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Cathay Financial Holding Co., Ltd.

2021 Annual Report

Dated: March 30, 2022

I. Contact Information of Spokesperson:

	Spokesperson	Deputy Spokesperson
Name/Title	Chung-Yi Teng / Senior Executive Vice President	Grace Chen/Chief Financial Officer David P. Sun/ Senior Executive Vice President
Phone	(02) 2708-7698 Ext.3606	(02) 2708-7698 Ext.7730 (02) 2708-7698 Ext.7790
Email	service@cathayholdings.com.tw	

II. Contact information of CFH and its Subsidiaries:

Company	Address	
	Website	Telephone
Cathay Financial Holding Co., Ltd.	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	
	www.cathayholdings.com	(02) 2708-7698
Cathay Life Insurance Co., Ltd.	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	
	www.cathayholdings.com/life	(02) 2755-1399
Cathay United Bank Co., Ltd.	No.7, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	
	www.cathayholdings.com/bank	(02) 8722-6666
Cathay Century Insurance Co., Ltd.	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	
	www.cathayholdings.com/insurance	(02) 2755-1299
Cathay Securities Corporation	No. 333 and 335, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	
	www.cathayholdings.com/securities	(02) 2326-9888
Cathay Securities Investment Trust Co., Ltd.	No. 39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	
	www.cathayholdings.com/fund	(02) 2700-8399
Cathay Venture Inc.	No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	
	None	(02) 7711-9889

III. Name of Institution for stock transfer, Address, Website and Telephone:

Institution for stock transfer	Stock Registration, Administrative Division of the Company	Telephone	(02) 2708-7698#9
Website	www.cathayholdings.com	Address	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

IV. Name of Institution for credit rating, Address, Website and Telephone:

Institution for credit rating	Address	Telephone
Taiwan Ratings	2F., No. 167, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	(02) 2175-6800
Moody's Asia-Pacific Ltd.	24F, One Pacific Place 88 Queensway Admiralty, Hong Kong	852-3758-1300
Standard & Poor's	Level 3 and 4, Three Exchange Square, 8 Connaught Place, Central, Hong Kong	852-2533-3500

V. Contact Information of independent accountants:

Names of Auditors	Cheng-Hung Kuo, Shu-Wan Lin	Telephone	(02) 2725-9988
CPA Office	Deloitte Taiwan	Address	20F., No.100, Songren Rd., Xinyi Dist., Taipei City Taiwan (R.O.C.)
Website	www2.deloitte.com/tw/tc.html		

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Listing Bourse	Luxembourg Stock Exchange
Information Access	Bloomberg

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One. Letter to Shareholders

I. Business Report for the year 2021

Looking back on 2021, the global economy recovered as major countries administered vaccines and restarted economic activities. Viral variants, however, have caused one wave of infections after another, causing supply chain disruptions and energy price spikes, which signal looming inflation and intensified volatility in financial markets. Turning challenges into strengths, we continued to manage our business steadfastly while speeding up the pace of digital transformation. We kept abreast of economic trends and allocated assets in a timely manner. Thanks to the concerted efforts of our employees, our business performance once again reached a historical high in 2021, with Cathay Life Insurance, Cathay United Bank, Cathay Securities, and Cathay SITE all reporting record-high profits. Consolidated after-tax profit reached NT\$140.9 billion (US\$5.08 billion), setting a new record for the third consecutive year, with earnings per share of NT\$10.34.

Major Subsidiaries Reported Record-high Profit Yet Again in 2021

Cathay Life Insurance delivered exceptional investment performance, recording consolidated after-tax profit of NT\$113.2 billion (US\$4.08 billion) for the year. Cathay Life Insurance maintained its market leadership position in terms of premium income. Total premium income and first-year premium income were NT\$646.0 billion (US\$23.29 billion) and NT\$202.4 billion (US\$7.3 billion), respectively. First-year premium equivalent, a better indicator of the value of business, was NT\$51.0 billion (US\$1.84 billion), allowing Cathay Life Insurance to remain the leader in the industry.

Cathay United Bank recorded consolidated after-tax profit of NT\$23.8 billion (US\$860 million), maintaining solid asset quality while growing its lending business and managing risk. With respect to our wealth management business, Cathay United Bank fully utilized group resources amidst a low-interest rate environment to provide suitable wealth management products and investment advice to our customers, thereby achieving robust asset allocation. Cathay United Bank will continue to focus on the needs of our customers and optimize customer experiences. By embedding financial services digitally and seamlessly into enterprises' operations and people's daily life, Cathay United Bank will continue to offer stable, safe, and convenient financial services.

Cathay Century Insurance ranked second in the industry in terms of premium income. Cathay Securities Investment Trust reported NT\$1.3 trillion (US\$46.15 billion) in assets under management, making it the largest securities investment trust company in Taiwan. Cathay Securities generated record-high profits for the third consecutive year and its sub-brokerage business continues to be a market leader. Using innovative digital business models, Cathay Securities has accumulated over one million customers.

Expand Overseas Markets, Connect Regional Offices, and Realize Group Synergies

Cathay FHC continues to deepen its overseas presence, establishing a vast network of business locations across Greater China and Southeast Asia, and continues to strengthen local business management and promote digital services. In Greater China, our subsidiary Cathay United Bank (China) Ltd. continued to collaborate closely with our Hong Kong branch in expanding RMB and cross-border businesses, and successfully issued the first large-scale certificates of deposit in September 2021 and the first interbank certificates of deposit in November 2021, both of which will further enhance growth momentum in deposits. Cathay Lujiazui Life Insurance currently operates

12 offices (headquarters and branch offices) and 53 sales and service agencies, and continues to demonstrate stable business growth. Cathay Insurance (China) partnered with Ant Group to develop eCommerce-related insurance business.

In Southeast Asia, Cathay United Bank has overseas offices in nine of the ten ASEAN member states, totaling 59 locations. With the most extensive network in the ASEAN markets among Taiwanese banks, Cathay United Bank continues to develop diversified financial services, meet the needs of adjusting supply chains and achieve group synergies. Cathay United Bank seeks to provide one-stop financial services for corporate and individual customers. For our insurance business in Vietnam, we continue the strategy of business localization. Cathay Life Insurance (Vietnam) has 146 business offices and its premium income continues to grow consistently. Cathay Insurance Co., Ltd. (Vietnam) continues to focus on expanding its distribution channels and local operating teams, coupled with digital transformation, to increase its growth momentum and maintain stable profitability. Cathay FHC aims to connect regional operations strategically to build a business network in the Greater China and ASEAN markets and provide a comprehensive range of cross-border financial services to both overseas and domestic Taiwanese enterprises and local customers.

Our Asset Management Business Continues to Grow

Cathay FHC continues to focus on the three engines of growth, “Insurance + Banking + Asset Management,” as the core development strategy. Our global asset management business includes Conning Holdings Corp. and Cathay SITE which provide us with an asset management platform that spans across the Asia-Pacific, U.S., and European markets. Conning Holdings Corp. is a leading global asset management market that provides institutional investors with customized investment and asset allocation solutions. Cathay SITE continues to launch new products that meet market demand, becoming the first investment trust company in Taiwan with assets under management over NT\$1 trillion. The after-tax profit for Cathay SITE reached a historical high for the year. As of the end of 2021, our total assets under management was US\$214.9 billion, a record high.

Aim to Become a Technology Company that Provides Financial Services

Committed to digital transformation, Cathay FHC employs innovative technologies across numerous digital products and services. We are building a data-driven culture based on the three areas of digital, data, and technology, and developing innovative products and services based on the spirit of “What if We Could.”

Cathay Vision Experience, known as CVX, is a remote insurance application platform developed by Cathay Life Insurance that provides end-to-end remote insurance services, including insurance policy purchase, maintenance, claims, and premium payment. CVX is the first remote insurance platform in Taiwan. Cathay Life Insurance subsequently introduced a digital platform for group insurance (Groupins+) and an individual insurance platform that allows customers to choose, combine and thereby customize policies that suit them, thus providing a complete range of unique digital insurance services and the best service experience. The mobile banking app of Cathay United Bank provides a wide variety of services and integrates banking, insurance, and securities services. Cathay United Bank’s mobile app has over five million users. The newly launched CUBE credit card consolidates numerous rewards and benefits and allows cardholders to select a reward plan that matches their spending and preferences through our mobile banking app.

Cathay FHC delivered significant progress in the development of data, technology, and middle office services. Cathay FHC developed a GIS geographic analytical platform that uses geographic data to pinpoint areas and customers with high growth potential, thereby facilitating branch expansion and

business development. In addition, we developed “Cathay Shield”, a data-driven smart risk management platform, that improves digital security for customers and internal operations. Cathay FHC began deploying cloud technology with a focus on operations, management, cybersecurity, and compliance and to enhance service stability and the flexibility of backend resource expansion and management. We seek to gradually optimize our cloud strategy and cloud native architecture. Cathay FHC used internally-developed blockchain technology to form an interbank “Global Trade Sharing Blockchain Alliance,” to prevent redundant financing and strengthen the risk management capabilities of participating banks.

Cathay FHC also lead the industry by proposing the idea of a digital service ecosystem with “Cathay as a Service” (CaaS) at the core. The CaaS ecosystem is a new business model and platform that provides a one-stop experience and single portal for collaborations with different industry partners. Cathay FHC will continue to drive digital transformation and provide excellent digital experiences through technological innovation and across our businesses with the aim of becoming a technology company that provides financial services.

Embrace New Trends and Refine the Corporate Governance of the Cathay Group

Cathay FHC is committed to creating a corporate culture of integrity and transparency and enhancing corporate governance. We actively adopt suggestions from external professional agencies, follow the international best practice of corporate governance in an ever-changing business environment, and continue to deepen our corporate governance performance. In 2021, Cathay FHC was once again rated an “Outstanding Company on Corporate Governance,” and Chairman Hong-Tu Tsai won the “Asian Corporate Director Recognition Award” for the second time, both of which represent international recognition of Cathay FHC’s corporate governance practice. Cathay FHC values the establishment and implementation of various corporate governance mechanisms, and continues to improve practices related to corporate governance. Performance highlights for 2021 include: (1) Cathay FHC participated in the Taiwan Intellectual Property Management System (TIPS) for the first time and received Level-A certification; (2) Cathay FHC improved its overall information security protection capability and completed a Security Operation Center (SOC) service mechanism, allowing 24/7 uninterrupted real-time information security monitoring and management, and major subsidiaries adopted the Information Security Management System (ISMS); (3) Cathay FHC passed the British Standards Institution (BSI) ISO 22301 Business Continuity Management System certification, which seeks to ensure the sustainable operation of the group and reduce the impact of COVID-19, extreme climate, and other emerging risks on corporate operations. Cathay FHC is the first ISO 22301-certified financial holding company in Taiwan with improved Business Continuity Management (BCM); (4) Cathay FHC adopted AI technology to manage regulatory compliance and uses new technology to more effectively prevent financial crimes and these actions were positively recognized. Looking forward to 2022, Cathay FHC will be re-electing members of our Board of Directors. According to global trends in corporate governance, board composition and performance will be a key cornerstone for the sustainable governance of Cathay FHC. For this reason, Cathay FHC will continue to adopt an effective candidate nomination system, diversify our board composition and enhance our board performance, all of which can further strengthen the sustainability of our operations and our long-term competitiveness.

