$ -	\$ -	\$ -	\$ 14,054
Changes in models/risk parameters	<u>87</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87</u>
December 31, 2025	<u>\$ 14,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,141</u>
January 1, 2024	\$ 14,182	\$ -	\$ -	\$ -	\$ 14,182
Changes in models/risk parameters	<u>(128)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(128)</u>
December 31, 2024	<u>\$ 14,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,054</u>

iii. Secured loans

	12-month Expected Credit Losses	Lifetime Expected Credit Losses				Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9		
January 1, 2025	\$ 10	\$ -	\$ -	\$ -	\$ 10	\$ 1,389	\$ 1,399
Changes in models/risk parameters	(3)	-	-	-	(3)	-	(3)
Difference from impairment charged in accordance with guidelines for handling assessment of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(409)</u>	<u>(409)</u>
December 31, 2025	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 980</u>	<u>\$ 987</u>
January 1, 2024	\$ 13	\$ -	\$ -	\$ -	\$ 13	\$ 1,742	\$ 1,755
Changes in models/risk parameters	(3)	-	-	-	(3)	-	(3)
Difference from impairment charged in accordance with guidelines for handling assessment of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(353)</u>	<u>(353)</u>
December 31, 2024	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 1,389</u>	<u>\$ 1,399</u>

There were no significant changes in loss allowance due to significant changes in the gross carrying amounts of the financial instruments.

h) Exposure to credit risk and loss allowance of receivables

Measurement of loss allowance of the Group's notes receivable and premiums receivables which are in the scope of the impairment requirements under IFRS 9 are based upon the lifetime expected credit losses under the simplified approach. Loss allowance measured by a provision matrix under simplified approach is as follows:

<b>December 31, 2025</b>	<b>Not Overdue</b>	<b>Overdue</b>	<b>Total</b>
Carrying amount	\$ 1,921,800	\$ 1,010,573	\$ 2,932,373
Expected loss rate	0.96%	2.04%	
Lifetime expected credit losses	\$ 18,541	\$ 20,581	\$ 39,122

<b>December 31, 2024</b>	<b>Not Overdue</b>	<b>Overdue</b>	<b>Total</b>
Carrying amount	\$ 2,031,028	\$ 905,692	\$ 2,936,720
Expected loss rate	0.98%	2.03%	
Lifetime expected credit losses	\$ 19,924	\$ 18,353	\$ 38,277

3) Liquidity risk

a) Sources of liquidity risk

Liquidity risks of the financial instruments are classified as funding liquidity risk and market liquidity risk. Funding liquidity risk represents the risk that the Group is unable to turn assets into cash or obtain sufficient funds to meet matured obligations. Market liquidity risk represents the risk of significant changes in fair value when dealing with or offsetting positions held due to insufficient market depth or disorder.

b) Liquidity risk management

The Group established a completed capital liquidity management mechanism by assessing the business features, monitoring short-term cash flow, and considering the trading volume and holding position to carefully manage the market liquidity risk.

According to the actual management need or special situations, the Group uses a cash flow model and stress testing to assess cash flow risk. Moreover, the Group has drawn up a plan for capital requirements with respect to abnormal and emergency conditions to deal with significant liquidity risk.

The analysis of cash outflows to the Group is listed below and based on the residual terms to maturity on the balance sheet date. The disclosed amounts are prepared in accordance with contract cash flows, and, accordingly, for certain line items, the disclosed amounts are different to the amounts on consolidated balance sheets.

The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2025

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 5,020,915	\$ 24,640	\$ 4,220	\$ 43,632	\$ 6,721
Lease liabilities	83,173	78,212	105,284	26,392	14,661
<u>Derivative financial liabilities</u>					
Currency swaps contract	3,300,233	3,352,546	-	-	-

December 31, 2024

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 4,299,934	\$ 35,732	\$ 12,275	\$ 40,811	\$ 6,638
Lease liabilities	84,424	40,124	23,766	38,794	16,533
<u>Derivative financial liabilities</u>					
Currency swaps contract	3,085,681	648,767	-	-	-

## 27. TRANSACTIONS WITH RELATED PARTIES

All transactions, account balances, incomes and expenses between the Company and its subsidiaries, which are related parties of the Company, are eliminated upon consolidation and are therefore not disclosed in this note. Except as disclosed in other notes, the transactions between the Group and other related parties were as follows:

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Cathay Financial Holdings Co., Ltd.	The Company's parent
Cathay Life Insurance Co., Ltd.	Fellow subsidiary
Cathay United Bank Co., Ltd.	Fellow subsidiary
Cathay Securities Investment Trust Co., Ltd.	Fellow subsidiary
Cathay Securities Corporation	Fellow subsidiary
Cathay Life Insurance Co., Ltd. (Vietnam)	Subsidiary of the fellow subsidiary
Indovina Bank Limited	Subsidiary of the fellow subsidiary
Cathay Futures Co., Ltd.	Subsidiary of the fellow subsidiary
Cathay Power Inc.	Subsidiary of the fellow subsidiary
Tien-Chi Power Co., Ltd.	Subsidiary of the fellow subsidiary
Neo Cathay Power Corp.	Subsidiary of the fellow subsidiary
Funds managed by Cathay Securities Investment Trust Co., Ltd.	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
San Ching Engineering Co., Ltd.	Other related party
Symphox Information Co., Ltd.	Other related party

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Hong-Sui Co., Ltd.	Other related party
Supernova Energy Co., Ltd.	Other related party
CMG International One Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party
TPIsoftware Co., Ltd.	Other related party
Seaward Card Co., Ltd.	Other related party
Others (including directors, supervisors, key management and its spouse or relatives within second degree)	Other related parties
	(Concluded)

b. Operating transactions

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2025</u>	<u>2024</u>
Premium income	Fellow subsidiary and its subsidiary		
	Cathay United Bank Co., Ltd.	\$ 215,357	\$ 198,251
	Cathay Life Insurance Co., Ltd.	165,581	144,198
	Cathay Power Inc.	12,441	16,434
	Neo Cathay Power Corp.	5,855	9,861
	Tien-Chi Power Co., Ltd.	4,783	5,106
	Cathay Securities Corporation	3,448	3,152
	Other related parties		
	San Ching Engineering Co., Ltd.	46,524	23,679
	Ally Logistic Property Co., Ltd.	10,914	8,893
	Hong-Sui Co., Ltd.	8,530	9,716
	Cathay Hospitality Consulting Co., Ltd.	6,630	5,960
	Cathay Hospitality Management Co., Ltd.	5,898	5,450
	Cathay Real Estate Development Co., Ltd.	4,987	5,994
	Cathay Medical Care Corp.	4,515	5,071
	Supernova Energy Co., Ltd.	3,173	3,721
	CMG International One Co., Ltd.	<u>12</u>	<u>62,810</u>
		<u>\$ 498,648</u>	<u>\$ 508,296</u>
Operating costs			
Marketing costs	Fellow subsidiary and its subsidiary		
	Cathay Life Insurance Co., Ltd.	\$ 935,053	\$ 909,899
	Cathay United Bank Co., Ltd.	120,649	119,271
	Cathay Life Insurance Co., Ltd. (Vietnam)	9,552	10,713
Commission costs	Fellow subsidiary		
	Cathay United Bank Co., Ltd.	<u>172,673</u>	<u>161,857</u>
		<u>\$ 1,237,927</u>	<u>\$ 1,201,740</u>
			(Continued)

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2025	2024
Operating expenses			
Group insurance expenses	Fellow subsidiary Cathay Life Insurance Co., Ltd.	\$ 35,197	\$ 37,320
Building management fee	Fellow subsidiary Cathay Life Insurance Co., Ltd.	11,146	10,658
Other equipment expenses	Fellow subsidiary Cathay Life Insurance Co., Ltd.	8,996	2,935
Management fee	Fellow subsidiary Cathay Securities Investment Trust Co., Ltd.	5,955	12,159
Other expenses	The Company's parent Cathay Financial Holdings Co., Ltd.	3,673	2,051
	Fellow subsidiary Cathay United Bank Co., Ltd.	11,346	8,337
	Other related parties Symphox Information Co., Ltd.	41,459	41,406
	TPIsoftware Co., Ltd.	5,604	10,423
	Seaward Card Co., Ltd.	4,056	-
		<u>\$ 127,432</u>	<u>\$ 125,289</u>
			(Concluded)

c. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2025	2024
Premiums receivable	Fellow subsidiary and its subsidiary Cathay United Bank Co., Ltd.	\$ 49,253	\$ 60,406
	Cathay Power Inc.	2,902	3,791
	Other related parties San Ching Engineering Co., Ltd.	<u>7,343</u>	<u>552</u>
		<u>\$ 59,498</u>	<u>\$ 64,749</u>

d. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2025	2024
Other payables	The Company's parent Cathay Financial Holdings Co., Ltd. (Note)	\$ 674,433	\$ 503,859
	Fellow subsidiary Cathay Life Insurance Co., Ltd.	<u>81,489</u>	<u>92,803</u>
		<u>\$ 755,922</u>	<u>\$ 596,662</u>

Note: Including (1) Income tax payable under the integrated income tax system. (2) Payable for remuneration of directors and supervisors.

e. Cash in bank

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2025</b>	<b>2024</b>
Checking accounts and demand deposits	Fellow subsidiary and its subsidiary Cathay United Bank Co., Ltd.	\$ 3,233,602	\$ 2,272,566
	Indovina Bank Limited	45,354	45,721
Time deposits	Fellow subsidiary and its subsidiary Cathay United Bank Co., Ltd.	20,158	20,110
	Indovina Bank Limited	<u>200,903</u>	<u>241,921</u>
		<u>\$ 3,500,017</u>	<u>\$ 2,580,318</u>

As of December 31, 2025 and 2024, time deposits pledged recognized in guarantee deposits were \$27,471 thousand and \$27,980 thousand, respectively.

f. Interest income

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Fellow subsidiary and its subsidiary Cathay United Bank Co., Ltd.	\$ 14,835	\$ 18,197
	<u>12,266</u>	<u>15,902</u>
Indovina Bank Limited	<u>\$ 27,101</u>	<u>\$ 34,099</u>

g. Financial asset at FVTPL (beneficiary certificates)

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Other related party Funds managed by Cathay Securities Investment Trust Co., Ltd.	<u>\$ 732,923</u>	<u>\$ 1,208,040</u>

h. Discretionary account management balance

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Fellow subsidiary Cathay Securities Investment Trust Co., Ltd.	<u>\$ 1,983,303</u>	<u>\$ 1,930,158</u>

i. Guarantee deposits

Related Party Category/Name	December 31	
	2025	2024
Fellow subsidiary and its subsidiary		
Cathay Futures Co., Ltd.	\$ 59,055	\$ 58,706
Cathay Life Insurance Co., Ltd.	38,733	38,040
Cathay United Bank Co., Ltd.	22,007	22,183
Indovina Bank Limited	<u>7,313</u>	<u>7,870</u>
	<u>\$ 127,108</u>	<u>\$ 126,799</u>

j. Secured loans

December 31, 2025

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2025	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Self-used housing mortgage loans	1	\$ 11,442	\$ 1,318	V	-	Real estate	None

December 31, 2024

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2024	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Self-used housing mortgage loans	1	\$ 20,927	\$ 11,442	V	-	Real estate	None

k. Lease arrangements

Related Party Category/Name	For the Year Ended December 31	
	2025	2024
<u>Acquisitions of right-of-use assets</u>		
Fellow subsidiary		
Cathay Life Insurance Co., Ltd.	\$ 256,176	\$ 39,798
Cathay United Bank Co., Ltd.	-	14,963
Other related party		
Cathay Real Estate Development Co., Ltd.	<u>-</u>	<u>5,616</u>
	<u>\$ 256,176</u>	<u>\$ 60,377</u>