Seek Net-Zero Carbon Emission Operations and be a “Pioneer of Sustainable Development”

Extreme weather events are becoming more frequent and intense, making climate change one of the world’s most pressing issues. Cathay FHC continues to actively transform its business into net-zero carbon emission operations, including our committing in June 2021 to the adoption of RE100, using 100% renewable energy for all of our locations in Taiwan by 2030 and moving toward the goal of net-zero emissions by 2050. As the largest institutional investor in Taiwan, we also continue to exert our influence, urging other enterprises to undergo low-carbon transition and join Climate Action 100+, which brings together global investors responsible for over US\$60 trillion in assets and engages with 167 companies that account for over 80% of corporate industrial greenhouse gas emissions. All of the Taiwan enterprises on the list have committed to achieve net-zero emissions/carbon neutrality by 2050. In 2021, Cathay FHC also joined the Asian Utilities Engagement Program, which is coordinated by the Asia Investor Group on Climate Change (AIGCC) and backed by global institutional investors overseeing US\$8.8 trillion in assets. This initiative is aimed at engaging Asian power utilities that are responsible for 23% of the world’s total carbon emissions and to strengthening carbon reduction efforts.

The sustainability performance of Cathay FHC has been recognized internationally. For seven consecutive years, Cathay FHC has been selected as a constituent in the Dow Jones Sustainability Index (DJSI), one of the most credible international indicators of corporate sustainability. In the most recent rating, Cathay FHC ranked first in financial core competencies (i.e., sustainable finance and financial inclusion, etc.) among global insurers. According to the latest ESG Ratings by MSCI, Cathay FHC received a rating of AA again, the highest among the life and health insurance industry in Taiwan, once again delivering excellent performance.

The Cathay group has been established for 60 years. Cathay FHC understands that both “sustainability” and “profitability” are both critical to long-term competitiveness. Cathay FHC will continue to fully utilize our core financial competencies, and three areas of focus of “climate, health, and empowerment” for sustainable development in order to maintain a mutually beneficial relationship with our stakeholders. As Cathay FHC takes the responsibility of being a “pioneer of sustainable development,” we will also promote sustainable development, responsible investment, and climate action in Taiwan. Through engagement and advocacy, Cathay FHC aims for the betterment of the entire industry and creating positive cycles.

Looking ahead to 2022, as many countries are easing epidemic prevention restrictions, economies could gradually recover. International institutions expect an economic recovery to continue, but attention still needs to be paid to the uncertainties caused by new COVID-19 variants. The global economy may face a new round of challenges, such as the soaring energy and food prices resulting from the war in Europe, leading to increased inflationary pressure, tighter monetary policies by central banks, and the realignment of global supply chains. With uncertainty looming over the global economy and financial environment, we will continue to drive digital transformation, seek steady long-term growth based on proper risk management and achieve both sustainability and profitability by adhering to our core values of “Integrity, Accountability, and Innovation” and the spirit of innovation embodied in “What if We Could.” Cathay FHC will continue to strive toward our vision of becoming “a leading financial institution in the Asia-Pacific region,” thereby demonstrating our sincere gratitude and appreciation to the shareholders who have given us their invaluable support over the years.

II. 2022 Business Plan

With the advent of the post-pandemic era, the global economy is evidently recovering although there are still risks such as the uncertainty brought on by the pandemic, looming inflation, and the gradual tightening of fiscal and monetary policies in various countries. Nevertheless, we will continue to prudently embrace new opportunities and challenges in 2022. In the coming year, Cathay FHC will continue to closely monitor global political and economic trends, as well as the pandemic. We will stay committed to maximizing value for our shareholders, customers and employees and upholding our core values of “Integrity, Accountability, and Innovation.” Our business strategy will continue to respond to rapidly changing market conditions. Going forward, Cathay FHC will continue to improve our regional expansion, accelerate digital transformation and business innovation, and leverage our financial competencies to achieve sustainable finance while accounting for robust business development and risk management. Our 2022 business plan is outlined below:

(I) Continue to Expand Regional Operations and Achieve the Goal of Becoming a “Leading Financial Institution in the Asia-Pacific Region”:

Consistent with our vision of being a leading financial institution in the Asia-Pacific, Cathay FHC will continue to connect regional offices to develop business networks in Greater China and ASEAN markets and provide financial services and products that meet the needs of both domestic and overseas Taiwan corporates and local customers. We will continue to create business opportunities that increase profits for our shareholders and create more business value for the group by capitalizing on our experience in financial services in Taiwan and the resources supported by our local strategic partners in order to deepen local operations.

In addition, we will continue to strengthen our asset management business as the third pillar of development, expand investment product lines and enhance managerial capabilities, and accelerate the group’s third engine of business growth by extending the reach of our asset management business from a global perspective.

(II) Continue to Drive Digital Transformation and Focus on Building an Ecosystem of Digital Financial Services:

With an aim to become a “technology company that provides financial services” with Cathay-as-a-Service (CaaS) as the core, Cathay FHC continues to drive digital transforming by focusing on digital, data, and technology. We seek to build a data-driven culture transform digital development processes and use cross-industry integration to create excellent digital experiences, respond to market changes, enhance the stability of financial services, and improve services, all of which in turn increase product capacity, enhance customer experience, and improve operational efficiency.

Cathay FHC has successfully transformed our product-centric business model into one that is customer-centric by building a complete, technology-based ecosystem of financial services. In the future, we will continue to expand our data infrastructure and optimize the seamless connection to our data ecosystem of cross-industry business partners, and integrate online and offline channels to embed financial services into the daily life of our customers. In this way, financial services, technology, and touchpoints can be combined into a digital data-driven ecosystem that shapes the future of financial services.

(III) Leverage Financial Competencies to Achieve Sustainable Finance and Lay a Foundation for Sustainable Operations:

As we face business risks arising from increasingly stringent financial regulations, post-pandemic era challenges, and climate change, Cathay FHC will steadily and cautiously respond to the impact that global political, economic, and market changes have on financial markets, and continue to optimize our asset/liability allocation and management to strengthen the group's overall capital structure. To lay a firm foundation for the sustainable operations of Cathay FHC and guide the sustainable development for the industry, Cathay FHC will leverage our diverse financial competencies and sustainable operations, and by integrating international sustainability frameworks into our three engines of growth "Insurance + Banking + Asset Management," to fulfill green finance practices and uphold our spirit of "Sustainable Cathay; Contributing to the Community."

III. Future strategies, impact of the competitive environment, regulatory environment, and the overall business environment

Inflationary pressure in the post-pandemic era puts the global economy in a state of instability, and uncertainties regarding the Fed's rate hike, balance sheet shrink, ongoing geopolitical conflicts, new financial supervisory requirements, and intensifying competition from FinTech all present challenges to the business environment. In 2022, Cathay FHC will continue exploring opportunities to conform to market changes with development of digital financial innovation, and adopt rigorous practices toward compliance, risk management, and sustainability. The Group remains committed to its core values of "Integrity, Accountability and Innovation," and shall take progressive steps to realize its vision of becoming "the best financial institution in Asia Pacific" by promoting "insurance, banking, and asset management" as the three profit engines.

IV. Latest Credit Ratings

Rating results summary:

Credit rating agency		Cathay Financial Holdings	Cathay Life	Cathay United Bank	Cathay Century Insurance	Cathay Securities
Taiwan Ratings	Rating Date	2021.9.28	2021.9.28	2021.9.28	2021.9.28	2021.9.28
	Rating Received	twAA	twAA+	twAA+	twAA+	twAA-
	Rating Outlook	Stable	Stable	Stable	Stable	Stable
Moody's	Rating Date	2022.1.17	2021.9.14	2021.11.29	2021.9.14	None
	Rating Received	Baa1	A3	A1	A2	
	Rating Outlook	Stable	Stable	Stable	Stable	
Standard & Poor's	Rating Date	2021.9.28	2021.9.28	2021.9.28	2021.9.28	None
	Rating Received	BBB+	A-	A-	A-	
	Rating Outlook	Stable	Stable	Positive	Stable	
AM Best	Rating Date	None	None	None	2021.12.1	None
	Rating Received				A	
	Rating Outlook				Stable	

Two. Company Profile

I. Date of Establishment

December 31, 2001.

II. Company Profile

- Cathay Financial Holding Co., Ltd. (hereinafter referred to as the Company or the Group) was founded on December 31, 2001 with paid-in capital of NT\$58.386 billion through a share swap between the Company and Cathay Life Insurance Co., Ltd. (or Cathay Life Insurance) that became a wholly-owned subsidiary of the Company thereafter. All Cathay Life Insurance shares, TAIEX listed, were transferred to the ownership of the Company on the same day.
- In April 2002, Tong Tai Insurance Co., Ltd. (later renamed to Cathay Century Insurance Co., Ltd. or Cathay Century Insurance) and Hui-Tong commercial banks (Later changed to Cathay United Bank Co., Ltd., or Cathay United Bank) jointed the Group as wholly-owned subsidiaries through share swaps. The conversion ratio between Cathay Century Insurance and Cathay United Bank was 4.5 to 1 and 6 to 1 for the latter transaction. After the transaction, the Company's total paid-in capital reached NT\$60.959 billion.
- In May 2002, the Company issued US\$ 700 million in European Convertible Bond (ECB).
- In December 2002, United World Chinese Commercial Bank converted every of its 1.6848 for one share of the Company to become a 100% subsidiary under the Group. After the merger, total paid-in capital reached NT\$ 84.532 billion.
- In January 2003, total paid-in capital was reduced to NT\$ 83.075 billion, followed by the cancellation of treasury stocks for 145.674 million shares.
- In April 2003, the Company invested NT\$ 600 million to establish Cathay Venture Co., Ltd.
- In July 2003, the Company and Cathay Life Insurance issued US\$ 522 million Global Depository Receipts (GDRs) through a conversion of 448.5 million treasury shares.
- In September 2003, the Company acquired 8.33% of Yitai Venture with NT\$ 75 million.
- In October 2003, United World Bank became the surviving entity after its merger with Cathay Bank and changed its name to Cathay United Bank Co., Ltd (Cathay United Bank).
- In April 2004, the Company invested NT\$ 600 million to establish Yitai II Venture Investment Co., Ltd.
- In May 2004, the Company invested NT\$ 3.5 billion to found Cathay Securities Corporation (or Cathay Securities).
- In July 2004, the Company acquired 100% of Yitai Management Consultant Co., Ltd. with NT\$ 16.56 million.
- In November 2004, the Company issued US\$ 495 million GDRs through a conversion of 254.911million treasury shares.
- In May 2005, the Company injected another NT\$ 150 million into Yitai Venture for its secondary equity offering. The ownership increased to 15% from the original 8.33% after the investment.
- In June 2005, the Company solely participated in Cathay Securities' secondary equity offering of NT\$ 500 million, or NT\$ 25/share for a total of 20 million shares. The securities arm's total paid-in capital, hence, reached NT\$3.7 billion from NT\$ 3.5 billion.
- In 2005, the Company acquired 81.35% of The Lucky Bank through insider transfer and public tender offering. Later in June 2006, Shareholders' meetings from both sides together resolved a conversion ratio of one common share of Cathay Financial Holdings to 3.8392 shares of the Bank to make The Lucky Bank a wholly-owned subsidiary under the Group, followed by the Company's Board decision to proceed the share swap in March 2006. Cathay United Bank became the surviving company after the reference merger date of January 1, 2007 based on a decision made in November 2006.
- Rights to convert the ECB into common shares or GDRs became exercisable from October 2004. As of April 30, 2007, a total of 461.242 million common shares were converted, which made the

Company's total paid-in capital NT\$ 92.77 billion. ECB worth of US\$ 13.926 million remained outstanding thereafter.