Line Item	Related Party Category/Name	December 31	
		2025	2024
Lease liabilities	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	\$ 261,769	\$ 140,854
	Cathay United Bank Co., Ltd.	2,202	10,745
	Other related party		
	Cathay Real Estate Development Co., Ltd.	<u>3,549</u>	<u>4,640</u>
		<u>\$ 267,520</u>	<u>\$ 156,239</u>

Related Party Category/Name	For the Year Ended December 31	
	2025	2024
<u>Lease expense</u>		
Fellow subsidiary		
Cathay Life Insurance Co., Ltd.	<u>\$ 1,352</u>	<u>\$ 7,975</u>

l. Currency swaps contract

As of December 31, 2025 and 2024, the nominal amount of the derivative financial instruments transaction with related parties is listed below:

Related Party Category/Name	December 31	
	2025	2024
Fellow subsidiary		
Cathay United Bank Co., Ltd.	US\$ 71,000	US\$ 75,900

m. Remuneration of key management personnel

	For the Year Ended December 31	
	2025	2024
Short-term employee benefits	\$ 99,544	\$ 81,018
Post-employment benefits	<u>5,811</u>	<u>6,006</u>
	<u>\$ 105,355</u>	<u>\$ 87,024</u>

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

## 28. THE ALLOCATION OF REVENUE AND EXPENSES ARISING FROM BUSINESS TRANSACTIONS, PROMOTION ACTIVITIES AND INFORMATION SHARING BETWEEN PARENT COMPANY AND OTHER SUBSIDIARIES

To elaborate on the benefits of economic scale, Cathay Financial Holdings and its subsidiaries cooperate to launch promotion activities, and the related expenses are allocated to each subsidiary directly by the nature of business or on other reasonable basis.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

### a. The Company

Item of Assets	December 31	
	2025	2024
Guarantee deposits - government bonds	\$ 299,897	\$ 299,749
Guarantee deposits - time deposits	<u>20,158</u>	<u>20,110</u>
	<u>\$ 320,055</u>	<u>\$ 319,859</u>

The pledged assets are stated at book value. As of December 31, 2025 and 2024, the Company provided government bonds amounting to \$299,914 thousand and \$299,764 thousand to the Central Bank for insurance business in accordance with the Insurance Act, respectively. Loss allowance amounted to \$17 thousand and \$15 thousand, respectively, which are in the scope of the impairment requirements under IFRS 9.

### b. Cathay Insurance Co., Ltd. (Vietnam)

Item of Assets	December 31	
	2025	2024
Guarantee deposits - time deposits	<u>\$ 7,313</u>	<u>\$ 7,870</u>

The pledged assets are stated at book value. As of December 31, 2025 and 2024, according to the Insurance Act of Vietnam, Cathay Insurance Co., Ltd. (Vietnam) provides guarantee deposits at an amount equal to 2% of its paid-in capital. The guaranteed deposits of Cathay Insurance Co., Ltd. (Vietnam) are time deposits.

## 30. OTHER ITEMS

### a. Capital management

#### 1) Management objectives

In order to ensure capital structure and stimulate business growth, the Company manages its capital adequacy in accordance with Regulations Governing Capital Adequacy of Insurance Companies and management policies established by the Company and maintains adequate capital to effectively absorb different types of risk.

#### 2) Management policies

In order for sufficient capital to assume all types of risks, the Company applies the RBC ratio as the management indicator for capital adequacy. The Company calculates the RBC ratio periodically and aperiodically to monitor the status of short- and mid-term capital adequacy and the calculation would serve as a reference for business objectives, asset allocation and dividend policy.

#### 3) Management procedures

##### a) Periodical calculation

The Company submits an RBC report every half year to the authority in accordance with requirements and analyzes the possible changes of owned capital and risk-based capital when making the next-year financial forecast of business and investment development plan at the end

of every year, which ensures the soundness of capital structure and implements capital adequacy management.

b) Aperiodic calculation

The Company conducts RBC ratio analysis for specific events and assesses their impacts, such as usage of funding, business development, reinsurance arrangements, or changes of the financial market and regulations.

4) Current status of RBC ratio

The Company's RBC ratio, which is calculated in accordance with the Regulations Governing Capital Adequacy of Insurance Companies, is above 200% and the net worth ratio is more than 3% for the previous two years, which complied with the regulations.

b. Total amount of assets and liabilities expected to recover or settle within/over 12 months

Items	December 31, 2025		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	\$ 15,285,098	\$ -	\$ 15,285,098
Receivables	3,433,902	-	3,433,902
Investments			
Financial assets at FVTPL	14,680,235	-	14,680,235
Financial assets at FVTOCI	-	653,324	653,324
Financial assets at amortized cost	1,187,487	10,162,993	11,350,480
Investments accounted for using the equity method	-	2,553,784	2,553,784
Loans	<u>183</u>	<u>68,605</u>	<u>68,788</u>
Total investments	<u>15,867,905</u>	<u>13,438,706</u>	<u>29,306,611</u>
Reinsurance assets	3,359,818	22,642,114	26,001,932
Property and equipment	-	315,734	315,734
Right-of-use assets	-	299,613	299,613
Intangible assets	-	122,111	122,111
Deferred tax assets	-	4,558,554	4,558,554
Other assets	<u>25,239</u>	<u>534,741</u>	<u>559,980</u>
Total assets	<u>\$ 37,971,962</u>	<u>\$ 41,911,573</u>	<u>\$ 79,883,535</u>
Payables	\$ 5,045,555	\$ 54,573	\$ 5,100,128
Financial liabilities at FVTPL	213,942	-	213,942
Insurance liabilities			
Unearned premium reserve	16,135,371	4,270,272	20,405,643
Loss reserve	-	29,780,570	29,780,570
Special reserve	-	1,872,313	1,872,313
Premium deficiency reserve	-	789	789
Total insurance liabilities	<u>16,135,371</u>	<u>35,923,944</u>	<u>52,059,315</u>
Provisions	-	292,047	292,047
Lease liabilities	155,157	145,644	300,801
Deferred tax liabilities	-	369,643	369,643
Other liabilities	<u>1,503,561</u>	<u>16,670</u>	<u>1,520,231</u>
Total liabilities	<u>\$ 23,053,586</u>	<u>\$ 36,802,521</u>	<u>\$ 59,856,107</u>

**December 31, 2024**

Items	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	\$ 11,174,184	\$ -	\$ 11,174,184
Receivables	3,338,812	-	3,338,812
Investments			
Financial assets at FVTPL	14,338,094	157,932	14,496,026
Financial assets at FVTOCI	-	654,599	654,599
Financial assets at amortized cost	562,943	9,476,782	10,039,725
Investments accounted for using the equity method	-	2,406,891	2,406,891
Loans	<u>96</u>	<u>96,355</u>	<u>96,451</u>
Total investments	<u>14,901,133</u>	<u>12,792,559</u>	<u>27,693,692</u>
Reinsurance assets	2,557,071	14,755,653	17,312,724
Property and equipment	-	463,754	463,754
Right-of-use assets	-	197,399	197,399
Intangible assets	-	104,478	104,478
Deferred tax assets	-	4,585,963	4,585,963
Other assets	<u>50,313</u>	<u>582,127</u>	<u>632,440</u>
<b>Total assets</b>	<b><u>\$ 32,021,513</u></b>	<b><u>\$ 33,481,933</u></b>	<b><u>\$ 65,503,446</u></b>
Payables	\$ 4,335,666	\$ 59,724	\$ 4,395,390
Financial liabilities at FVTPL	224,161	-	224,161
Insurance liabilities			
Unearned premium reserve	15,705,631	3,853,254	19,558,885
Loss reserve	-	18,932,743	18,932,743
Policy reserve	-	28	28
Special reserve	-	1,792,120	1,792,120
Premium deficiency reserve	<u>-</u>	<u>692</u>	<u>692</u>
Total insurance liabilities	<u>15,705,631</u>	<u>24,578,837</u>	<u>40,284,468</u>
Provisions	-	349,882	349,882
Lease liabilities	121,448	76,182	197,630
Deferred tax liabilities	-	445,671	445,671
Other liabilities	<u>1,632,726</u>	<u>26,335</u>	<u>1,659,061</u>
<b>Total liabilities</b>	<b><u>\$ 22,019,632</u></b>	<b><u>\$ 25,536,631</u></b>	<b><u>\$ 47,556,263</u></b>

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2025

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 340,771	31.438 (USD:NTD)	\$ 10,714,270
Non-monetary items			
USD	34,929	31.438 (USD:NTD)	1,098,112
Investments accounted for using the equity method			
CNY	567,735	4.498 (CNY:NTD)	2,553,784
Derivative instruments (Note)			
USD	61,900	31.438 (USD:NTD)	37,087

Financial liabilities

Monetary items			
USD	23,440	31.438 (USD:NTD)	731,026
EUR	1,017	36.899 (EUR:NTD)	37,420
CNY	1,132	4.498 (CNY:NTD)	4,982
INR	123	0.354 (INR:NTD)	44
Non-monetary items			
Derivative instruments (Note)			
USD	158,000	31.438 (USD:NTD)	213,942

December 31, 2024

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 235,498	32.781 (USD:NTD)	\$ 7,718,040
Non-monetary items			
USD	47,219	32.781 (USD:NTD)	1,547,884
HKD	4,136	4.222 (HKD:NTD)	17,465
SGD	4,438	24.124 (SGD:NTD)	107,042
Investments accounted for using the equity method			
CNY	535,901	4.491 (CNY:NTD)	2,406,891

(Continued)

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 7,112	32.781 (USD:NTD)	\$ 232,271
EUR	100	34.132 (EUR:NTD)	3,510
CNY	9,063	4.491 (CNY:NTD)	41,517
INR	30,731	0.395 (INR:NTD)	12,136
Non-monetary items			
Derivative instruments (Note)			
USD	173,600	32.781 (USD:NTD)	224,161 (Concluded)

Note: The foreign currency amount of the derivatives is the nominal amount of the contract.

For the years ended December 31, 2025 and 2024 (realized and unrealized) net foreign exchange (losses) gains were \$(234,252) thousand and \$447,559 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transactions.

### 32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. investees:

- 1) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None
- 2) Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None
- 3) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: (Table 3)
- 4) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 5) Trading in derivative instruments (Note 7)
- 6) Intercompany relationships and significant intercompany transactions (Table 4)
- 7) Information on investees (Table 5)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6).

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
- For transactions involving each other's main business, such as underwriting an insurance policy where the proposer is the investee, the amount and percentage of transactions and the balance and percentage of the related payables at the end of the period.
  - The amount of property transactions and the amount of the resultant gains or losses.
  - The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
  - Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.
  - The amount or balance of transactions mentioned in subitems a - d above that reaches 10% or more of the insurance enterprise's total amount or balance of such transactions shall be separately presented, while the rest may be added up and reported as an aggregate amount.

### 33. SEGMENT INFORMATION

The Group operates property insurance in accordance with the Insurance Act. In accordance with IFRS 8, the Group only provides insurance contract products, and it has no different channel, client type or supervision environment. The chief operating decision maker of the Group also allocates resources on an overall basis and therefore considers the Group as a single operating segment.

### 34. DISCLOSURE OF INSURANCE CONTRACT

#### a. Retained earned premium

For the year ended December 31, 2025

Insurance Type	Written Premium (1)	Reinsurance Premium (2)	Reinsurance Expenses (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Retained Earned Premium (6)=(4)-(5)
Fire insurance	\$ 5,274,574	\$ 77,528	\$ 3,941,484	\$ 1,410,618	\$ 178,517	\$ 1,232,101
Marine insurance	1,393,615	18,827	1,034,602	377,840	(729)	378,569
Land and air insurance	16,713,001	118	849,726	15,863,393	631,514	15,231,879
Liability insurance	3,298,268	16,500	986,357	2,328,411	121,534	2,206,877
Guarantee insurance	123,007	3,510	80,939	45,578	(4,295)	49,873
Other property insurance	4,320,926	80,136	3,704,822	696,240	6,807	689,433
Accident insurance	4,901,460	8,100	232,193	4,677,367	28,946	4,648,421
Health insurance	511,724	-	29,917	481,807	(19,507)	501,314
Policy-oriented residential earthquake insurance	508,240	68,456	508,240	68,456	718	67,738
Compulsory automobile liability insurance	<u>3,110,902</u>	<u>792,992</u>	<u>1,315,253</u>	<u>2,588,641</u>	<u>10,062</u>	<u>2,578,579</u>
	<u>\$ 40,155,717</u>	<u>\$ 1,066,167</u>	<u>\$ 12,683,533</u>	<u>\$ 28,538,351</u>	<u>\$ 953,567</u>	<u>\$ 27,584,784</u>

For the year ended December 31, 2024

<b>Insurance Type</b>	<b>Written Premium (1)</b>	<b>Reinsurance Premium (2)</b>	<b>Reinsurance Expenses (3)</b>	<b>Retained Premium (4)=(1)+(2)-(3)</b>	<b>Net Changes in Unearned Premium Reserve (5)</b>	<b>Retained Earned Premium (6)=(4)-(5)</b>
Fire insurance	\$ 5,502,798	\$ 113,353	\$ 4,407,485	\$ 1,208,666	\$ (24,025)	\$ 1,232,691
Marine insurance	1,269,239	11,894	954,515	326,618	12,126	314,492
Land and air insurance	15,733,165	862	882,912	14,851,115	746,134	14,104,981
Liability insurance	3,071,582	4,472	894,506	2,181,548	198,473	1,983,075
Guarantee insurance	117,315	36	78,948	38,403	6,154	32,249
Other property insurance	3,176,485	89,063	2,864,013	401,535	114,143	287,392
Accident insurance	4,642,837	8,886	276,944	4,374,779	(8,251)	4,383,030
Health insurance	397,007	2,067	-	399,074	(2,600)	401,674
Policy-oriented residential earthquake insurance	493,094	71,426	493,094	71,426	7,547	63,879
Compulsory automobile liability insurance	<u>3,060,192</u>	<u>793,224</u>	<u>1,289,595</u>	<u>2,563,821</u>	<u>24,106</u>	<u>2,539,715</u>
	<u>\$ 37,463,714</u>	<u>\$ 1,095,283</u>	<u>\$ 12,142,012</u>	<u>\$ 26,416,985</u>	<u>\$ 1,073,807</u>	<u>\$ 25,343,178</u>

Information on compulsory insurance and non-compulsory insurance of earned retained premium:

For the year ended December 31, 2025

<b>Insurance Type</b>	<b>Written Premium (1)</b>	<b>Reinsurance Premium (2)</b>	<b>Reinsurance Expenses (3)</b>	<b>Retained Premium (4)=(1)+(2)-(3)</b>
Compulsory insurance	\$ 3,110,902	\$ 792,992	\$ 1,315,253	\$ 2,588,641
Non-compulsory insurance	<u>37,044,815</u>	<u>273,175</u>	<u>11,368,280</u>	<u>25,949,710</u>
	<u>\$ 40,155,717</u>	<u>\$ 1,066,167</u>	<u>\$ 12,683,533</u>	<u>\$ 28,538,351</u>

<b>Insurance Type</b>	<b>Unearned Premium Reserves under Direct Business</b>		<b>Unearned Premium Reserves under Reinsurance Inward Business</b>		<b>Net Changes in Unearned Premium Reserve (9)=(5)-(6)+(7)-(8)</b>
	<b>Provision (5)</b>	<b>Recovery (6)</b>	<b>Provision (7)</b>	<b>Recovery (8)</b>	
Compulsory insurance	\$ 1,313,337	\$ 1,292,594	\$ 490,043	\$ 488,279	\$ 22,507
Non-compulsory insurance	<u>18,482,578</u>	<u>17,654,373</u>	<u>120,236</u>	<u>116,293</u>	<u>832,148</u>
	<u>\$ 19,795,915</u>	<u>\$ 18,946,967</u>	<u>\$ 610,279</u>	<u>\$ 604,572</u>	<u>\$ 854,655</u>

<b>Insurance Type</b>	<b>Unearned Premium Reserves under Ceded Reinsurance Business</b>		<b>Net Changes in Unearned Ceded Premium Reserve (12)=(10)-(11)</b>	<b>Retained Premium (13)=(4)-(9)+(12)</b>
	<b>Provision (10)</b>	<b>Recovery (11)</b>		
Compulsory insurance	\$ 788,002	\$ 775,557	\$ 12,445	\$ 2,578,579
Non-compulsory insurance	<u>5,611,613</u>	<u>5,722,970</u>	<u>(111,357)</u>	<u>25,006,205</u>
	<u>\$ 6,399,615</u>	<u>\$ 6,498,527</u>	<u>\$ (98,912)</u>	<u>\$ 27,584,784</u>

For the year ended December 31, 2024

<b>Insurance Type</b>	<b>Written Premium (1)</b>	<b>Reinsurance Premium (2)</b>	<b>Reinsurance Expenses (3)</b>	<b>Retained Premium (4)=(1)+(2)-(3)</b>
Compulsory insurance	\$ 3,060,192	\$ 793,224	\$ 1,289,595	\$ 2,563,821
Non-compulsory insurance	<u>34,403,522</u>	<u>302,059</u>	<u>10,852,417</u>	<u>23,853,164</u>
	<u>\$ 37,463,714</u>	<u>\$ 1,095,283</u>	<u>\$ 12,142,012</u>	<u>\$ 26,416,985</u>

<b>Insurance Type</b>	<b>Unearned Premium Reserves under Direct Business</b>		<b>Unearned Premium Reserves under Reinsurance Inward Business</b>		<b>Net Changes in Unearned Premium Reserve (9)=(5)-(6)+(7)-(8)</b>
	<b>Provision (5)</b>	<b>Recovery (6)</b>	<b>Provision (7)</b>	<b>Recovery (8)</b>	
Compulsory insurance	\$ 1,292,594	\$ 1,267,647	\$ 488,279	\$ 474,151	\$ 39,075
Non-compulsory insurance	<u>17,660,329</u>	<u>15,657,265</u>	<u>116,293</u>	<u>115,875</u>	<u>2,003,482</u>
	<u>\$ 18,952,923</u>	<u>\$ 16,924,912</u>	<u>\$ 604,572</u>	<u>\$ 590,026</u>	<u>\$ 2,042,557</u>

<b>Insurance Type</b>	<b>Unearned Premium Reserves under Ceded Reinsurance Business</b>		<b>Net Changes in Unearned Ceded Premium Reserve (12)=(10)-(11)</b>	<b>Retained Premium (13)=(4)-(9)+(12)</b>
	<b>Provision (10)</b>	<b>Recovery (11)</b>		
Compulsory insurance	\$ 775,557	\$ 760,588	\$ 14,969	\$ 2,539,715
Non-compulsory insurance	<u>5,735,839</u>	<u>4,782,058</u>	<u>953,781</u>	<u>22,803,463</u>
	<u>\$ 6,511,396</u>	<u>\$ 5,542,646</u>	<u>\$ 968,750</u>	<u>\$ 25,343,178</u>

b. Retained claims

For the Year Ended December 31, 2025

<b>Insurance Type</b>	<b>Loss Incurred (Claims Expense Included) (1)</b>	<b>Reinsurance Claims (2)</b>	<b>Claims Recovered from Reinsurances (3)</b>		<b>Retained Claims (4)=(1)+(2)-(3)</b>
Fire insurance	\$ 3,695,839	\$ 272,767	\$ 3,237,184	\$ 731,422	
Marine insurance	422,066	6,807	274,546	154,327	
Land and air insurance	7,738,535	214	344,963	7,393,786	
Liability insurance	1,078,928	5,473	264,463	819,938	
Guarantee insurance	10,668	347	691	10,324	
Other property insurance	940,620	34,702	819,139	156,183	
Accident insurance	1,281,003	2,747	102,875	1,180,875	
Health insurance	50,980	-	206	50,774	
Policy-oriented residential earthquake insurance	799	1,513	800	1,512	
Compulsory automobile liability insurance	<u>1,996,770</u>	<u>717,237</u>	<u>1,176,167</u>	<u>1,537,840</u>	
	<u>\$ 17,216,208</u>	<u>\$ 1,041,807</u>	<u>\$ 6,221,034</u>	<u>\$ 12,036,981</u>	

**For the Year Ended December 31, 2024**

<b>Insurance Type</b>	<b>Loss Incurred (Claims Expense Included) (1)</b>	<b>Reinsurance Claims (2)</b>	<b>Claims Recovered from Reinsurances (3)</b>	<b>Retained Claims (4)=(1)+(2)-(3)</b>
Fire insurance	\$ 1,789,437	\$ 350,907	\$ 1,237,787	\$ 902,557
Marine insurance	433,089	24,767	284,212	173,644
Land and air insurance	7,877,999	2,475	361,860	7,518,614
Liability insurance	1,324,581	1,593	503,414	822,760
Guarantee insurance	23,583	3,388	16,242	10,729
Other property insurance	573,743	30,284	482,140	121,887
Accident insurance	1,596,829	2,710	195,698	1,403,841
Health insurance	88,949	3,480	5,193	87,236
Policy-oriented residential earthquake insurance	37,587	40,980	37,587	40,980
Compulsory automobile liability insurance	<u>1,843,567</u>	<u>714,274</u>	<u>1,106,125</u>	<u>1,451,716</u>
	<u>\$ 15,589,364</u>	<u>\$ 1,174,858</u>	<u>\$ 4,230,258</u>	<u>\$ 12,533,964</u>

Retained claims of compulsory insurance and non-compulsory insurance:

**For the Year Ended December 31, 2025**

<b>Insurance Type</b>	<b>Loss Incurred (Claims Expense Included) (1)</b>	<b>Reinsurance Claims (2)</b>	<b>Claims Recovered from Reinsurances (3)</b>	<b>Retained Claims (4)=(1)+(2)-(3)</b>
Compulsory insurance	\$ 1,996,770	\$ 717,237	\$ 1,176,167	\$ 1,537,840
Non-compulsory insurance	<u>15,219,438</u>	<u>324,570</u>	<u>5,044,867</u>	<u>10,499,141</u>
	<u>\$ 17,216,208</u>	<u>\$ 1,041,807</u>	<u>\$ 6,221,034</u>	<u>\$ 12,036,981</u>