- All outstanding ECB (US\$ 13.926 million) as of April 16, 2007 were paid off before the expiration day of May 20, 2007.
- In June 2008, the Company solely participated in Cathay Life Insurance's secondary equity offering of NT\$ 15 billion, or NT\$ 75/share for a total of 200 million shares. Total paid-in capital of the insurer thus increased to NT\$ 52.69 billion from NT\$ 50.69 billion.
- In August 2008, the total paid-in capital grew to NT\$ 97.38 billion after stock dividend distributions.
- On December 25, 2008, an investment of NT\$ 15 billion on Cathay Life's preferred share was made through the issuance of the first unsecured subordinated debenture in 2008 (2008-1) for NT\$ 20 billion during the same month. The residual NT\$ 5 billion was kept for working capital of the Company.
- In August 2009, Cathay Venture, Yitai II Venture, Yitai Management Consultant, and Yitai Venture were merged. Cathay Venture was the surviving company.
- In October 2009, to stabilize the ownership, the Company paid NT\$ 925 million for 49.97% of Cathay Venture and incorporated the newly acquired a wholly-owned subsidiary.
- On December 18th, 2009, an investment of NT\$ 10 billion on Cathay Life Insurance's Series-B Preferred Share was made through the issuance of the first unsecured debenture in October 2009 (2009-1) for NT\$ 20 billion during the year. The residual NT\$ 10 billion was kept for future merger/acquisition or capital adequacy ratio improvement.
- In October 2009, the total paid-in capital was reduced to NT\$ 96.709 billion, after the cancellation of treasury stocks for 66.66 million shares obtained through the share swap between the Company and the Lucky Bank.
- In September 2010, the total paid-in capital grew to NT\$ 101.54 billion after the distribution of stock dividends.
- In June 2011, the Company paid NT\$ 2.774 billion to acquire the entire Cathay Investment Trust to establish an asset management platform.
- In August 2011, the total paid-in capital grew to NT\$ 103.58 billion after stock dividend distribution.
- In September 2011, the Company injected additional capital of NT\$ 715 million (NT\$ 10/share) to Cathay Investment Trust.
- In September 2011, the Company acquired 9.9% shares of Conning Holdings Corp. for NT\$ 507 million.
- In September 2011, the Company and Conning Holdings Corp. together set up Cathay Conning Asset Management (or CCAM). An investment proceeds of NT\$ 89 million was made to own 50% of the new venture in February 2012.
- In October 2011, the Company bought back 200 million treasury shares (NT\$ 35.9/share in average), for future ECB conversion.
- In July 2012, the Company invested another NT\$ 199.992 million (NT\$ 12/share) on Cathay Securities. Total paid-in capital of the securities arm became NT\$3,866.660 million then.
- In August 2012, the Company issued US\$ 254.4 million ECB that can be later converted to common stocks out of the treasury shares bought back in October 2011.
- In August 2012, the total paid-in capital grew to NT\$ 108.65 billion after stock dividend distribution.
- In January 2013, additional capital of US\$ 1 million (or NT\$ 29 million) was injected to Cathay Conning Asset Management Ltd. Ownership remained 50% after the transaction.
- In May 2013, additional capital of US\$ 2 million (or NT\$ 60 million) was injected to Cathay Conning Asset Management Ltd. Ownership remained 50% after the transaction.
- In September 2013, our company performed a capital raising by cash at \$36 per share. In total, 353 million shares were issued for \$12.708 billion. The paid-in capital of our company increased to NT\$112.18 billion.
- In September 2013, our company became the sole buyer of a stock offering for capital raising by cash of \$12.002 billion at Cathay United Bank. In total, 324,378,000 shares were sold for \$37 per

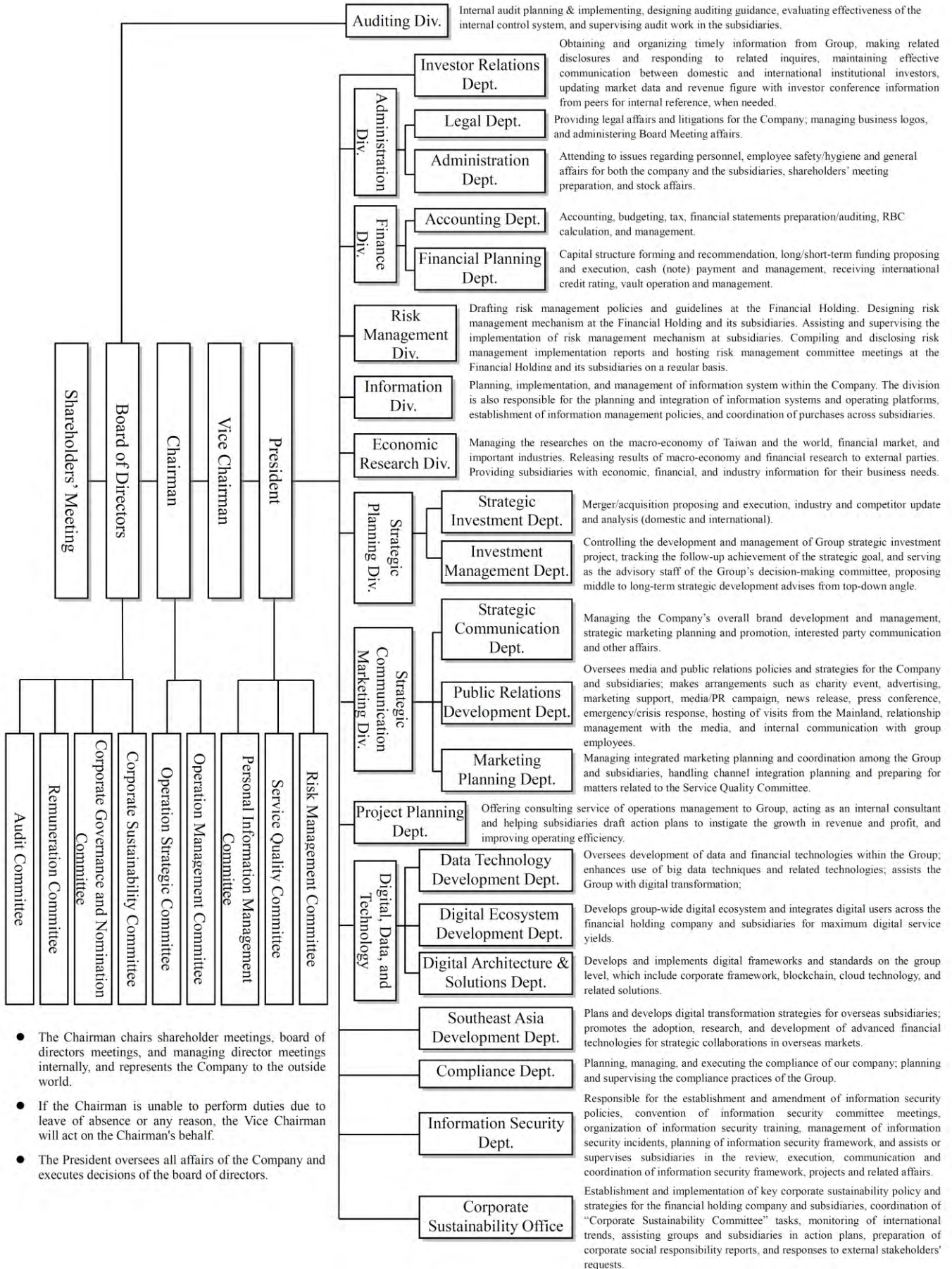
share. After the capital raising, the paid-in capital of the company increased to \$64.67 billion (including increase of capital by appropriating \$9.15 billion of retained earnings in 2013).

- In November 2013, the total paid-in capital grew to NT\$119.65 billion after stock dividend distributions.
- In November 2013, our company redeemed overseas convertible bonds issued in 2012 before maturity date. As of November 28, 2013, those bonds have been fully converted to common shares.
- In August 2014, the total paid-in capital grew to NT\$125.63 billion after stock dividend distributions.
- In October 2014, the Company invested another NT\$700.000 million (NT\$14 per share) on Cathay Securities. Total paid-in capital of the securities arm became NT\$4,700.000 million then.
- In September 2015, the Company sold 9.9% shares of Conning Holdings Corp. to its subsidiary Cathay Life Insurance, with the amount of NT\$710 million. Conning Holdings Corp. became a wholly owned subsidiary of Cathay Life Insurance after the investment was completed.
- In July 2016, the Company invested another NT\$557 million (NT\$13 per share) on Cathay Venture. Total paid-in capital of the venture arm became NT\$3 billion.
- In December 2016, the company issued 833.3 million Series A Preferred Shares in a cash capital increase for NT\$49.998 billion (NT\$60 per share). The paid-in capital of our company increased to NT\$133.97 billion.
- In December 2016, the Company subscribed NT\$35 billion of non-cumulative perpetual subordinated debts issued by Cathay Life Insurance.
- In June 2017, the Company invested another NT\$ 14.998 billion (NT\$28/share) on Cathay United Bank. Total paid-in capital of the securities arm became NT\$78,604,060 thousand then.
- In September 2017, the Company invested another NT\$ 670 million (NT\$40/share) on Cathay Century Insurance. Total paid-in capital of the securities arm became NT\$3,369,552 thousand then.
- In June 2018, the company issued 700 million Series B Preferred Shares in a cash capital increase for NT\$42 billion (NT\$60 per share). The paid-in capital of our company increased to NT\$140.97 billion.
- In June 2018, the Company invested another NT\$ 42,000 million (NT\$ 100/share) on Cathay Life. Total paid-in capital of the securities arm became NT\$57,265.274 million.
- In May 2019, the first issuance of unsecured corporate bonds of Cathay FHC in 2019 (2019-1) was made for the payment upon maturity of outstanding commercial papers.
- In December 2019, the Company made a cash issue of 606 million common shares at NT\$35 each that raised a total of NT\$21.21 billion in capital, which increased paid-up capital to NT\$147.03 billion.
- In December 2019, the Company subscribed to the NT\$10,000,000,000 cash issue of Cathay Life at NT\$80 per share and the NT\$10,000,000,000 cash issue of Cathay United Bank at NT\$20 per share, increasing paid-up capital of the two subsidiaries to NT\$58,515,274,000 and NT\$101,658,352,000, respectively.
- In June 2020, the Company made its first issue of unsecured senior corporate bonds in 2020 (2020-1) in a sum of NT\$8.9 billion; the entirety of the proceeds was intended to repay commercial papers.
- In September 2020, the Company made its second issue of unsecured senior corporate bonds in 2020 (2020-2) in a sum of NT\$21.1 billion; the entirety of the proceeds was intended to repay commercial papers.
- In September 2020, the Company subscribed to the cash issue of Cathay Securities at NT\$15 per share for a total of NT\$1,200,000 thousand, increasing the subsidiary's paid-up capital to NT\$7,300,000 thousand.