**For the Year Ended December 31, 2024**

<b>Insurance Type</b>	<b>Loss Incurred (Claims Expense Included) (1)</b>	<b>Reinsurance Claims (2)</b>	<b>Claims Recovered from Reinsurances (3)</b>	<b>Retained Claims (4)=(1)+(2)-(3)</b>
Compulsory insurance	\$ 1,843,567	\$ 714,274	\$ 1,106,125	\$ 1,451,716
Non-compulsory insurance	<u>13,745,797</u>	<u>460,584</u>	<u>3,124,133</u>	<u>11,082,248</u>
	<u>\$ 15,589,364</u>	<u>\$ 1,174,858</u>	<u>\$ 4,230,258</u>	<u>\$ 12,533,964</u>

c. Liability on policyholders' claims filed and losses not yet filed

Claims and payments recoverable for policyholders' claims filed and paid

Insurance Type	Claims Filed and Paid	
	December 31	
	2025	2024
Fire insurance	\$ 233,464	\$ 155,589
Marine insurance	46,848	47,866
Land and air insurance	80,129	98,878
Liability insurance	43,743	85,357
Guarantee insurance	280	166
Other property insurance	66,238	64,031
Accident insurance	42,914	66,953
Health insurance	216	48
Policy-oriented residential earthquake insurance	-	-
Compulsory automobile liability insurance	<u>156,089</u>	<u>153,164</u>
	669,921	672,052
Less: Loss allowance	<u>(6,796)</u>	<u>(6,721)</u>
Net amount	<u>\$ 663,125</u>	<u>\$ 665,331</u>

d. Receivables and payables of insurance contracts

Receivables

Insurance Type	Premiums Receivable	
	December 31	
	2025	2024
Fire insurance	\$ 879,501	\$ 1,273,543
Marine insurance	453,920	399,441
Land and air insurance	160,425	184,170
Liability insurance	530,269	151,132
Guarantee insurance	29,939	26,554
Other property insurance	528,393	515,376
Accident insurance	120,856	137,054
Health insurance	4,265	4,319
Policy-oriented residential earthquake insurance	29,506	33,802
Compulsory automobile liability insurance	<u>14,173</u>	<u>19,129</u>
	2,751,247	2,744,520
Less: Loss allowance	<u>(36,938)</u>	<u>(36,113)</u>
Net amount	<u>\$ 2,714,309</u>	<u>\$ 2,708,407</u>

Aging analysis of premiums receivable:

	December 31	
	2025	2024
Up to 90 days	\$ 1,741,051	\$ 1,839,072
Over 90 days	<u>1,010,196</u>	<u>905,448</u>
	<u>\$ 2,751,247</u>	<u>\$ 2,744,520</u>

The overdue amounts as of December 31, 2025 and 2024 in the above premiums receivable were \$1,010,196 thousand and \$905,448 thousand, respectively, and loss allowance of \$20,204 thousand and \$18,109 thousand were provided, respectively.

Payables

Insurance Type	December 31, 2025		
	Commission Payable	Others	Total
Fire insurance	\$ 28,061	\$ 17,838	\$ 45,899
Marine insurance	19,804	15,785	35,589
Land and air insurance	367,628	148,701	516,329
Liability insurance	28,575	48,262	76,837
Guarantee insurance	2,432	822	3,254
Other property insurance	15,482	14,757	30,239
Accident insurance	9,468	48,524	57,992
Health insurance	456	4,674	5,130
Policy-oriented residential earthquake insurance	342	3,730	4,072
Compulsory automobile liability insurance	<u>21,410</u>	<u>-</u>	<u>21,410</u>
	<u>\$ 493,658</u>	<u>\$ 303,093</u>	<u>\$ 796,751</u>

Insurance Type	December 31, 2024		
	Commission Payable	Others	Total
Fire insurance	\$ 38,242	\$ 15,142	\$ 53,384
Marine insurance	17,081	13,408	30,489
Land and air insurance	331,973	155,926	487,899
Liability insurance	32,631	44,708	77,339
Guarantee insurance	2,076	739	2,815
Other property insurance	17,257	14,887	32,144
Accident insurance	9,237	48,926	58,163
Health insurance	482	3,574	4,056
Policy-oriented residential earthquake insurance	329	3,706	4,035
Compulsory automobile liability insurance	<u>21,987</u>	<u>-</u>	<u>21,987</u>
	<u>\$ 471,295</u>	<u>\$ 301,016</u>	<u>\$ 772,311</u>

Due from (to) reinsurers and ceding companies - reinsurance

	<b>December 31, 2025</b>	
	<b>Due from Reinsurers and Ceding Companies</b>	<b>Due to Reinsurers and Ceding Companies</b>
Central Re	\$ 661	\$ 158,318
Hannover Re in Shanghai	206,183	7,557
Howden	306,928	310,476
Marsh	1,711,132	391,462
Non-Life Insurance Association of the R.O.C.	143,172	382,014
Others (individually below 5%)	<u>650,857</u>	<u>1,318,393</u>
	3,018,933	2,568,220
Less: Loss allowance	<u>(322,239)</u>	<u>-</u>
Net amount	<u>\$ 2,696,694</u>	<u>\$ 2,568,220</u>

	<b>December 31, 2024</b>	
	<b>Due from Reinsurers and Ceding Companies</b>	<b>Due to Reinsurers and Ceding Companies</b>
AON	\$ 63,382	\$ 108,743
Central Re	11,847	160,704
Guy Carpenter	200,776	111,874
Hannover Re in Shanghai	200,397	51,145
Marsh	1,199,228	142,554
Swiss Re	39,636	271,859
Gallagher Re	142,430	380,486
Non-Life Insurance Association of the R.O.C.	47,380	115,808
Others (individually below 5%)	<u>295,138</u>	<u>746,913</u>
	2,200,214	2,090,086
Less: Loss allowance	<u>(308,474)</u>	<u>-</u>
Net amount	<u>\$ 1,891,740</u>	<u>\$ 2,090,086</u>

The overdue amounts as of December 31, 2025 and 2024 in the above amounts due from (to) reinsurers and ceding companies were \$1,356,395 thousand and \$1,225,883 thousand, respectively, and loss allowances of \$305,217 thousand and \$298,409 thousand were provided, respectively.

Due from and due to the reinsurers and ceding companies cannot be offset, except for those meeting the requirements in Article 42 of IAS 32.

e. Reserve required for specific assets

The accounting of the compulsory automobile liability insurance (“CAL Insurance”) held by the Company is based on the Regulations for the Accounting Treatment and the Financial Information Reported of Compulsory Automobile Liability Insurance, which was legislated according to the Compulsory Automobile Liability Insurance Act.

Under Article 5 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, for the special reserve set aside for CAL Insurance, the insurer should purchase treasury bills or deposit the reserve with a financial institution as a time deposit. Provided that with the approval of the competent authority, the insurer may purchase the following domestic securities:

- 1) Government bonds, not including exchangeable government bonds.
- 2) Financial bonds, negotiable certificates of deposit, banker’s acceptances, and commercial paper guaranteed by a financial institution, provided that financial bonds shall be limited to ordinary financial bonds only.

The amount of treasury bills purchased or time deposits placed in a financial institution under the preceding paragraph shall not be less than 30% of the total amount of the Group’s retained earned pure premiums for CAL Insurance in the most recent period, as audited or reviewed by a certified public accountant. The competent authority may raise that percentage to a level they deem appropriate based on the Group’s operating status.

If the balance of the Group’s special reserve becomes less than 30% of its most recent retained earned pure premiums, as audited or reviewed by an independent certified public accountant, the full amount of the special reserve should be invested in treasury bills or placed in a financial institution.

Under Article 6 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, funds, except for the special reserve mentioned above, held by an insurer for CAL Insurance (various reserve, payables and temporary receivable) should be deposited in a financial institution as special reserve in the form of demand deposits and time deposits.

- 1) Treasury bills.
- 2) Negotiable certificates of deposit, banker’s acceptances, and commercial paper guaranteed by a financial institution.
- 3) Government bonds under repurchase agreements.

The term “funds” in the preceding paragraph refers to all types of reserves, payables, temporary credits and amounts to be carried forward.

The amount of demand deposits placed in financial institutions, which are mentioned in the preceding paragraph, should not be less than (a) 45% of the remaining balance of the funds after subtracting the special reserves from the funds held by the Group due to the operation of CAL Insurance, or less than (b) 30% of the retained earned pure premiums for the most recent period as audited or reviewed by an independent certified public accountant. The relevant authorities may raise the percentage of demand deposits required for the Group to a level they deem appropriate on the basis of the Group’s operating status.

If the total amount of unearned premium reserve and loss reserve of the Group for CAL Insurance is less than 30% of the retained earned pure premiums of this insurance for the most recent period as audited or reviewed by an independent certified public accountant, the funds held by the Group through its provision of this insurance should be deposited in full in a financial institution in the form of demand deposits.

Under Article 11 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, the various reserves for this insurance should be transferred to the various reserves set aside for handling this insurance by the other insurer or other property and casualty insurance company if the Group suspends its business operations or ceases to provide this type of insurance.

The various reserves for this insurance should be transferred to the Motor Vehicle Accident Compensation Fund if (a) the Group has been duly ordered to suspend its business and undergo rehabilitation or ordered to dissolve, or (b) its permission to operate this insurance business has been revoked, and no other insurance company can sustain this insurance business.

f. Acquisition cost of insurance contracts

<b>For the Year Ended December 31, 2025</b>					
<b>Insurance Type</b>	<b>Commission Expenses</b>	<b>Service and Handling Charge</b>	<b>Reinsurance Commission Expenses</b>	<b>Other</b>	<b>Total</b>
Fire insurance	\$ 248,731	\$ 3,158	\$ 1,620	\$ 37,533	\$ 291,042
Marine insurance	96,894	205	1,763	3,408	102,270
Land and air insurance	1,876,331	0	21	694,760	2,571,112
Liability insurance	343,271	55	4,385	61,800	409,511
Guarantee insurance	12,516	6	1,316	896	14,734
Other property insurance	166,261	682	18,988	9,219	195,150
Accident insurance	553,348	1	(113)	210,035	763,271
Health insurance	66,814	-	-	24,532	91,346
Policy-oriented residential earthquake insurance	12,584	21	-	14,474	27,079
Compulsory automobile liability insurance	-	330,334	-	-	330,334
	<u>\$ 3,376,750</u>	<u>\$ 334,462</u>	<u>\$ 27,980</u>	<u>\$ 1,056,657</u>	<u>\$ 4,795,849</u>

<b>For the Year Ended December 31, 2024</b>					
<b>Insurance Type</b>	<b>Commission Expenses</b>	<b>Service and Handling Charge</b>	<b>Reinsurance Commission Expenses</b>	<b>Other</b>	<b>Total</b>
Fire insurance	\$ 249,715	\$ 4,634	\$ 24,890	\$ 40,782	\$ 320,021
Marine insurance	96,085	174	1,101	3,555	100,915
Land and air insurance	1,778,087	4	1,392	683,606	2,463,089
Liability insurance	323,363	162	194	59,539	383,258
Guarantee insurance	11,275	1	2,273	1,060	14,609
Other property insurance	174,425	730	22,281	8,303	205,739
Accident insurance	530,990	-	165	203,097	734,252
Health insurance	53,961	51	207	19,149	73,368
Policy-oriented residential earthquake insurance	11,952	29	-	14,461	26,442
Compulsory automobile liability insurance	-	330,300	-	-	330,300
	<u>\$ 3,229,853</u>	<u>\$ 336,085</u>	<u>\$ 52,503</u>	<u>\$ 1,033,552</u>	<u>\$ 4,651,993</u>

Acquisition costs of insurance contracts were not deferred.