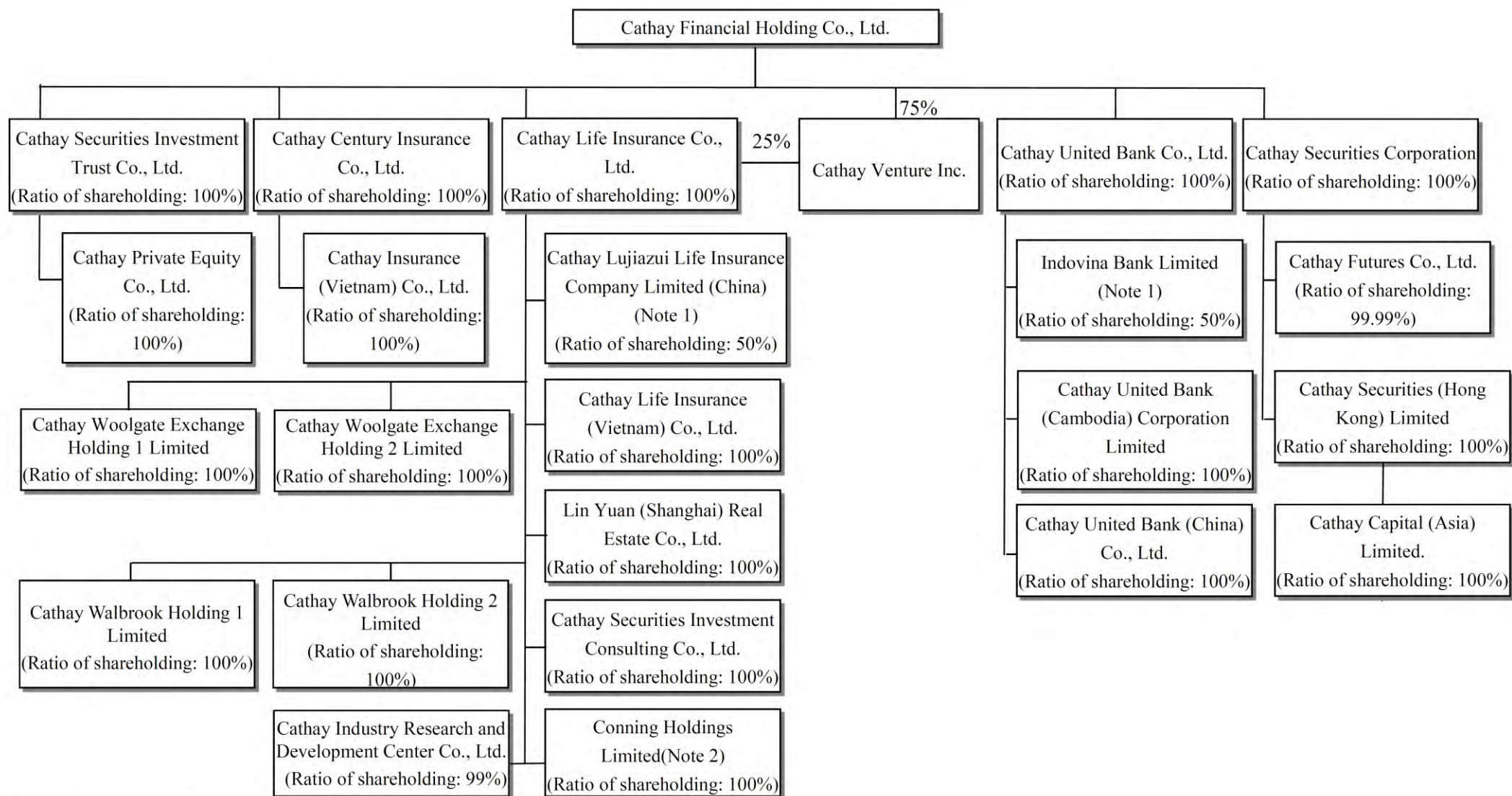
Three. Corporate Governance Report

I. Organization

(I) Organizational Chart and Major Corporate Functions



(II) Organizational Chart of Affiliated Companies



Note 1: A subsidiary other than those referred to in Article 4 of the Financial Holding Company Act.

Note 2: Expressed with the consolidated entity

Note 3: Organization chart was dated March 30, 2022

February 28, 2022

Subsidiary Company	Shares Held by Cathay Financial Holding Co., Ltd.			
	Percentage (%)	Number of shares (thousand shares)	Original Investment (NT\$ thousands)	Book Value (NT\$ thousands)
Cathay Life Insurance Co., Ltd.	100%	5,851,527	134,009,366	562,326,441
Cathay United Bank Co., Ltd.	100%	10,698,583	102,302,226	245,744,003
Cathay Century Insurance Co., Ltd.	100%	305,705	3,240,964	14,351,055
Cathay Securities Corporation	100%	730,000	6,099,992	13,185,288
Cathay Securities Investment Trust Co., Ltd.	100%	150,000	3,488,754	5,442,723
Cathay Venture Inc.	75%	388,630	2,390,881	4,541,319

■ Cross-holdings between the parent company and subsidiaries: None.

II. Board Members, Supervisors and Top Managers from Each Division and Subsidiary

(I) Board Members and Supervisors Information (Table 1)

Board Members and Supervisors Information (1)

April 19, 2022

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term Expires	Date first Elected (Note 2)	Shares held when Elected			Shares Currently Held (Note 4)		Shares Currently Held by Spouse & Minors (Note 4 & 5)		Shares held in the name of others (Note 4)		Selected Education, Past Positions & Current Positions (Note 10)	Other concurrent positions in the Company or in other companies (Note 6)	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks (Note 11)
							Common stock	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
							Preferred shares	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding						
Chairman	R. O. C.	Hong-Tu Tsai	M 61~70 years old	2019/6/14	3 years	2001/12/31		72,713,489	0.579%	45,424,978	0.345%	—	—	—	—	Chairman, Cathay Financial Holdings; Former Chairman, Cathay Life Insurance (J.D., Southern Methodist University, USA)	Chairman, Cathay Medical Care Corporate; Vice Chairman, Friends of the Police Association of R.O.C.; Director, Cathay Charity Foundation, etc.	Director Director	Cheng-Ta Tsai Cheng-Chiu Tsai	Brothers Brothers	None
								6,128,386	0.399%	6,128,386	0.399%	—	—	—	—			Senior Executive Vice President	Tsung-Hsien Tsai	Paternity	
Vice Chairman	R. O. C.	Culture and Charity Foundation of the Cathay United Bank	—	2019/6/14	3 years	2007/6/15 (Note 8)		6,500,740	0.052%	6,500,740	0.049%	—	—	—	—	Vice Chairman, Cathay Financial Holdings; Former Chairman, Cathay United Bank (B.A., National Chengchi University)	Director, Taiwan Real Estate Management, Taiwan Asset Management and Culture and Charity Foundation of the Cathay United Bank, etc.	None	None	None	None
		Representative: Tsu-Pei Chen	M 71~79 years old	2019/6/14	3 years	2007/6/15		68,169	0.001%	70,513	0.001%	82,021	0.001%	—	—						
								—	—	—	—	—	—	—	—						
Director	R. O. C.	Chia Yi Capital Co., Ltd.	—	2019/6/14	3 years	2013/6/14		53,084,668	0.423%	55,087,569	0.418%	—	—	—	—	Former Managing Director, Cathay Life Insurance (B.A.,Chinese Culture University)	Director, Cathay Medical Care Corporate, etc.	Chairman Director	Hong-Tu Tsai Cheng-Chiu Tsai	Brothers Brothers	None
		Representative: Cheng-Ta Tsai	M 71~79 years old	2019/6/14	3 years	2007/6/15		56,624,464	0.451%	32,624,464	0.248%	—	—	—	—						
								—	—	—	—	—	—	—	—						
Director	R. O. C.	Chen-Sheng Industrial Co., Ltd.	—	2019/6/14	3 years	2010/6/18		27,915,093	0.222%	33,875,134	0.257%	—	—	—	—	Chairman, Cathay Century Insurance (M.A., Keio University, Japan)	Chairman, Cathay Century Insurance; Director, Cathay Medical Care Corporate, etc.	Chairman Director	Hong-Tu Tsai Cheng-Ta Tsai	Brothers Brothers	None
		Representative: Cheng-Chiu Tsai	M 51~60 years old	2019/6/14	3 years	2007/6/15		600,000	0.005%	620,634	0.005%	—	—	—	—						
								—	—	—	—	—	—	—	—						

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term Expires	Date first Elected (Note 2)	Shares held when Elected		Shares Currently Held (Note 4)		Shares Currently Held by Spouse & Minors (Note 4 & 5)		Shares held in the name of others (Note 4)		Selected Education, Past Positions & Current Positions (Note 10)	Other concurrent positions in the Company or in other companies (Note 6)	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks (Note 11)	
							Common stock	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares			Ratio of shareholding	Title	Name		Relationship
							Preferred shares	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares			Ratio of shareholding				
Director	R. O. C.	Chia Yi Capital Co., Ltd.	—	2019/6/14	3 years	2013/6/14	53,084,668	0.423%	55,087,569	0.418%	—	—	—	—	Chairman, CEO, Legal Representative, Moderntimes Co., Ltd.; Director, Cathay United Bank; Former President, CMB Credit Card Center (B.A., Kean College of New Jersey, USA)	Legal Representative, Moderntimes (China) Co., Ltd.; Chairman and CEO (legal representative) of Moderntimes Co., Ltd.; Director of Cathay United Bank, Essence Management Services Limited, Moderntimes Information Co., Ltd., etc.	None	None	None	None	
							5,153,614	0.336%	5,153,614	0.336%	—	—	—	—							
		Representative: Chi-Wei Joong	M 61~70 years old	2019/6/14	3 years	2013/6/14	4,545	0%	4,545	0%	—	—	—	—							
							—	—	—	—	—	—	—	—							
Director	R. O. C.	Culture and Charity Foundation of the Cathay United Bank	—	2019/6/14	3 years	2007/6/15 (Note 8)	6,500,740	0.052%	6,500,740	0.049%	—	—	—	—	Chairman, Cathay United Bank (M.B.A., Baruch College, City University of New York, USA)	Chairman, Cathay United Bank and Cathay United Bank (China); Independent Director of Samson Holding Ltd. and Zhongshan Huali Enterprise Group Co., Ltd.; Director, Cathay Securities Investment Trust, Cathay Private Equity Co., Ltd., Long Chen Paper Co., Ltd., Far East Horizon Limited Farm Industry Co., Ltd., Cathay Medical Care Corporate, etc.	None	None	None	None	
							100,000	0.007%	100,000	0.007%	—	—	—	—							
		Representative: Andrew Ming-Jian Kuo	M 51~60 years old	2019/6/14	3 years	2007/6/15 (Note 9)	—	—	—	—	—	—	—	—							
							—	—	—	—	—	—	—	—							
Director	R. O. C.	Cathay Life Employees' Welfare Committee	—	2019/6/14	3 years	2010/6/18	34,590,372	0.275%	34,590,372	0.263%	—	—	—	—	Chairman, Cathay Life Insurance; Former Vice Chairman and President, Cathay Life Insurance (M.S., National Tsing Hua University)	Chairman, Cathay Life Insurance and Cathay Charity Foundation; Chairman of The Life Insurance Association of R.O.C., etc.	None	None	None	None	
							—	—	—	—	—	—	—	—							
		Representative: Tiao-Kuei Huang	M 71~79 years old	2019/6/14	3 years	2001/12/31 (Note 10)	279,437	0.002%	289,980	0.002%	29,544	0%	—	—							
							27,127	0.002%	27,127	0.002%	2,763	0%	—	—							

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term Expires	Date first Elected (Note 2)	Shares held when Elected			Shares Currently Held (Note 4)		Shares Currently Held by Spouse & Minors (Note 4 & 5)		Shares held in the name of others (Note 4)		Selected Education, Past Positions & Current Positions (Note 10)	Other concurrent positions in the Company or in other companies (Note 6)	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks (Note 11)
							Common stock	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
							Preferred shares	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding						
Director	R. O. C.	Cathay Life Employees' Welfare Committee	—	2019/6/14	3 years	2010/6/18	34,590,372	0.275%	34,590,372	0.263%	—	—	—	—	Vice Chairman, Cathay Life Insurance; Former President, Cathay Life Insurance (M.S., University of Iowa, USA)	Vice Chairman, Cathay Life Insurance; Director, Culture and Charity Foundation of the Cathay United Bank and Cathay Medical Care Corporate, etc.	None	None	None	None	
							—	—	—	—	—	—	—	—							
		Representative: Ming-Ho Hsiung	M 61~70 years old	2019/6/14	3 years	2007/6/15	58,692	0%	61,570	0%	—	—	—	—							
							25,000	0.002%	25,000	0.002%	—	—	—	—							
Director	R. O. C.	Cathay Life Employees' Welfare Committee	—	2019/6/14	3 years	2010/6/18	34,590,372	0.275%	34,590,372	0.263%	—	—	—	—	President, Cathay Financial Holdings; Former President, Cathay United Bank (M.B.A., University of Pennsylvania, USA)	President, Cathay Financial Holdings; Chairman of Financial Planning Association of Taiwan; Vice Chairman, Cathay Charity Foundation; Managing Director, CDIB & Partners Investment Holding Corporation; Director, Cathay United Bank, Cathay Securities, Cathay Securities Investment Trust, Joint Credit Information Center; Managing Supervisor, Cathay Medical Care Corporate; Managing Director of The Bankers Association of The Republic of China; Director, The Bankers Association of Taipei, etc.	None	None	None	None	
							—	—	—	—	—	—	—	—							
		Representative: Chang-Ken Lee	M 61~70 years old	2019/6/14	3 years	2010/6/18	124,729	0.001%	131,729	0.001%	—	—	—	—							
							20,000	0.001%	20,000	0.001%	—	—	—	—							