g. Profit and loss analysis of insurance business

Direct underwriting business

For the Year Ended December 31, 2025						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 5,274,574	\$ (281,765)	\$ 289,422	\$ 3,695,839	\$ 3,682,508	\$ (2,111,430)
Marine insurance	1,393,615	(6,572)	100,507	422,066	(6,152)	883,766
Land and air insurance	16,713,001	559,545	2,571,092	7,738,535	1,435,219	4,408,610
Liability insurance	3,298,268	157,849	405,127	1,078,928	611,521	1,044,843
Guarantee insurance	123,007	(2,754)	13,417	10,668	(7,134)	108,810
Other property insurance	4,320,926	374,039	176,161	940,620	5,093,406	(2,263,300)
Accident insurance	4,901,460	15,617	763,384	1,281,003	202,121	2,639,335
Health insurance	511,724	4,151	91,346	50,980	14,077	351,170
Policy-oriented residential earthquake insurance	508,240	8,095	27,079	799	(802)	473,069
Compulsory automobile liability insurance	<u>3,110,902</u>	<u>20,743</u>	<u>330,334</u>	<u>1,996,770</u>	<u>56,578</u>	<u>706,477</u>
	<u>\$ 40,155,717</u>	<u>\$ 848,948</u>	<u>\$ 4,767,869</u>	<u>\$ 17,216,208</u>	<u>\$ 11,081,342</u>	<u>\$ 6,241,350</u>

For the Year Ended December 31, 2024						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 5,502,798	\$ 262,046	\$ 295,130	\$ 1,789,437	\$ 3,031,957	\$ 124,228
Marine insurance	1,269,239	6,599	99,814	433,089	299,883	429,854
Land and air insurance	15,733,165	746,283	2,461,697	7,877,999	525,098	4,122,088
Liability insurance	3,071,582	115,143	383,064	1,324,581	145,338	1,103,456
Guarantee insurance	117,315	(13,707)	12,336	23,583	1,997	93,106
Other property insurance	3,176,485	898,010	183,458	573,743	764,449	756,825
Accident insurance	4,642,837	(18,764)	734,086	1,596,829	38,794	2,291,892
Health insurance	397,007	(2,600)	73,162	88,949	(117,632)	355,128
Policy-oriented residential earthquake insurance	493,094	10,054	26,443	37,587	800	418,210
Compulsory automobile liability insurance	<u>3,060,192</u>	<u>24,947</u>	<u>330,300</u>	<u>1,843,567</u>	<u>(108,875)</u>	<u>970,253</u>
	<u>\$ 37,463,714</u>	<u>\$ 2,028,011</u>	<u>\$ 4,599,490</u>	<u>\$ 15,589,364</u>	<u>\$ 4,581,809</u>	<u>\$ 10,665,040</u>

Reinsurance inward business

For the Year Ended December 31, 2025						
Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 77,528	\$ (2,290)	\$ 1,620	\$ 272,767	\$ (192,049)	\$ (2,520)
Marine insurance	18,827	444	1,763	6,807	(7,988)	17,801
Land and air insurance	118	(96)	21	214	(2,059)	2,038
Liability insurance	16,500	6,051	4,385	5,473	4,010	(3,419)
Guarantee insurance	3,510	694	1,316	347	1,185	(32)
Other property insurance	80,136	(1,753)	18,988	34,702	(11,107)	39,306
Accident insurance	8,100	176	(113)	2,747	(41)	5,331
Health insurance	-	-	-	-	(399)	399
Policy-oriented residential earthquake insurance	68,456	717	-	1,513	(175)	66,401
Compulsory automobile liability insurance	<u>792,992</u>	<u>1,764</u>	<u>-</u>	<u>717,237</u>	<u>(1,080)</u>	<u>75,071</u>
	<u>\$ 1,066,167</u>	<u>\$ 5,707</u>	<u>\$ 27,980</u>	<u>\$ 1,041,807</u>	<u>\$ (209,703)</u>	<u>\$ 200,376</u>

**For the Year Ended December 31, 2024**

Insurance Type	Reinsurance Premium	Net Changes in		Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
		Unearned Premium Reserve	Reinsurance Commission Expense			
Fire insurance	\$ 113,353	\$ (12,948)	\$ 24,890	\$ 350,907	\$ (131,944)	\$ (117,552)
Marine insurance	11,894	(1,531)	1,101	24,767	(19,472)	7,029
Land and air insurance	862	100	1,392	2,475	(11,767)	8,662
Liability insurance	4,472	261	194	1,593	653	1,771
Guarantee insurance	36	(552)	2,273	3,388	1,535	(6,608)
Other property insurance	89,063	7,290	22,281	30,284	21,615	7,593
Accident insurance	8,886	250	165	2,710	(247)	6,008
Health insurance	2,067	-	207	3,480	(1)	(1,619)
Policy-oriented residential earthquake insurance	71,426	7,548	-	40,980	330	22,568
Compulsory automobile liability insurance	<u>793,224</u>	<u>14,128</u>	<u>-</u>	<u>714,274</u>	<u>11,347</u>	<u>53,475</u>
	<u>\$ 1,095,283</u>	<u>\$ 14,546</u>	<u>\$ 52,503</u>	<u>\$ 1,174,858</u>	<u>\$ (127,951)</u>	<u>\$ (18,673)</u>

**Reinsurance outward business**

**For the Year Ended December 31, 2025**

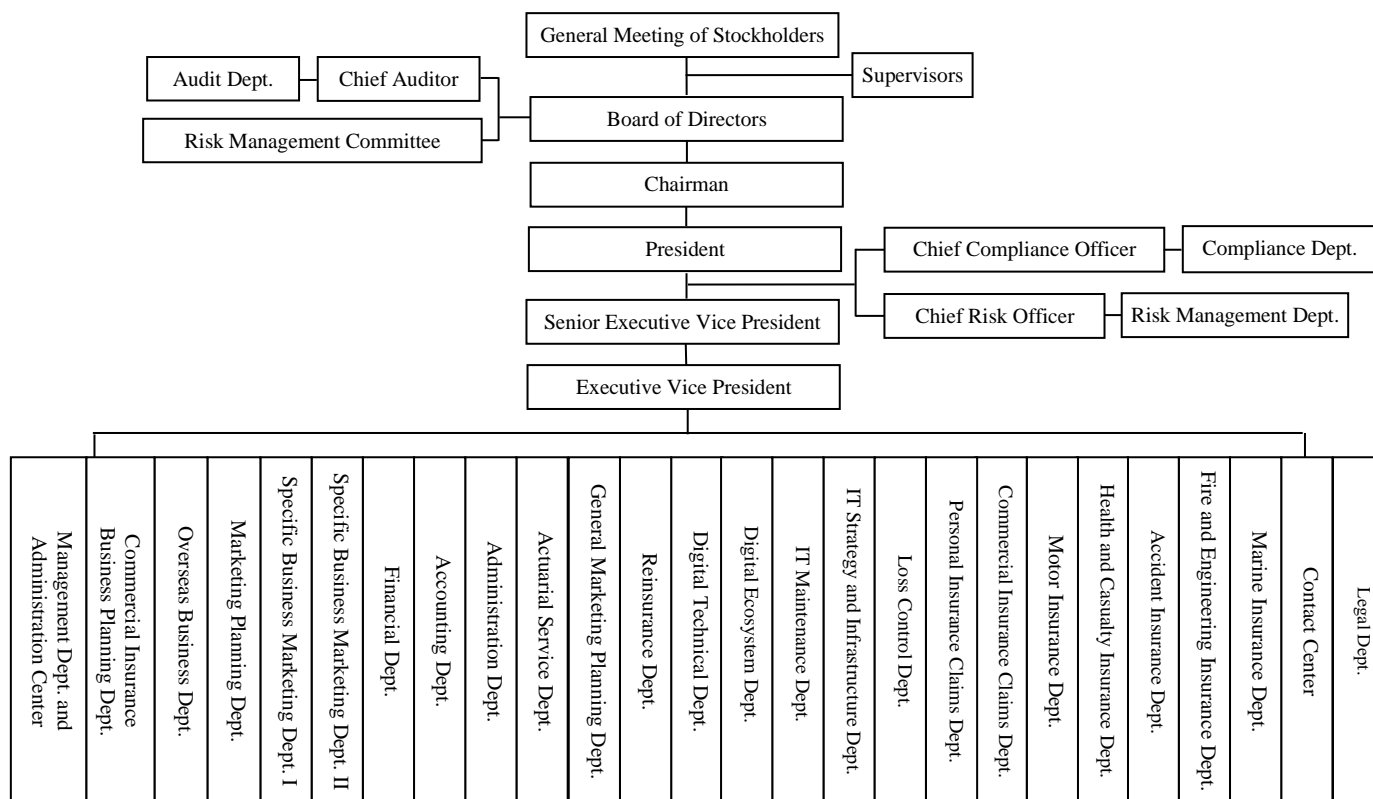
Insurance Type	Reinsurance Expenses	Net Changes in Ceded		Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Loss (Profit)
		Unearned Premium Reserve	Reinsurance Commission Income			
Fire insurance	\$ 3,941,484	\$ (462,572)	\$ 309,193	\$ 3,237,184	\$ 3,475,273	\$ (2,617,594)
Marine insurance	1,034,602	(5,399)	99,503	274,546	(17,929)	683,881
Land and air insurance	849,726	(72,065)	250,113	344,963	47,355	279,360
Liability insurance	986,357	42,366	180,357	264,463	267,446	231,725
Guarantee insurance	80,939	2,235	16,521	691	(12,068)	73,560
Other property insurance	3,704,822	365,479	316,289	819,139	4,210,440	(2,006,525)
Accident insurance	232,193	(13,153)	52,006	102,875	11,305	79,160
Health insurance	29,917	23,658	13,463	206	4,991	(12,401)
Policy-oriented residential earthquake insurance	508,240	8,094	-	800	(801)	500,147
Compulsory automobile liability insurance	<u>1,315,253</u>	<u>12,445</u>	<u>-</u>	<u>1,176,167</u>	<u>32,805</u>	<u>93,836</u>
	<u>\$ 12,683,533</u>	<u>\$ (98,912)</u>	<u>\$ 1,237,445</u>	<u>\$ 6,221,034</u>	<u>\$ 8,018,817</u>	<u>\$ (2,694,851)</u>

**For the Year Ended December 31, 2024**

Insurance Type	Reinsurance Expenses	Net Changes in Ceded		Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Loss (Profit)
		Unearned Premium Reserve	Reinsurance Commission Income			
Fire insurance	\$ 4,407,485	\$ 273,123	\$ 321,494	\$ 1,237,787	\$ 2,422,992	\$ 152,089
Marine insurance	954,515	(7,058)	95,042	284,212	278,641	303,678
Land and air insurance	882,912	249	275,953	361,860	9,769	235,081
Liability insurance	894,506	(83,069)	119,313	503,414	(43,306)	398,154
Guarantee insurance	78,948	(20,413)	16,385	16,242	(10,473)	77,207
Other property insurance	2,864,013	791,157	335,412	482,140	550,636	704,668
Accident insurance	276,944	(10,263)	66,430	195,698	(2,072)	27,151
Health insurance	-	-	-	5,193	(5,406)	213
Policy-oriented residential earthquake insurance	493,094	10,055	-	37,587	800	444,652
Compulsory automobile liability insurance	<u>1,289,595</u>	<u>14,969</u>	<u>-</u>	<u>1,106,125</u>	<u>(62,077)</u>	<u>230,578</u>
	<u>\$ 12,142,012</u>	<u>\$ 968,750</u>	<u>\$ 1,230,029</u>	<u>\$ 4,230,258</u>	<u>\$ 3,139,504</u>	<u>\$ 2,573,471</u>

## h. Organization chart and responsibilities of risk management

### 1) Organization chart of risk management



### 2) Responsibility of each department:

#### Board of directors

- The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.
- The board of directors should establish an appropriate risk management system and culture, ratify the appropriate risk management policy and allocate resources in the most effective manner.
- The board of directors should consider the effect of the aggregated risks from the Company's overall perspective; the board of directors should also follow the legal capital requirement and the relevant financial or business operating regulations that affect capital allocation.