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term Expires	Date first Elected (Note 2)	Shares held when Elected			Shares Currently Held (Note 4)		Shares Currently Held by Spouse & Minors (Note 4 & 5)		Shares held in the name of others (Note 4)		Selected Education, Past Positions & Current Positions (Note 10)	Other concurrent positions in the Company or in other companies (Note 6)	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks (Note 11)
							Common stock	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
							Preferred shares	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding						
Independent Director	R. O. C.	Feng-Chiang Miao	M 71~79 years old	2019/6/14	3 years	2016/6/8	—	—	—	—	—	—	—	—	Chairman, MiTAC Holdings Corporation; Former ITRI Laureate; President, UPC Technology Corporation, President, Linde Lienhwa Industrial Gases Co., Ltd.; Chairman, Synnex Corporation; Independent Director, Galileo International Shipping Co., Ltd.; Independent Director, British Oxygen Company, Independent Director, Linde Group; Representative of APEC Business Advisory Council (ABAC); Convener, Civil Advisory Committee of National Information and Communications Initiative Committee (NICI); (Honorary Doctorate of National Chiao Tung University, Master of Business Administration of Santa Clara University, U.S.A., Bachelor of Electrical Engineering, University of California, Berkeley, U.S.A.)	Independent Director, Cathay United Bank and Cathay Century Insurance; Chairman, MiTAC Holdings, MiTAC Inc., Synnex Technology International, Lien Hwa Industrial Holdings Corporation, UPC Technology, Harbinger Venture Capital, MiTAC International, Harbinger Management Consultancy, Lien Cheng Venture Capital and Mei Feng Investment; Director, Getac Holdings Corporation, Linde Lienhwa Industrial Gases, Harbinger III Venture Capital, MiTAC Information Technology, MiTAC Computing Technology, TD Synnex Corporation, United Industrial Gases, MiTAC Digital Technology, Lien Hwa Milling Corporation, CTCI Foundation, GLORY ACE INTERNATIONAL INC. and Synnex Global Ltd.; Director, Chinese National Association of Industry and Commerce, Taiwan (CNAIC), etc.	None	None	None	None	

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term Expires	Date first Elected (Note 2)	Shares held when Elected			Shares Currently Held (Note 4)		Shares Currently Held by Spouse & Minors (Note 4 & 5)		Shares held in the name of others (Note 4)		Selected Education, Past Positions & Current Positions (Note 10)	Other concurrent positions in the Company or in other companies (Note 6)	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks (Note 11)
							Common stock	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Independent Director	R. O. C.	Edward Yung-Do Way	M 71~79 years old	2019/6/14	3 years	2017/6/16	—	—	—	—	—	—	—	—	Chairman, YCSY Co., Ltd.; Former CEO, Deloitte Taiwan (M.B.A., of University of Georgia, USA)	Independent Director, Cathay United Bank, Cathay Securities, Far Eastern Department Stores and Taita Chemical Co., Ltd.; Independent Non-executive Director, Da Chan Food (Asia) Limited; Chairman, YCSY Co., Ltd.; Director, Iron Force Industrial, Vanguard International Semiconductor and MiTAC Holdings. etc.	None	None	None	None	
							—	—	—	—	—	—	—	—							
Independent Director	R. O. C.	Li-Ling Wang	F 51~60 years old	2019/6/14	3 years	2019/6/14	—	—	—	—	—	—	—	—	President, Pension Fund Association, R.O.C.; Professor of Risk Management and Insurance Department, National Chengchi University; Former Vice President, National Chengchi University; Former Chairman, Financial Supervisory Commission Republic of China (Taiwan); Former Director, First Financial Holding; Former Independent Director, China Life Insurance Co., Ltd. (Ph.D. of Temple University (Dept. of Risk Management, Insurance, and Actuarial Science), USA; Master of Hartford University (Dept. of Accounting), USA)	Independent Director, Cathay Life Insurance; Professor of Risk Management and Insurance, National Chengchi University; Chairman, Pension Funds Association of R.O.C. in Taiwan; Managing Director, Taiwan Risk and Insurance Association, etc.	None	None	None	None	
							—	—	—	—	—	—	—	—							

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term Expires	Date first Elected (Note 2)	Shares held when Elected			Shares Currently Held (Note 4)		Shares Currently Held by Spouse & Minors (Note 4 & 5)		Shares held in the name of others (Note 4)		Selected Education, Past Positions & Current Positions (Note 10)	Other concurrent positions in the Company or in other companies (Note 6)	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks (Note 11)
							Common stock	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Independent Director	R. O. C.	Tang-Chieh Wu	M 61~70 years old	2019/6/14	3 years	2019/6/14	—	—	—	—	—	—	—	—	Secretary-General, Taiwan Financial Services Roundtable; Former Chairman, Hua Nan Financial Holdings Co., Ltd., Hua Nan Bank, Land Bank of Taiwan; Former Political Deputy Minister, Ministry of Finance; Former Vice Chairman, Financial Supervisory Commission Republic of China (Taiwan); Former Director-General, Securities and Futures Bureau, Financial Supervisory Commission Republic of China (Taiwan) (Master of National Chengchi University (Dept. of Public Finance))	Independent Director of Cathay Life Insurance and Cathay Century Insurance; Managing (Independent) Director of Cathay United Bank; Secretary-General of Taiwan Financial Services Roundtable; Consultant, Accounting Research and Development Foundation; Director, Foundation of Pacific Basin Financial Research and Development and Mr. Guo-Fu Chen Foundation; Chairman, Alumni Association of Department of Public Finance, National Taipei University; Managing Supervisor, Alumni Association of National Taipei University ; Supervisor, Taiwan-Russia Association, etc.	None	None	None	None	
							—	—	—	—	—	—	—	—							

Note 1: For representatives of institutional shareholders, the name of the institutional shareholder should be noted and filled in Chart 1 below.

Note 2: Please identify the real age, and express it by interval, e.g. 41–50 years old or 51–60 years old.

Note 3: Fill in “the Date of First Elected of the financial holdings’ directors and supervisors” and footnote any discontinuation.

Note 4: The Company has established an audit committee in lieu of a supervisor since 06/15/2007 according to Article 14-4 of the Securities and Exchange Act.

Note 5: Data baseline date: April 19, 2022.

Note 6: For representatives of corporate directors, “Shareholdings of spouse and underage children” shall refer to the representative and spouse and underage children of the representative.

Note 7: Directors’ concurrent employments were accurate as at Feb to Mar 2022.

Note 8: The Culture and Charity Foundation of the Cathay United Bank appointed its representative - Gregory K.H. Wang to serve as Vice Chairman of the Company and Tsu-Pei Chen to serve as Director of the Company from June 15, 2007 to June 17, 2010; representative - Roger M.H. Lee was appointed as the Company's Director from June 15, 2007 to April 26, 2010.

Note 9: Director Andrew Ming-Jian Kuo served as independent director of the Company from June 15, 2007 to March 30, 2016 and served as director of the Company from June 17, 2017.

Note 10: Director Tiao-Kuei Huang served as director of the Company from December 31, 2001 to February 18, 2008 and again from June 30, 2011 to June 13, 2019.

Note 11: Experiences related with current position. Detailed job title and the working responsibilities should be described if previously worked for the auditing accounting firm or its affiliated company.

Note 12: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, please explain the reasons, rationality and necessity of such an arrangement and any response measures taken (such as introduction of independent directors). Furthermore, disclose whether more than half of directors are involved in concurrent duty as employees or managers.

Note 13: “—” indicates zero shareholding °

Chart 1: Major Shareholders of Institutional Shareholders

April 19, 2022

Institutional Shareholders (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)
Chen-Sheng Industrial Co., Ltd.	Cheng-Chiu Tsai (80.93%), Tsung-Hsun Tsai (9.74%), Tzung Lien Industrial Co., Ltd. (9.33%)
Chia Yi Capital Co., Ltd.	Wan Pao Development Co., Ltd. (60.07%), Lin Yuan Investment Co., Ltd (39.93%)
Cathay Life Insurance Co., Ltd. Employees' Welfare Committee	Not applicable. (Not a corporate entity, contributions to employees' welfare are made monthly by Cathay Life Insurance through monthly revenue.)
Culture and Charity Foundation of the Cathay United Bank	Not applicable. (Cathay United Bank Co., Ltd. (19.67%) (the founder))

Note 1: For directors and supervisors who are representatives of institutional shareholders, the name of the institutional shareholder should be filled.

Note 2: Fill in the major shareholders (top-10 shareholdings) of the institutional shareholders and their individual holding percentage. Fill in Chart 2 below, if the major shareholders are institutions/corporate.

Note 3: For corporate shareholders that are not corporate entities, the name of capital contributor or donor and percentage of capital contribution or donation are shown instead of shareholder name and shareholding percentage.

Chart 2: Major Shareholders of the Entities from Chart 1 that Are Institutions/Corporate

April 19, 2022

Institutional Shareholders (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)
Tzung Lien Industrial Co., Ltd.	Cheng-Chiu Tsai (91.39%), Tsung-Hsun Tsai (8.61%)
Wan Pao Development Co., Ltd.	Tung Chi Capital Co., Ltd. (19.96%), Chia Yi Capital Co., Ltd. (19.85%), Liang Ting Industrial Co., Ltd. (17.85%), Lin Yuan Investment Co., Ltd (14.70%), Wan Ta Investment Co., Ltd. (12.89%), Pai Hsing Investment Co., Ltd. (9.18%), Chen Sheng Industrial Co., Ltd. (3.57%), Tzung Lien Industrial Co., Ltd. (2.00%)
Lin Yuan Investment Co., Ltd.	Chia Yi Capital Co., Ltd. (19.75%), Tung Chi Capital Co., Ltd. (19.69%), Liang Ting Industrial Co., Ltd. (17.74%), Wan Pao Development Co., Ltd. (14.81%), Wan Ta Investment Co., Ltd. (13.01%), Pai Hsing Investment Co., Ltd. (9.45%), Chen Sheng Industrial Co., Ltd. (3.54%), Tzung Lien Industrial Co., Ltd. (2.01%)

Note 1: The name of the institutional shareholder should be filled in for an institutional investor, like that in Chart 1.

Note 2: Fill in the major shareholders (top-10 shareholdings) of the institutional shareholders and their individual holding percentage.

Note 3: For corporate shareholders that are not corporate entities, the name of capital contributor or donor and percentage of capital contribution or donation are shown instead of shareholder name and shareholding percentage.

Directors and Supervisors Information (II)

I. Disclosure of information about directors' and supervisors' professional qualifications and independent directors' independence:

Name	Criteria	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Hong-Tu Tsai (Chairman)		- Serving as the Chairman of Cathay Financial Holdings for over two decades; having served as the Chairman of Cathay Life Insurance for over 27 years. - With the experience in financial holdings for over five years, and held satisfying the professional qualification required by the financial holding company. - With the experience in insurance for over five years, and held satisfying the professional qualification required by the insurance industry. - Not been a person of any conditions defined in Article 30 of the Company Act.	- Not an employee of the company or an affiliate. - Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 6–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). - Not a shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company	—
Tsu-Pei Chen (Vice Chairman)		- Serving as the Vice Chairman and the director of Cathay Financial Holdings for over 4 years and over 14 years respectively; having served as the President of Cathay Financial Holdings for over 2 years, the Chairman and President of Cathay United Bank for over 3 years and over 5 years respectively. - With the experience in financial holdings for over five years, and held satisfying the professional qualification required by the financial holding company. - With the experience in banking for over five years, and held satisfying the professional qualification required by the banking industry. - Not been a person of any conditions defined in Article 30 of the Company Act.	- Not an employee of the company or an affiliate. - Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names in an aggregate of 1% or more than the total outstanding shares of the Company or ranked in the top-10 holdings. - Not a director, supervisor, or manager of a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel. - Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 6–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). - Not a shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company.	—
Cheng-Ta Tsai (Director)		- Having served as the standing director of Cathay Life Insurance for over three decades; serving as the director of Cathay Financial Holdings for over 14 years. - With the experience in financial holdings for over five years, and held satisfying the professional qualification required by the financial holding company. - With the experience in insurance for over five years, and held satisfying the professional qualification required by the insurance industry. - Not been a person of any conditions defined in Article 30 of the Company Act.	- Not an employee of the company or an affiliate. - Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 6–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). - Not a shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company.	—

Name \ Criteria	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Cheng-Chiu Tsai (Director)	• Serving as the Chairman of Cathay Century Insurance for over 19 years; having served as the Director of Cathay Financial Holdings for over 14 years. • With the experience in financial holdings for over five years, and held satisfying the professional qualification required by the financial holding company. • With the experience in insurance for over five years, and held satisfying the professional qualification required by the insurance industry. • Not been a person of any conditions defined in Article 30 of the Company Act.	• Not an employee of the company or an affiliate. • Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names in an aggregate of 1% or more than the total outstanding shares of the Company or ranked in the top-10 holdings. • Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 6–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). • Not a shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company.	—
Chi-Wei Joong (Director)	• Serving as the director of both Cathay Financial Holdings and Cathay United Bank for over 8 years; having served as President of CMB Credit Card Center for 6 years, Vice Director-General, Consumer Banking Administration of CTBC Bank for 5 years, CFO of Citibank Credit Card Center (Taiwan) for 2 years, CFO of AIA Credit Card Center for 1 year • With the experience in financial holdings for over five years, and held satisfying the professional qualification required by the financial holding company. • With the experience in banking for over five years, and held satisfying the professional qualification required by the banking industry. • Not been a person of any conditions defined in Article 30 of the Company Act.	• Not an employee of the company or an affiliate. • Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names in an aggregate of 1% or more than the total outstanding shares of the Company or ranked in the top-10 holdings. • None of his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship is a director, supervisor or manager of the Company or its affiliates. • Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 5–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). • Not a shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company.	—

Name \ Criteria	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Andrew Ming-Jian Kuo (Director)	• Serving as the Chairman of Cathay United Bank for over 4 years; having served as the independent of all Cathay Financial Holdings, Cathay United Bank and Cathay Securities for over 8 years, CEO of both JPMorgan Chase Bank in Taiwan and Hong Kong for over 3 years. • With the experience in financial holdings for over five years, and held satisfying the professional qualification required by the financial holding company. • With the experience in banking and securities for over five years, and held satisfying the professional qualification required by the banking and securities industries. • Not been a person of any conditions defined in Article 30 of the Company Act.	• Not an employee of the company or an affiliate. • Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names in an aggregate of 1% or more than the total outstanding shares of the Company or ranked in the top-10 holdings. • Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 6–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). • Not a shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company.	—
Tiao-Kuei Huang (Director)	• Serving as the Chairman of Cathay Life Insurance for over 4 years, and the director of Cathay Financial Holdings for over 16 years; having served as the Vice Chairman and President of Cathay Life Insurance for over 6 years. • With the experience in financial holdings for over five years, and held satisfying the professional qualification required by the financial holding company. • With the experience in insurance for over five years, and held satisfying the professional qualification required by the insurance industry. • Not been a person of any conditions defined in Article 30 of the Company Act.	• Not an employee of the company or an affiliate. • Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names in an aggregate of 1% or more than the total outstanding shares of the Company or ranked in the top-10 holdings. • None of his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship is a director, supervisor or manager of the Company or its affiliates. • Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 6–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). • Not a shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company.	—

Name \ Criteria	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Ming-Ho Hsiung (Director)	• Serving as the Vice Chairman of Cathay Life Insurance for over 4 years, the director of Cathay Financial Holdings for over 14 years; having served as the President of Cathay Life Insurance for over 9 years. • With the experience in financial holdings for over five years, and held satisfying the professional qualification required by the financial holding company. • With the experience in insurance for over five years, and held satisfying the professional qualification required by the insurance industry. • Not been a person of any conditions defined in Article 30 of the Company Act.	• Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names in an aggregate of 1% or more than the total outstanding shares of the Company or ranked in the top-10 holdings. • None of his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship is a director, supervisor or manager of the Company or its affiliates. • Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 6–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). • Not a shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company.	—
Chang-Ken Lee (Director)	• Serving as the President and director of Cathay Financial Holdings for over 11 years, the director of Cathay Securities for over 5 years; having served as the President and the director of Cathay United Bank for over 5 years and over 11 years respectively, the Vice President, Assistant V.P. and Manager of Cathay Life Insurance for 2.5 years, 0.5 year and 1.5 years respectively, and the Clerk, Subsection Chief and Section Chief of Cathay Life Insurance for over 13 years in all. • With the experience in financial holdings for over five years, and held satisfying the professional qualification required by the financial holding company. • With the experience in banking and insurance for over five years, and held satisfying the professional qualification required by the banking and insurance industries. • Not been a person of any conditions defined in Article 30 of the Company Act.	• Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names in an aggregate of 1% or more than the total outstanding shares of the Company or ranked in the top-10 holdings. • None of his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship is a director, supervisor or manager of the Company or its affiliates. • Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 6–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). • Not a shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company.	—

Name \ Criteria	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Feng-Chiang Miao (Independent Director)	• Serving as the Chairman of MiTAC Holdings for over 8 years, the Chairman of Synnex Technology International for over 33 years, the Chairman of UPC Technology for over 45 years, the independent directors of all Cathay Financial Holdings, Cathay United Bank, Cathay Life Insurance, and Cathay Century Insurance for over 5 years. • With the experience in financial holdings for over five years, and the ability to manage a financial holding company and achieve robust and effective operations of the financial holding company, and held satisfying the professional qualification required by the financial holding company. • Have work experience for over 5 years and also the experience in the area of commerce, finance, accounting, or otherwise necessary for the business of the Company, and held satisfying the professional qualification as an independent director. • Good at management of the areas including IT channel layout, global production, corporate logistics, joint venture and strategic alliance, and venture capital.(Contribute IT distribution and manufacturing knowledge, international business experience, and expertise in venture capital with long-term investor perspective to the company.) • Not been a person of any conditions defined in Article 30 of the Company Act.	• Compliance with the independence requirements referred to in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” • Except as the independent director of the Company and subsidiaries wholly owned by the Company including “Cathay United Bank and Cathay Century Insurance,” he has never been a director, supervisor or employee of the Company or its affiliates. • None of his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship is a director, supervisor or manager of the Company or its affiliates. • Shares held by him (including those held by his spouse and underage children, or in another person’s name) and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the Company’s shares or a top-10 natural-person shareholder of the Company. • Shares held by his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship, and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the Company’s shares or a top-10 natural-person shareholder of the Company. • Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 5–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). • Not a shareholder of any specific company or institution engaged in business and financial transactions with the Company holding more than 5% of the shares of such company or institution. • Neither he or his spouse is a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of more than NT\$500,000 in the last two years, to the Company or its affiliate, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies.	1

Name \ Criteria	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Edward Yung-Do Way (Independent Director)	• Certified public accountant in State of Georgia, U.S., and The Republic of China; having served as CEO of Deloitte Taiwan for over 2 years; serving as Chairman of YCSY Co., Ltd. for over 11 years, independent director of both Cathay Financial Holdings and Cathay United Bank for over 4 years, independent director of Cathay Securities for over 2 years. • With the ability to manage a financial holding company and achieve robust and effective operations of the financial holding company, and held satisfying the professional qualification required by the financial holding company. • Have work experience for over 5 years and also the experience in the area of commerce, finance, accounting, or otherwise necessary for the business of the Company, and held satisfying the professional qualification as an independent director. • Not been a person of any conditions defined in Article 30 of the Company Act.	• Compliance with the independence requirements referred to in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” • Except as the independent director of the Company and subsidiaries wholly owned by the Company including “Cathay United Bank and Cathay Securities,” he has never been a director, supervisor or employee of the Company or its affiliates. • None of his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship is a director, supervisor or manager of the Company or its affiliates. • Shares held by him (including those held by his spouse and underage children, or in another person’s name) and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the Company’s shares or a top-10 natural-person shareholder of the Company. • Shares held by his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship, and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the Company’s shares or a top-10 natural-person shareholder of the Company. • Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 5–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). • Not a shareholder of any specific company or institution engaged in business and financial transactions with the Company holding more than 5% of the shares of such company or institution. • Neither he or his spouse is a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of more than NT\$500,000 in the last two years, to the Company or its affiliate, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies.	3

Name \ Criteria	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Li-Ling Wang (Independent Director)	• Serving as Professor of Risk Management and Insurance, National Chengchi University for over 13 years, Chairman of Pension Funds Association of R.O.C. in Taiwan for over 4 years; having served as Chairman and Vice Chairman without Portfolio of Financial Supervisory Commission, Vice President of National Chengchi University, and independent director of China Life Insurance for over 1.5 years, director of First-Aviva Life for over 2 years; serving as independent director of Cathay Financial Holdings and Cathay Life Insurance for over 2 years. • With the ability to manage a financial holding company and achieve robust and effective operations of the financial holding company, and held satisfying the professional qualification required by the financial holding company. • With the experience in insurance for over five years, and held satisfying the professional qualification required by the insurance industry. • Have work experience for over 5 years and also the experience in the area of commerce, finance, accounting, or otherwise necessary for the business of the Company, and held satisfying the professional qualification as an independent director. • Not been a person of any conditions defined in Article 30 of the Company Act.	• Compliance with the independence requirements referred to in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” • Except as the independent director of the Company and the subsidiary wholly owned by the Company including “Cathay Life Insurance,” he has never been a director, supervisor or employee of the Company or its affiliates. • None of his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship is a director, supervisor or manager of the Company or its affiliates. • Shares held by him (including those held by his spouse and underage children, or in another person’s name) and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the Company’s shares or a top-10 natural-person shareholder of the Company • Shares held by his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship, and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the Company’s shares or a top-10 natural-person shareholder of the Company. • Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 5–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). • Not a shareholder of any specific company or institution engaged in business and financial transactions with the Company holding more than 5% of the shares of such company or institution. • Neither he or his spouse is a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of more than NT\$500,000 in the last two years, to the Company or its affiliate, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies.	0