#### Risk management department

##### a) Risk management committee

- The committee should propose the risk management policies, framework, and organization functions and establish quantitative and qualitative management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly and making necessary suggestions for improvement.

- ii. The committee should execute the risk management policies set by the board of directors and review development, build-up and performance of the overall management mechanisms regularly.
- iii. The committee should assist and monitor the risk management activities performed by each department.
- iv. The committee should assist in deliberating related procedures for formulating risk limits.
- v. The committee should arrange the risk category, risk limit allocation and risk-taking method according to changes in the environment.
- vi. The committee should enhance cross-department interaction and communication.

b) Chief risk officer

The appointment of chief risk officers of the Group should be approved by the board of directors, who should maintain independence and should not concurrently play a business or financial role nor have the right to access any information which may affect the Company's risk overview.

- i. The chief risk officer should be in charge of the overall risk management.
- ii. The chief risk officer should participate in the important decision-making process and provide appropriate suggestions from a risk management perspective.
- iii. The chief risk officer should be a member of the risk management committee.

c) Risk management department

- i. The Group established a risk management department, which is responsible for monitoring, measuring and evaluating major risks. The department is independent from the business units.
- ii. Responsibilities of the risk management department are as follows:
  - i) Propose and execute the risk management policies set by the board of directors.
  - ii) Propose the risk limits based on risk appetite.
  - iii) Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.
  - iv) Regularly present risk management reports.
  - v) Regularly review the risk limits and their use by each business unit.
  - vi) Assist to execute stress testing and back testing if necessary.
  - vii) Other risk management-related issues.

### Business units

- a) The risk management duties of the manager of a business unit are as follows:
- i. Manage and report the daily risk of the business unit and take necessary responsive actions.
  - ii. Supervise regular submission of risk management information to the risk management department.
- b) The risk management duties of a business unit are as follows:
- i. Identify and measure risks and promptly report the status of risk exposures and impacts.
  - ii. Regularly review the risks and their limits to ensure the effective execution of risk limits within business unit.
  - iii. Monitor risk exposures and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions of the business units.
  - iv. Assist to develop the risk model and ensure that the risk measurement, application of model, and the parameter settings are reasonable and consistent.
  - v. Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
  - vi. Assist to collect data related to operational risk.

### Audit department

The department is responsible for the audit of each department's performance of risk management pursuant to the applicable laws and regulations and related rules and guidance of the Company.

- i. Risk reporting and range and nature of risk assessment for the property insurance business
  - 1) Risks management reporting
    - a) Each business unit should regularly deliver risk information to the risk management department, and report the excess of risk limits and responding measures when the risk exposure exceeds the limit.
    - b) The risk management department summarizes the risk information provided by each department, tracks the uses of major risk limits, submits a monthly risk management report to the chairman, and submits quarterly reports to the risk management committee and the board of directors.
  - 2) The scope and nature of risk assessment

The risk management departments of the Group and its parent company, Cathay Financial Holdings, collaborated in building the market risk management system. The system structure was developed in consideration of the system functionality, data source, completeness of data upload, and the safety of the environment of the system. The front-end of the investment department has acquired the information system related to the investment market. The risk management system focuses on risk quantification, which is needed by the middle-end department, and would only be accessible to authorized risk management personnel.

- j. Processes to undertake, evaluate, supervise and control the insurance risk of the property insurance business and underwrite policies to ensure proper risk classification and premium level.

The risk management department of the Group is responsible for monitoring and integrating insurance risks as a whole, and setting up risk indicators, risk limits, and the managing mechanism. Each related department is the execution unit of insurance risk control and regularly reports execution to the risk management department in accordance with the laws and regulations, internal rules, and professional knowledge and experience related to its duties. The risk management department proposes the insurance risk management report to the risk management committee and the board of directors each quarter.

- k. The scope of insurance risk assessment and management from a company-wide perspective

Insurance risk management of the Group covers product design and pricing, underwriting, reinsurance, catastrophe, claims, and reserves. Proper management mechanisms are set up and executed thoroughly.

- l. Methods to limit insurance risk exposure and avoid inappropriate concentration risk:

When the Group undertakes a new business, the underwriter evaluates the quality of the business based on the underwriting criteria of each insurance to decide whether to undertake the business to properly hedge and control the risk exposure and reduce the exposure.

In addition, for the reinsurance business, the risk management mechanism is set up in accordance with the Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms. The capabilities for undertaking risk are considered in developing the reinsurance risk management plan and the maximum of accumulated retained risks of each risk unit and each individual risk event for execution.

Accumulated risk assessment of the portfolio of direct written premiums and other inward-insurance business is conducted before an individual case of outward/inward reinsurance is executed. When the cumulative insurance amount exceeds the contract limit or self-retained limit, risk is diversified through reinsurance.

According to the Group's reinsurance risk management policy, the basis for managing the maximum accumulated risk limit of each risk unit requires the risk management and each insurance department to jointly review and discuss the accumulated retained risk limit of a risk unit for each insurance type every year, which is submitted to the general manager for approval before implementation. The following table summarizes the maximum accumulated retained risk limit of a risk unit by insurance type:

Insurance Type	For the Year Ended December 31	
	2025	2024
Fire insurance	\$ 1,200,000	\$ 1,200,000
Marine insurance	1,200,000	1,200,000
Engineering insurance	1,200,000	1,200,000
Miscellaneous insurance/liability insurance	1,200,000	1,200,000
Healthy and accident insurance	1,200,000	1,200,000
Automobile insurance	50,000	50,000
Liability insurance	250,000	250,000

m. Risk coordinated asset-liability management

1) Asset-liability coordinated with risk identification and measurement

Financial accounting and actuarial departments should identify the possible market risk, liquidity risk and insurance risk that may occur during operation. The cash inflows from assets are measured by cash flow test method (or other method) to evaluate whether the amount of inflows is sufficient to cover the cash outflow for liabilities, that is, whether the asset allocation has reasonable liquidity to pay liabilities for expenditures in future years.

2) Asset-liability coordinated with risk response

When market risk, liquidity risk and insurance risk events occur, financial, accounting and actuarial service department should take appropriate reactions to coordinated asset-liability risk, and report to the risk management department and propose to the risk management committee an evaluation of the risk.

n. Procedures to manage, monitor and control a special event for which the property insurance business is committed to assuming additional liabilities or raising additional capital.

The Group has established a set of capital adequacy management standards, including risk-based capital management indicators for regular review, under which risk-based capital is calculated each quarter and a risk-based capital management report is prepared every half year as implementation of risk-based capital management.

If the risk-based capital ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose a reaction to the risk management committee and inform the parent company, Cathay Financial Holdings Co., Ltd., to review the impact on the capital adequacy ratio of Cathay Financial Holdings Co., Ltd. and its subsidiaries.

o. Sensitivity to insurance risk

1) The Company

For the year ended December 31, 2025

Insurance Type	Premium Revenue	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 4,962,193	65.56%	\$ (248,110)	\$ (96,262)
Marine insurance	1,381,531	78.06%	(69,077)	(26,197)
Land and air insurance	16,475,356	58.24%	(823,768)	(791,872)
Liability insurance	3,294,241	51.21%	(164,712)	(108,079)
Guarantee insurance	123,007	9.73%	(6,150)	(4,305)
Other property insurance	4,317,313	63.44%	(215,866)	(36,293)
Accident insurance	4,847,412	37.87%	(242,371)	(220,929)
Health insurance	511,724	34.67%	(25,586)	(24,477)
Policy-oriented residential earthquake insurance	508,240	13.40%	(25,412)	(25,412)
Compulsory automobile liability insurance	<u>3,110,902</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 39,531,919</u>		<u>\$ (1,821,052)</u>	<u>\$ (1,333,826)</u>

For the year ended December 31, 2024

Insurance Type	Premium Revenue	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 5,137,236	50.28%	\$ (256,862)	\$ (118,567)
Marine insurance	1,257,137	75.46%	(62,857)	(19,214)
Land and air insurance	15,462,906	59.48%	(773,145)	(742,430)
Liability insurance	3,069,226	49.72%	(153,461)	(100,520)
Guarantee insurance	117,315	11.29%	(5,866)	(3,405)
Other property insurance	3,172,587	43.83%	(158,630)	(33,234)
Accident insurance	4,582,948	41.85%	(229,147)	(204,107)
Health insurance	397,007	37.61%	(19,850)	(19,669)
Policy-oriented residential earthquake insurance	493,094	0.47%	(24,655)	(24,655)
Compulsory automobile liability insurance	<u>3,060,192</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 36,749,648</u>		<u>\$ (1,684,473)</u>	<u>\$ (1,265,801)</u>

Note: Expected loss rate is calculated based on the simple average loss rate of the past five years, among the health insurance excludes the impact of epidemic prevention insurance.

The above table shows that with 5% increase in the expected loss rate of every insurance contract of the Company, profit or loss may be impacted to an extent; however, the impact has been mitigated through the arrangement of reinsurance to achieve the effect of risk diversification.

2) Cathay Insurance Co., Ltd. (Vietnam)

For the year ended December 31, 2025

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 237,645	14.32%	\$ (11,882)	\$ (11,870)
Marine insurance	12,084	14.14%	(604)	(197)
Fire insurance	312,381	32.49%	(15,619)	(949)
Engineering insurance	3,613	21.28%	(181)	(43)
Accident insurance	54,048	36.48%	(2,702)	(2,699)
Liability insurance	<u>4,027</u>	2.52%	<u>(201)</u>	<u>(169)</u>
	<u>\$ 623,798</u>		<u>\$ (31,189)</u>	<u>\$ (15,927)</u>

For the year ended December 31, 2024

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 270,259	14.78%	\$ (13,513)	\$ (13,489)
Marine insurance	12,102	12.54%	(605)	(194)
Fire insurance	365,563	34.70%	(18,278)	(624)
Engineering insurance	3,379	21.65%	(169)	(39)
Accident insurance	59,889	36.88%	(2,994)	(2,990)
Liability insurance	<u>2,874</u>	1.67%	<u>(144)</u>	<u>(101)</u>
	<u>\$ 714,066</u>		<u>\$ (35,703)</u>	<u>\$ (17,437)</u>

Note: Expected loss rate is calculated based on the weighted average loss rate of the past five years.

The above table shows that with 5% increase in the expected loss rate of every insurance contract of Cathay Insurance Co., Ltd. (Vietnam), profit or loss may be impacted to an extent; however, the impact has been mitigated through the arrangement of reinsurance to achieve the effect of risk diversification.

p. Risk concentration

1) The Company

a) Situations that may cause concentration of insurance risk

i. Single insurance contract or several related contracts

As of December 31, 2025, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the insurance risk management guidelines by the underwriting department, reinsurance department and risk management department or in a project meeting.

ii. Exposure to unanticipated change in trend

As of December 31, 2025, the solar photovoltaic business covered under the Company's engineering insurance was significantly affected by Typhoon Danas, and there are no unexpected changes have occurred in other insurance exposures.

iii. Material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts

Each unit of the Company has appointed a staff for compliance matters. In addition, before executing any external contracts, each unit is required to submit a "Legal Consultation Form" with specific legal questions to the Legal Department for legal advice first to minimize possible legal risk. As of December 31, 2025, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

iv. Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks, such as market risk, credit risk, and liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, the Company established “points for handling teams of catastrophe and major events” and “Operation Standards under Crisis”. Besides, the Company implemented a business continuity management mechanism, under which the crisis handling team is set up in response to the event and executes emergency actions after ensuring employee safety, such as resource coordination, fund procurement monitoring changes in the financial market, and adjusting investment positions to protect the rights of insureds, insure the Company’s continuous operation, and ensure financial stability.

v. When a non-linear relationship as a certain key variable has approached to the extent that future cash flows may be materially influenced

Since the 3rd stage of liberalization of property insurance premium rates took effect, the Company has conducted regular reviews in accordance with the regulations. When the actual loss rate exceeds the expected loss rate to a certain percentage, premium rates will be properly adjusted to avoid increased losses. In addition, the insurance department and actuarial department also continuously observes the changes in trend of loss rates of each product and adjusts pricing and coverage in a timely manner. For large claims, it manages the timing of claim payments and accelerates the collection of reinsurance recoveries to effectively reduce liquidity risk arising from insurance exposures.

For investment instruments, changes in risk indicators are monitored on a regular basis with cash flow analysis as well as stress testing to control and manage the impact of fluctuations in major risk factors.

In addition, stress testing is performed for the overall business every year to assess the impacts on financial positions due to extreme scenarios of the assets and insurance risk, and the major risk factors are identified and dealt with in a timely manner.

vi. Concentration of geographic regions and operating segments

The Company’s catastrophe insurance for earthquakes, typhoons and floods is mainly in the areas of Taoyuan, Hsinchu, Taichung, Chiayi, Tainan, Kaohsiung, Pingtung, Hualian and Taitung.

- b) Disclosure of concentration of insurance risk, including explanation of indicators used to identify the common features of insurance risk concentration and exposure to related insurance liabilities related to such feature

The following table summarizes Cathay Century's concentration of risk before and after for the years ended 2025 and 2024 reinsurance by insurance type:

Insurance Type	For the Year Ended December 31, 2025				
	Premium Income	Reinsurance Premium	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 4,962,193	\$ 74,487	\$ 3,653,301	\$ 1,383,379	4.90
Marine insurance	1,381,531	18,453	1,025,779	374,205	1.33
Land and air insurance	16,475,356	(6)	849,602	15,625,748	55.38
Liability insurance	3,294,241	16,073	983,401	2,326,913	8.25
Guarantee insurance	123,007	3,510	80,939	45,578	0.16
Other property insurance	4,317,313	78,508	3,700,449	695,372	2.46
Accident insurance	4,847,412	8,000	232,141	4,623,271	16.39
Health insurance	511,724	-	29,917	481,807	1.71
Policy-oriented residential earthquake insurance	508,240	68,456	508,240	68,456	0.24
Compulsory automobile liability insurance	3,110,902	792,992	1,315,253	2,588,641	9.18
Total	\$ 39,531,919	\$ 1,060,473	\$ 12,379,022	\$ 28,213,370	100.00

Insurance Type	For the Year Ended December 31, 2024				
	Premium Income	Reinsurance Premium	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 5,137,236	\$ 100,122	\$ 4,056,336	\$ 1,181,022	4.53
Marine insurance	1,257,137	11,645	946,253	322,529	1.24
Land and air insurance	15,462,906	690	882,838	14,580,758	55.98
Liability insurance	3,069,226	3,498	892,410	2,180,314	8.37
Guarantee insurance	117,315	36	78,948	38,403	0.15
Other property insurance	3,172,587	84,189	2,858,432	398,344	1.53
Accident insurance	4,582,948	8,400	276,826	4,314,522	16.56
Health insurance	397,007	2,067	-	399,074	1.53
Policy-oriented residential earthquake insurance	493,094	71,426	493,094	71,426	0.27
Compulsory automobile liability insurance	3,060,192	793,224	1,289,595	2,563,821	9.84
Total	\$ 36,749,648	\$ 1,075,297	\$ 11,774,732	\$ 26,050,213	100.00

- c) Disclosure of the past performance of property insurance business regarding the management risks with low frequency of occurrence but enormous impact, to the user of financial statement assess the uncertainty of cash flows related to such risks

Catastrophes such as earthquake, typhoon, and flood along with related huge claims, result in tremendous impact to the property insurance business.

To control and manage risk with low frequency of occurrence but enormous impact, the Company assesses the risk of natural disasters and special insured items (for example, high-tech factory, power plant, and traffic engineering), transfers these risks through reinsurance, control cumulative risks according to retention limits, and holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

## 2) Cathay Insurance Co., Ltd. (Vietnam)

### a) Situations that may cause concentration of insurance risk:

#### i. Single insurance contract or several related contracts

As of December 31, 2025, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meetings.

#### ii. Exposure to unanticipated change in trend

As of December 31, 2025, due to the impact of Quang Viet (Tien Giang) Enterprise Co., Ltd.'s major claim in April, the fire insurance loss ratio increased, and liquidity risk decreased. The Risk Management Department will prepare a risk assessment report and present proposed courses of action. However, there has been no impact on business risk at present, and Cathay Insurance Co., Ltd. (Vietnam) will continue monitoring the changes in risk exposure.

#### iii. Material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts

“The Procedure for Subrogation” and “The Proceedings of the Court” are set up to safeguard the rights of Cathay Insurance Co., Ltd. (Vietnam) and the insured and to implement process control of lawsuit cases of insurance claims. In addition, each unit has appointed staff for compliance matters to minimize possible legal risk. As of December 31, 2025, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

#### iv. Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks, such as market risk, credit risk, and liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Insurance Co., Ltd. (Vietnam) established the Points for Handling Major Events of Cathay Insurance Co., Ltd. (Vietnam), under which an emergency team is set up in response to the event and executes emergency actions such as resource coordination and fund procurement to protect the rights of the insured and Cathay Insurance Co., Ltd. (Vietnam) and to maintain financial stability. As of December 31, 2025, there is no interaction among risks resulting from a catastrophe.

#### v. Concentration of geographic regions and operating segments

Cathay Insurance Co., Ltd. (Vietnam)'s catastrophe insurance for earthquakes and floods is mainly in the areas of Ho Chi Minh City, Tinh Dong Nai and Tinh Ha Tinh.

- b) Disclosure of concentration of insurance risk, including explanation of indicators used to identify the common features of insurance risk concentration and exposure to related insurance liabilities related to such feature.

The following table summarizes Cathay Insurance Co., Ltd. (Vietnam)'s concentration of risk before and after reinsurance for the years ended 2025 and 2024 insurance types:

Insurance Type	For the Year Ended December 31, 2025				
	Premium Income	Reinsurance Premium	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 237,645	\$ 124	\$ 124	\$ 237,645	73.13
Flood insurance	12,084	374	8,823	3,635	1.12
Fire insurance	312,381	21,307	306,449	27,239	8.38
Engineering insurance	3,613	1,628	4,373	868	0.27
Accident insurance	54,048	100	52	54,096	16.64
Liability insurance	4,027	427	2,956	1,498	0.46
Total	\$ 623,798	\$ 23,960	\$ 322,777	\$ 324,981	100.00

Insurance Type	For the Year Ended December 31, 2024				
	Premium Income	Reinsurance Premium	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 270,259	\$ 172	\$ 74	\$ 270,357	73.71
Flood insurance	12,102	249	8,262	4,089	1.11
Fire insurance	365,562	18,983	356,901	27,644	7.54
Engineering insurance	3,898	4,874	5,581	3,191	0.87
Accident insurance	59,889	486	118	60,257	16.43
Liability insurance	2,356	974	2,096	1,234	0.34
Total	\$ 714,066	\$ 25,738	\$ 373,032	\$ 366,772	100.00

- 3) Disclosure of the past performance of property insurance businesses regarding management risks with low frequency of occurrence but enormous impact to the users of financial statements to assess the uncertainty of cash flows related to risks.

Catastrophes, such as typhoons and floods along with related huge claims, result in tremendous impact on the property insurance business. To control and manage risk with low frequency occurrence but enormous impact, Cathay Insurance Co., Ltd. (Vietnam) assesses the risk of natural disasters and special insured items and holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

q. Development trend of claims

1) The Company

December 31, 2025

Accident Year	≤2018	2019	2020	2021	2022	2023	2024	2025	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 10,190,448	\$ 9,508,911	\$ 10,259,775	\$ 43,545,821	\$ 14,539,239	\$ 18,967,938	\$ 28,776,521	
After the first year	-	10,063,196	11,023,615	10,637,168	44,819,446	14,066,286	16,819,762	-	
After the second year	-	9,915,122	11,009,236	10,420,320	44,403,185	13,566,196	-	-	
After the third year	-	9,900,713	10,856,229	10,393,667	44,277,158	-	-	-	
After the fourth year	-	10,203,863	10,941,749	10,290,434	-	-	-	-	
After the fifth year	-	10,188,477	10,947,742	-	-	-	-	-	
After the sixth year	-	10,188,839	-	-	-	-	-	-	
Final estimated claim payments	-	10,188,839	10,947,742	10,290,434	44,277,158	13,566,196	16,819,762	28,776,521	
Accumulated claim disbursed	-	10,155,542	10,842,798	10,003,996	43,827,214	12,699,890	13,154,550	8,091,371	
	268,944	33,297	104,944	286,438	449,944	866,306	3,665,212	20,685,150	\$ 26,360,235
Adjustment	-	-	-	-	-	-	-	454,904	454,904
Amount recognized in balance sheet	\$ 268,944	\$ 33,297	\$ 104,944	\$ 286,438	\$ 449,944	\$ 866,306	\$ 3,665,212	\$ 21,140,054	\$ 26,815,139

## December 31, 2024

Accident Year	≤2017	2018	2019	2020	2021	2022	2023	2024	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	\$ 10,259,775	\$ 43,545,821	\$ 14,539,239	\$ 18,967,938	
After the first year	-	8,574,948	10,063,196	11,023,615	10,637,168	44,819,446	14,066,286	-	
After the second year	-	8,479,083	9,915,122	11,009,236	10,420,320	44,403,185	-	-	
After the third year	-	8,447,631	9,900,713	10,856,229	10,393,667	-	-	-	
After the fourth year	-	8,413,409	10,203,863	10,941,749	-	-	-	-	
After the fifth year	-	8,415,865	10,188,476	-	-	-	-	-	
After the sixth year	-	8,418,544	-	-	-	-	-	-	
Final estimated claim payments	-	8,418,544	10,188,476	10,941,749	10,393,667	44,403,185	14,066,286	18,967,938	
Accumulated claim disbursed	-	8,394,163	10,134,579	10,818,573	9,842,058	43,283,596	12,274,525	7,393,524	
	263,210	24,381	53,897	123,176	551,609	1,119,589	1,791,761	11,574,414	\$ 15,502,037
Adjustment	-	-	-	-	-	-	-	276,361	276,361
Amount recognized in balance sheet	\$ 263,210	\$ 24,381	\$ 53,897	\$ 123,176	\$ 551,609	\$ 1,119,589	\$ 1,791,761	\$ 11,850,775	\$ 15,778,398

Note 1: The upper part of the table illustrates claim payments estimated in underwriting years by property insurance businesses. The lower part of the table illustrates the reconciliation of the accumulated claims disbursed to the balance sheet.

Note 2: The above tables exclude direct loss reserve of compulsory insurance, policy-oriented residential earthquake insurance and inward loss reserve of \$1,513,606 thousand and \$1,174,237 thousand as of December 31, 2025, \$1,457,829 thousand and \$1,383,940 thousand as of December 31, 2024.

### 2) Cathay Insurance Co., Ltd. (Vietnam)

Since the claim data of Cathay Insurance Co., Ltd. (Vietnam) is still immature, the historical experience for development trend of claim is not available. Cathay Insurance Co., Ltd. (Vietnam) provided loss reserve for claims incurred but not yet filed at 5% of retained premiums following the suggestion by Vietnamese Ministry of Finance 2842/BTC/QLBH.