Name \ Criteria	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
Tang-Chieh Wu (Independent Director)	• Serving as Secretary-General of Taiwan Financial Services Roundtable; having served as Chairman of Hua Nan Financial Holdings Co., Ltd. and Hua Nan Bank for over 2 years, Chairman of Land Bank of Taiwan for over 1 year, Vice Chairman without Portfolio of Financial Supervisory Commission for over 5 years, Director-General of Securities and Futures Bureau for over 4 years, and independent director of all Cathay Financial Holdings, Cathay United Bank, Cathay Life Insurance, and Cathay Century Insurance for over 2 years. • With the ability to manage a financial holding company and achieve robust and effective operations of the financial holding company, and held satisfying the professional qualification required by the financial holding company. • With the work experience in financial administration or management for over 5 years, and also held the position at 8th job rank or equivalent under recommended appointment, with outperformance, and held satisfying the professional qualifications required by the banking, insurance and securities industries. • Have work experience for over 5 years and also the experience in the area of commerce, finance, accounting, or otherwise necessary for the business of the Company, and held satisfying the professional qualification as an independent director. • Not been a person of any conditions defined in Article 30 of the Company Act.	• Compliance with the independence requirements referred to in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” • Except as the independent director of the Company and subsidiaries wholly owned by the Company including “Cathay Life Insurance, Cathay United Bank and Cathay Century Insurance,” he has never been a director, supervisor or employee of the Company or its affiliates. • None of his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship is a director, supervisor or manager of the Company or its affiliates. • Shares held by him (including those held by his spouse and underage children, or in another person’s name) and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the Company’s shares or a top-10 natural-person shareholder of the Company. • Shares held by his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship, and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the Company’s shares or a top-10 natural-person shareholder of the Company. • Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 5–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). • Not a shareholder of any specific company or institution engaged in business and financial transactions with the Company holding more than 5% of the shares of such company or institution. • Neither he or his spouse is a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of more than NT\$500,000 in the last two years, to the Company or its affiliate, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies.	2

Note 1: Professional Qualifications and Experience: Please specify individual director’s and supervisor’s professional qualifications and experience. If the director is a member of the Audit Committee and specialized in accounting or finance, please specify his/her accounting or financial background and working experience, and also whether he/she

meets any circumstances referred to in Article 30 of the Company Act.

- Note 2: Please specify the independent directors' compliance of independence, including, but not limited to, whether they or their spouses or relatives within the second degree of kinship serve as directors, supervisors or employees in the Company or any of its affiliates; the number and percentage of the Company's shares held in their own names or names of the spouses, relatives within the second degree of kinship (or proxy shareholder); whether they serve as directors, supervisors, or employees in any company engaged in specific relationship with the Company (please refer to the subparagraphs 5–8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and the amount of remuneration received in the last two years for providing commercial, legal, financial, accounting or other professional services to the Company and its affiliates.
- Note 3: Calculated according to Paragraph 2, Article 4 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

II. Diversity and independence of the Board of Directors:

- (I) Diversity of the Board of Directors: Please specify the Board of Directors' diversity policy, goals and achievement thereof. The Board of Directors' diversity policy includes without limitation to the directors' election criteria, professional qualifications and experience required from the Board of Directors, and the composition or percentage of gender, age, nationality and culture. Please also specify the Company's specific goals for said policy, and achievement thereof.

The Company adopts the "Candidate Nomination System". All the board candidates are nominated through the "Corporate Governance and Nomination Committee". After reaching a board resolution, the list is sent to the shareholders' meeting for election. According to Paragraph 3, Article 30 of the "Corporate Governance Code", the board should possess general knowledge, skills, and literacy required for performing job tasks. In order to achieve the ideal goal of corporate governance, the board as a whole should possess the following competencies: I. Operational judgment competency. II. Accounting and financial analysis ability. III. Business management ability (including ability to manage subsidiaries). IV. Crisis management ability. V. Knowledge of the industry. VI. An international market perspective. VII. Leadership ability. VIII. Decision-making ability. IX. Risk management knowledge and ability.

The Company's board of directors has been adequately diversified in terms of age, industry experience, professional knowledge and capability. In order to strengthen corporate governance and facilitate the sound development of the board makeup and structure, in Paragraph 2, Article 30 of the "Corporate Governance Code", the policy of "board member diversification" points out that the board make ought to take into consideration the company operational framework, business development direction, future development trends, and various needs, as well as evaluating various diversified dimensions such as basic makeup (i.e., gender, age, nationality, race, etc.), professional experience (i.e., financial holdings, banks, insurance, securities, industries, technology etc.), and professional knowledge and skills (i.e., commerce, finance, accounting, law, marketing, digital technology, etc.). The Company currently has 13 directors in the board of directors, including 8 non-executive directors, 4 independent directors (one of whom is female – Li-Ling Wang) and 1 executive director (Chang-Ken Lee, concurrently acting as the President). The board members collectively possess extensive experience and expertise in finance, digital finance, financial technology, information technology, business, overseas markets, M&A and management. The board has 8% of directors concurrently serving as employees (President Chang-Ken Lee); independent directors accounted for 31% of all directors and female directors (Li-Ling Wang) accounted for 8% of all directors; and the 4 independent directors with an average term of office service period of 3.75 years (2 independent directors with the term of office service period less than 3 years, 1 independent director with the term of office service period of 4.5 years, and 1 independent director with the term of office service period of 5.5 years). The average age of the board of directors is 67 years old; 5 directors are at the age between 71–79 years old, 5 directors are at the age between 61–70 years old, and 3 directors are at the age between 51–60 years old. The Company emphasizes the diversity of industry experiences of the board members. The goal for board diversity is to include members with previous working experiences in the Company's bank, insurance, and securities subsidiaries in each term of board of directors. The current term of board members adheres to the previous goal, and includes 8 members with the previous experience in the bank subsidiary, 10 members with the experience in the insurance subsidiary, and 6 members with the experience in the securities subsidiary. For the board of directors of the next term, it shall also comply with the aforementioned objective on the diversity of the board members. Availability and enforcement of board diversity policy are explained in the following chart: "Implementation of board diversity policy at Cathay Financial Holdings."

- (II) Independence of the Board of Directors: Please specify the number and percentage of independent directors, and also explain that the Board of Directors is functioning independently, attached with the reasons to explain whether the circumstances referred to in Paragraph 3 and Paragraph 4 of Article 26-3 of the Securities and Exchange Act are met or not, and also the statement about the relationship, such as spouse or relative within the second degree of kinship, between directors, supervisors, or directors and supervisors.

The Company's current Board of Directors (7th) consists of 13 directors. For the number and percentage of the independent directors, please refer to said "Diversity of Board of Directors" paragraph for details. Each of the directors has extensive experience and expertise in the fields of finance, commerce, and management. Starting from 5th Board of Directors meeting, additional external director seats were included. Through the involvement in the Company's Board of Directors, in addition to providing valuable advice on the Company's long-term development strategies, the external directors also play the role of objective supervision and monitoring based on past experience, thus contributing to the Company's enhanced independence of the board of directors. Mr. Feng-Chiang Miao, Chairman of MiTAC Holdings, and Mr. Edward Yung-Do Way, former CEO of Deloitte Taiwan, were newly elected as independent directors for the 6th Board of Directors, whose presence added independence to the Board of Directors. Furthermore, election for the 7th Board of Directors was completed in 2019, during which said two independent directors were re-elected and the number of independent director seats was increased from three to four, and two of which were taken up by new independent directors, Ms. Li-Ling Wang and Mr. Tang-Chieh Wu, whose professional background and knowledge in insurance, securities, risk management, finance and banking help upgrade the Board's independence effectively.

All of the Company's independent directors comply with the independence requirements under the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." The candidates for independent directors are nominated, and subject to the qualification review, by the "Corporate Governance and Nomination Committee." During the nomination and review, each candidate will be requested to issue the Statement of Independence, and the Company will also adopt related procedures to verify the candidate's professionalism and independence. Upon approval by resolution of the Board of Directors, the candidate will be reported to a shareholders' meeting for election. Meanwhile, the Company considers that an independent director's independence should be judged subject to the circumstances. The Company uses its best effort to keep verifying the independent directors' independence, by taking into account all related factors, including whether they can continue to raise constructive questions to the management and the other directors, whether the view expressed by them is given independently of the management and the other directors, and whether they behave and speak properly inside/outside the Board of Directors. The Company's independent directors all behave within said expectation and demonstrate their characteristics. Therefore, the Company believes that all of the independent directors should have acted independently of the Company.

Among the Company's whole directors (13 seats), three directors have the spousal relationship or are relatives within the second degree of kinship with each other (namely Director Cheng-Ta Tsai, Director Hong-Tu Tsai and Director Cheng-Chiu Tsai, who are brothers). Therefore, the Company should be held satisfying Paragraph 3 of Article 26-3 of the "Securities and Exchange Act" requiring that the spousal relationship or familial relationship within the second degree of kinship may not exist among more than half of a company's directors.

Further, the Company doesn't appoint supervisor; therefore, Paragraph 4 of Article 26-3 of the "Securities and Exchange Act" requiring that a company shall have at least one or more supervisors, or one or more supervisors and directors, among whom no spousal relationship or familial relationship within the second degree of kinship exists shall not apply to the Company.

Implementation of board diversity policy at Cathay Financial Holdings

Directors Name	Diversity Core Item	Basic composition								Industry experience								Professional knowledge/skills									
		Nationality/place of registration	Gender	Concurrent positions in our company	Age			Tenure of Independent Director			Financial Holding	Bank	Insurance	Securities	Asset Management	Digital Finance/Financial Technology	Information/Technology/ Others	Commerce	Finance / Accounting	Legal	Financial	Mathematics/actuarial science	IT	Overseas markets/M&A	Risk management		
					51 to 60	61 to 70	71 to 79	below 3 years and above 9 years and	3 to 9 years	9 years and above																	
Hong-Tu Tsai		R.O.C.	M		✓					✓		✓						✓		✓				✓			
Tsu-Pei Chen		R.O.C.	M				✓				✓	✓						✓					✓	✓			
Cheng-Ta Tsai		R.O.C.	M				✓				✓		✓					✓									
Cheng-Chiu Tsai		R.O.C.	M		✓						✓		✓					✓	✓				✓				
Chi-Wei Joong		R.O.C.	M			✓					✓	✓		✓		✓		✓	✓				✓				
Andrew Ming-Jian Kuo		R.O.C.	M		✓						✓	✓	✓	✓	✓		✓	✓					✓				
Tiao-Kuei Huang		R.O.C.	M				✓				✓		✓					✓			✓		✓	✓			
Ming-Ho Hsiung		R.O.C.	M			✓					✓		✓					✓	✓		✓		✓	✓			
Chang-Ken Lee		R.O.C.	M	✓		✓					✓	✓	✓	✓	✓			✓	✓				✓	✓			
Feng-Chiang Miao		R.O.C.	M				✓		✓ (Note)		✓	✓	✓	✓			✓	✓	✓			✓					
Edward Yung-Do Way		R.O.C.	M				✓		✓ (Note)		✓	✓					✓	✓	✓								
Li-Ling Wang		R.O.C.	F		✓			✓			✓	✓	✓	✓	✓	✓		✓	✓					✓			
Tang-Chieh Wu		R.O.C.	M			✓		✓			✓	✓	✓	✓	✓			✓	✓				✓				

Note: Up to the end of 2021, the term of office service period of Feng-Chiang Miao was 5.5 years as an independent director and the term of office service period of Edward Yung-Do Way was 4.5 years as an independent director.