### r. Credit risk of insurance contract

The main source of the credit risk of an insurance contract is the reinsurance business. The Group arranges its reinsurance business under the Regulations Governing Insurance Enterprises, and it is engaged in operating reinsurance and other risk-diversification mechanisms. Most of the designated ceded reinsurers have a certain level of credit rating and are qualified for the reinsurance business. The Group regularly monitors the net changes in the credit rating of these ceded reinsurers. The Group discloses its transactions with unqualified ceded reinsurers as follows, based on Regulations for the Management of the Reserve for Unqualified Reinsurance.

1) The summary of unqualified reinsurance contracts and related insurance type are listed below:

#### December 31, 2025

<u>Name</u>	<u>Type</u>
Trust International Insurance and Reinsurance Company B.S.C	Treaty reinsurance of marine insurance
Asia Capital Reinsurance Group Pte Ltd	Facultative reinsurance of marine insurance
Tugu Insurance Company HK	Facultative reinsurance of marine insurance
Evergreen Insurance Co., Ltd.	Facultative reinsurance of fire insurance

#### December 31, 2024

<u>Name</u>	<u>Type</u>
Trust International Insurance and Reinsurance Company B.S.C	Treaty reinsurance of marine insurance
Asia Capital Reinsurance Group Pte Ltd	Facultative reinsurance of marine insurance

- 2) For the years ended December 31, 2025 and 2024, the unqualified ceded reinsurance expenses were both \$0 thousand.
- 3) The reserves for unauthorized reinsurance consist of:

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Unearned premium reserve	\$ -	\$ -
Claims recoverable from reinsurers of paid claims overdue in nine months	(14)	168
Claims recoverable from reinsurers which were reported but unpaid	<u>72</u>	<u>92</u>
	<u>\$ 58</u>	<u>\$ 260</u>

### 35. INFORMATION OF DISCRETIONARY INVESTMENTS

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Listed stocks	\$ 3,397,091	\$ 2,871,807
Bank deposit	493,461	460,526
Future margins	<u>38,867</u>	<u>38,646</u>
	<u>\$ 3,929,419</u>	<u>\$ 3,370,979</u>

The fair values of the financial assets operated discretionarily by securities investment trust enterprises are equal to their carrying amounts.

As of December 31, 2025 and 2024 the discretionary investment limits were both \$1,200,000 thousand.

### 36. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

- a. Unconsolidated structured entities

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

<b>Types of Structured Entity</b>	<b>Nature and Purpose</b>	<b>Interests Owned</b>
Securitization vehicle	Investment in asset-backed security to receive returns	Investment in securitization vehicles issued by the entity

- b. As of December 31, 2025 and 2024, the carrying amounts of the Group's assets related to its interests in unconsolidated structured entities are disclosed as follows:

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Securitization vehicle		
Financial assets at FVTPL	\$ 190,615	\$ 318,557
Financial assets at amortized cost	<u>274,240</u>	<u>322,496</u>
	<u>\$ 464,855</u>	<u>\$ 641,053</u>

**TABLE 1****CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES****BALANCE SHEET OF COMPULSORY AUTOMOBILE LIABILITY INSURANCE  
(In Thousands of New Taiwan Dollars)**

Items Asset	Amount		Items Liabilities	Amount	
	December 31, 2025	December 31, 2024		December 31, 2025	December 31, 2024
Cash and bank deposits	\$ 3,135,114	\$ 2,911,612	Notes payable	\$ -	\$ -
Notes receivable	5,779	5,646	Claims and payments payable	-	-
Premiums receivable	5,515	6,690	Reinsurance indemnity payable	-	-
Claims and payments recoverable from reinsurers	156,089	153,164	Due to reinsurers and ceding companies	235,313	233,123
Due from reinsurers and ceding companies	132,086	131,607	Unearned premium reserves	1,803,379	1,780,873
Other receivables	-	-	Loss reserves	2,177,415	2,121,917
Financial assets at FVTOCI	653,324	654,599	Special reserves	1,563,814	1,388,959
Ceded unearned premium reserve	788,002	775,557	Temporary receipts and suspense accounts	-	-
Ceded loss reserve	903,216	870,411	Other liabilities	-	-
Temporary payments and suspense accounts	796	15,586			
Other assets	-	-			
<b>Total assets</b>	<b>\$ 5,779,921</b>	<b>\$ 5,524,872</b>	<b>Total liabilities</b>	<b>\$ 5,779,921</b>	<b>\$ 5,524,872</b>

**TABLE 2****CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES****OPERATING REVENUE AND COST OF COMPULSORY AUTOMOBILE LIABILITY  
(In Thousands of New Taiwan Dollars)**

Item	For the Year Ended December 31	
	2025	2024
Operating revenues	\$ 1,683,378	\$ 1,646,712
Written premium	2,192,089	2,149,326
Reinsurance premium	792,992	793,224
Premiums income	2,985,081	2,942,550
Less: Reinsurance expenses	1,315,253	1,289,595
Net changes in unearned premium reserve	10,061	24,106
Retained earned premium	1,659,767	1,628,849
Interest income	23,612	17,863
Operating costs	1,735,388	1,734,924
Retained claims payments	1,996,770	1,843,567
Reinsurance claims payments	717,237	714,274
Less: Claim and payments recoverable from reinsurers	1,176,167	1,106,125
Retained claims payments	1,537,840	1,451,716
Net change in loss reserve	22,693	(35,451)
Net change in special reserve (Note)	174,855	318,659

Note: Pursuant to Instruction Jin-Guan-Bao-Chan-Zi No. 11004107771, the Company is required to make reserve (recognized as expenses) in relation to this particular service at NT\$30 per insurance policy on a monthly basis starting from April 1, 2021. Pursuant to Instruction Jin-Guan-Bao-Chan-Zi No. 11304922071, the Company is required to make reserve (recognized as expenses) in relation to this particular service at NT\$15 per insurance policy on a monthly basis starting from October 1, 2024.

**CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES**

**TRANSACTIONS WITH RELATED PARTIES INVOLVING MAIN BUSINESS ITEMS REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE  
FOR THE YEAR ENDED DECEMBER 31, 2025  
(In Thousands of New Taiwan Dollars)**

The Company Involving Main Business Items	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note (Note 2)
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Cathay Century Insurance Co., Ltd.	Cathay Life Insurance Co., Ltd.	Fellow subsidiary	Premiums income	\$ 165,581	0.40	Based on agreement	\$ -	-	\$ 999	0.03	
	Cathay United Bank Co., Ltd.	Fellow subsidiary	Premiums income	215,357	0.52	Based on agreement	-	-	49,253	1.68	

Note 1: If the transaction terms of related parties are different with the general terms, the differences and reasons should be described in the column of unit price and payment terms.

Note 2: If there is any payments (receipts) in advance, it should be stated the reason, contractual terms, amount, and differences from the general transaction type in the remarks column.

Note 3: Paid-up capital refers to the paid-up capital of the Company.

**CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd (Vietnam)	a.	Reinsurance premium	\$ 18,266	Based on agreement	0.06
				Due from reinsurers and ceding companies	17,256	Based on agreement	0.02
				Reinsurance claims payments	82	Based on agreement	-

Note 1: The parent company and subsidiaries are numbered as follows:

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

Note 2: Transaction flows are as follows:

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

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

Note 4: Information disclosed in this Table includes balances and transactions that have been eliminated on consolidation between the Group and its subsidiaries.

**CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2025  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2025			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2025	December 31, 2024	Number of Shares	%	Carrying Amount			
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Vietnam	Property insurance businesses	\$ 845,585	\$ 845,585	-	100	\$ 690,265	\$ 8,738	\$ 8,738	Note

Note: Share of profit or loss and OCI are recognized on the basis of the audited financial statements.

## CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2025	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2025	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2025	Accumulated Repatriation of Investment Income as of December 31, 2025
					Outward	Inward						
Cathay Insurance Co., Ltd. (China)	Property insurance businesses	\$ 12,196,844 (CNY 2,632,653 thousand)	a	\$ 2,964,730	\$ -	\$ -	\$ 2,964,730	\$ 600,923	24.5	\$ 147,226	\$ 2,553,784	\$ -

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2025	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 4)
\$2,964,730 (CNY645,000 thousand)	\$2,964,730 (CNY645,000 thousand)	\$12,016,457

Note 1: The investment amount is calculated based on historic exchange rate, and other columns are disclosed based on the exchange rate on December 31, 2025.

Note 2: Investment type is as follows:

- The Company made the investment directly.
- The Company made the investment through a company registered in a third region.
- Others.

Note 3: The calculation was based on financial statements which have not been audited.

Note 4: The limit is up to 60% of the investor's net worth as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued on August 29, 2008 by the Investment Commission of the MOEA.

Note 5: On December 31, 2006, according to letter No. 094022847 issued by the Investment Commission of the Ministry of Economic Affairs (MOEAIC), the Company is authorized to invest US\$28,963 thousand and establish an insurance subsidiary, engaging in the property insurance business. On October 8, 2007, according to letter No. 1272 (2007) issued by China Insurance Regulatory Commission (CIRC), the Company is authorized to establish a property insurance company in the form of joint venture with Cathay Life Insurance. The joint venture company named Cathay Insurance Company Ltd. (China) was established in Shanghai and has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, according to letter No. 10200136010 issued by the MOEAIC, the Company is authorized to remit CNY200,000 thousand to increase the share capital. The Company was authorized by CIRC to remit CNY100,000 thousand each on June 13, 2013 and March 18, 2014. On November 23, 2018, according to No. 10700281680 issued by the MOEAIC, the Company was authorized to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 issued by the MOEAIC, the Company was authorized to remit CNY245,000 thousand to increase the share capital. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, the Company's board of directors resolved to suspend capital increase on January 26, 2022. On March 3, 2022, according to No. 11100514060 issued by the MOEAIC, the Company was authorized to write down CNY245,000 thousand which had been remitted according to No. 10800291980 issued by the MOEAIC. As of December 31, 2025, the Company has remitted US\$97,292 thousand in total.

Note 6: The relevant information about Cathay Insurance Co., Ltd. (China) is as follows:

- The location: Shanghai, China.
- Status of capital operation and related income: As of December 31, 2025, the assets for investments of Cathay Insurance Co., Ltd. (China) were \$15,146,635 thousand, and the net investment income was \$721,859 thousand.
- Reserves recognized and balances of reserves:

As of December 31, 2025, the balances of reserves of Cathay Insurance Co., Ltd. (China) were as follows:

**December 31, 2025**

Unearned premium reserve	\$ 9,155,312
Loss reserve	<u>5,060,724</u>
	<u>\$ 14,216,036</u>

(Continued)

Reserves recognized as follows:

- 1) Unearned premium reserve: For an unexpired in-force contract with a policy period shorter than one year, the calculation of the unearned premium reserve is based on the unexpired risk.
  - 2) Loss reserve: The reserve for claims filed but not yet paid is assessed based on the actual relevant information of each case and provided by insurance type. The reserve for claims not yet filed is provided based on past experiences with actual claims and expenses in line with actuarial principles.
  - 3) Policy reserve: Reserve in accordance with the life table and interest rates by reserves regulations and laws of the mainland China and Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.
- d. Percentage of the premium income: For the year ended December 31, 2025, the premium income of Cathay Insurance Company Limited (China) amounted to \$25,351,169 thousand, and the percentage of the Company's premium income is 62.45%.
- e. Percentage of insurance claim and payments: For the year ended December 31, 2025, the insurance claim and payments of Cathay Insurance Company Limited (China) amounted to \$16,094,366 thousand, and the percentage of the Company's insurance claim and payments is 89.15%.

(Concluded)