(II) Background information of the President, Executive Vice Presidents, Senior Vice Presidents, and heads of departments and branch offices
(Table 1-1)

April 19, 2022

Title (Note 1)	Nationality	Name	Date Elected	Gender	Number of shares held			Shares Currently Held by Spouse & Minors		Shares held in the name of others		Selected Education, Past Positions & Current Positions (Note 2)	Concurrent positions at other companies (Note 5)	Managers who are spouses or relatives within the second degree of kinship			Remark (Note 3)
					Common stock	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
					Preferred shares	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding						
President	R.O.C.	Chang-Ken Lee	2011/02/25	M	131,729	0.001%	—	—	—	—	M.B.A., University of Pennsylvania, USA	Chairman, Financial Planning Association of Taiwan; Vice Chairman, Cathay Charity Foundation; Managing Director, Development International Investment; Director, Cathay United Bank, Cathay Securities Corporation, Cathay Securities Investment Trust, Joint Credit Information Center; Managing Supervisor, Cathay Medical Care Corporate ; Executive Director, The Bankers Association of The Republic of China; Director, The Bankers Association of Taipei	None	None	None	None	
					20,000	0.001%	—	—	—	—							
Chief Auditor	R.O.C.	Hung-Chang Yang	2021/03/18	M	39,865	0%	17,701	0%	—	—	LL.B., Chinese Culture University	None	None	None	None	None	
					9,000	0%	—	—	—	—							
Chief Financial Officer	R.O.C.	Grace Chen	2004/01/09	F	48,581	0%	—	—	—	—	M.B.A., National Chengchi University	Director, Cathay United Bank, Cathay Venture Inc., Culture and Charity Foundation of the CUB	None	None	None	None	
					25,000	0.002%	—	—	—	—							
Senior Executive Vice President	USA	David P. Sun	2008/02/01	M	13,930	0%	—	—	—	—	M.B.A. & M.S., Harvard University, USA	Chairman, Symphox Information.; Senior Executive Vice President, Cathay Life Insurance; Director, Cathay United Bank (Cambodia), Conning Holdings Limited, Quantifeed Holdings Limited	None	None	None	None	
					15,000	0.001%	—	—	—	—							
Chief Investment Officer	R.O.C.	Sophia Cheng	2012/07/23	F	15,737	0%	—	—	—	—	M.S., Golden Gate University, USA	Director, Cathay United Bank, Cathay Venture Inc., Cathay Charity Foundation	None	None	None	None	
					6,000	0%	—	—	—	—							
Senior Executive Vice President	R.O.C.	Chung-Yi Teng	2013/05/01	M	22,515	0%	—	—	—	—	M.B.A., M.I.T., USA/M.S. Statistics, National Tsinghua University	Senior Executive Vice President, Cathay United Bank; Executive Director, Cathay United Bank; Director, Cathay United Bank(China), Cathay Venture Inc., Culture and Charity Foundation of the CUB; Chairman, Cathay United Bank (Cambodia)	None	None	None	None	
					—	—	—	—	—	—							
Chief Information Officer	R.O.C.	Jian-Hsing Wu	2021/11/10	M	7,341	0%	17,558	0%	—	—	M.S., Tamkang University	Senior Executive Vice President, Cathay United Bank; Director, Cathay United Bank, Culture and Charity Foundation of the CUB	None	None	None	None	
					39,000	0.003%	—	—	—	—							
Senior Executive Vice President	R.O.C.	Tsung-Hsien Tsai	2017/08/18	M	10,006,515	0.076%	—	—	—	—	M.S. in Electronic Engineering, Harvard University, USA	Director, Cathay United Bank, Cathay Century Insurance ; Vice Chairman, Symphox Information.	Chairman	Hong-Tu Tsai	Paternity	None	
					15,000	0.001%	—	—	—	—							
Senior Executive Vice President	R.O.C.	Hsiang-Hsin Tsa	2020/03/12	F	17,062	0%	—	—	—	—	M.B.A., Thunderbird School of Global Management, USA	Senior Executive Vice President, Cathay United Bank; Supervisor, Cathay United Bank(China)	None	None	None	None	
					10,000	0.001%	—	—	—	—							
Senior Executive Vice President	R.O.C.	Xu-Jie Yao	2020/03/12	M	6,000	0%	—	—	—	—	M.B.A., Massachusetts Institute of Technology, USA	Senior Executive Vice President, Cathay United Bank ; Director, TPIsoftware Corporation	None	None	None	None	
					3,000	0%	—	—	—	—							

Title (Note 1)	Nationality	Name	Date Elected	Gender	Number of shares held			Shares Currently Held by Spouse & Minors		Shares held in the name of others		Selected Education, Past Positions & Current Positions (Note 2)	Concurrent positions at other companies (Note 5)	Managers who are spouses or relatives within the second degree of kinship			Remark (Note 3)
					Common stock	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
					Preferred shares	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding						
Vice President and Chief Corporate Governance Officer	R.O.C.	Deh-Yen Weng	2011/06/29	F	20,562		0%	—	—	—	—	M.B.A., Massachusetts Institute of Technology, USA	Director, Cathay Real Estate Foundation	None	None	None	None
					9,000		0.001%	—	—	—	—						
Executive Vice President	R.O.C.	Shu-Ying Wu	2013/05/01	F	7,532		0%	1,467	0%	—	—	M.B.A., Michigan State University, USA	Executive Vice President, Cathay Life Insurance; Director, Kaitai Energy, PSS Co., Ltd., Tian Ji Energy, Hong Tai Energy, Tian Ji Electric, Hong Tai Electric	None	None	None	None
					4,000		0%	—	—	—	—						
Executive Vice President	R.O.C.	Ta-Ching Hung	2013/12/28	M	27,524		0%	—	—	—	—	M.B.A., National Chengchi University	Executive Vice President, Cathay Life Insurance	None	None	None	None
					25,000		0.002%	—	—	—	—						
Executive Vice President	R.O.C.	Fu-Min Wang	2017/04/28	M	23,000		0%	—	—	—	—	B.A., Soochow University	Executive Vice President, Cathay Life Insurance	None	None	None	None
					11,000		0.001%	—	—	—	—						
Chief Compliance Officer	R.O.C.	Yu-Mei Lee	2022/04/01	F	45,993		0%	—	—	—	—	LL.B., National Taipei University	Senior Executive Vice President, Cathay Securities Corporation; Supervisor, Cathay Futures	None	None	None	None
					—		—	—	—	—	—						
Chief Risk Officer	R.O.C.	Ching-Lu Huang	2018/09/14	M	17,970		0%	5,067	0%	—	—	M.S. Statistics, National Tsinghua University	Executive Vice President, Cathay Life Insurance	None	None	None	None
					7,000		0%	3,000	0%	—	—						
Executive Vice President	R.O.C.	Ming-Chiao Liang	2020/03/12	M	5,000		0%	—	—	—	—	M.B.A., Department of Information Management, Ming Chuan University	Executive Vice President, Cathay Century Insurance; Director, Cathay Insurance (Vietnam) Co., Ltd., TPISoftware Corporation	None	None	None	None
					3,000		0%	—	—	—	—						
Executive Vice President	R.O.C.	Pei-Ching Lin	2020/03/12	F	7,664		0%	17,682	0%	—	—	M.B.A., National Taiwan Univeristy	Executive Vice President, Cathay Life Insurance	None	None	None	None
					—		—	—	—	—	—						
Executive Vice President	R.O.C.	Kuan-Hsueh Chen	2021/02/04	M	5,000		0%	2,000	0%	—	—	M.B.A., University of California, USA	Executive Vice President, Cathay United Bank	None	None	None	None
					—		—	—	—	—	—						
Executive Vice President	USA	Hua-Ben Miao	2021/03/11	M	—		—	550	0%	—	—	M.B.A., University of Pennsylvania, USA	Executive Vice President, Cathay United Bank; Director, Cathay United Bank (Cambodia); Independent Director, CircuTech International HOLDINGS LIMITED	None	None	None	None
					—		—	16,000	0.001%	—	—						
Executive Vice President	R.O.C.	Fa-Hsiang Chang	2021/11/10	M	—		—	—	—	—	—	M.B.A., New York University	Executive Vice President, Cathay United Bank	None	None	None	None
					—		—	—	—	—	—						
Assistant Vice President	R.O.C.	Shao-Ling Weng	2013/11/12	F	—		—	—	—	—	—	M.B.A., National Cheng Kung University	None	None	None	None	None
					6,000		0%	—	—	—	—						

Title (Note 1)	Nationality	Name	Date Elected	Gender	Number of shares held			Shares Currently Held by Spouse & Minors		Shares held in the name of others		Selected Education, Past Positions & Current Positions (Note 2)	Concurrent positions at other companies (Note 5)	Managers who are spouses or relatives within the second degree of kinship			Remark (Note 3)
					Common stock	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
					Preferred shares	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding						
Assistant Vice President	R.O.C.	Gwang-Ying She	2014/04/01	F	148		0%	—	—	—	—	M.B.A., Oregon State University, USA	None	None	None	None	None
					—		—	—	—	—	—						
Assistant Vice President	R.O.C.	Sheng-Hsiung Tsai	2015/02/07	M	5,000		0%	—	—	—	—	M.B.A., National Taiwan University	None	None	None	None	None
					—		—	20,000	0.001%	—	—						
Assistant Vice President	R.O.C.	Hwa-Hsin Yang	2016/07/26	M	—		—	—	—	—	—	M.B.A., Rutgers University, USA	None	None	None	None	None
					—		—	—	—	—	—						
Assistant Vice President	R.O.C.	Chin-Tang Lu	2018/04/27	M	—		—	—	—	—	—	M.B.A., Yuan Ze University	Project Vice President, Cathay Securities Corporation	None	None	None	None
					—		—	—	—	—	—						
Assistant Vice President	R.O.C.	Yao-Te Wang	2018/05/02	M	4,000		0%	—	—	—	—	M.S., University of Southern California, USA	Senior Vice President, Cathay United Bank	None	None	None	None
					—		—	—	—	—	—						
Assistant Vice President	R.O.C.	Wan-Yu Ho	2019/04/09	F	11,834		0%	—	—	—	—	M.B.A., National Taiwan University of Science and Technology	None	None	None	None	None
					—		—	—	—	—	—						
Assistant Vice President	R.O.C.	Ya-Jou Chang	2020/04/30	F	3,000		0%	—	—	—	—	M.B.A., Cornell University USA	None	None	None	None	None
					—		—	—	—	—	—						
Assistant Vice President	R.O.C.	Chun-Chieh Chen	2020/04/30	M	4,219		0%	—	—	—	—	M.B.A., National Taiwan University	None	None	None	None	None
					2,000		0%	—	—	—	—						
Assistant Vice President	R.O.C.	Chi-Ya Hua	2020/06/12	F	43		0%	—	—	—	—	M.B.A., Massachusetts Institute of Technology, USA	Senior Vice President, Cathay United Bank	None	None	None	None
					—		—	—	—	—	—						
Assistant Vice President	R.O.C.	Jui-Hung Hung	2020/06/13	M	10,432		0%	—	—	—	—	Accounting, Soochow University	Supervisor, Cathay Securities Investment Trust	None	None	None	None
					—		—	—	—	—	—						
Assistant Vice President	R.O.C.	Chun-Lan Shih	2021/06/20	F	—		—	—	—	—	—	M.I.B., The University of Melbourne	None	None	None	None	None
					—		—	—	—	—	—						
Assistant Vice President	R.O.C.	Wei-Ming Chen	2021/08/20	M	—		—	—	—	—	—	Department of Information Management, Tamkang University	None	None	None	None	None
					—		—	—	—	—	—						
Assistant Vice President	R.O.C.	Hao-Hsiang Liu	2021/11/10	M	—		—	—	—	—	—	M.A. Economics, National Sun Yat-sen University	Senior Vice President, Cathay Century Insurance	None	None	None	None
					—		—	—	—	—	—						
Assistant Vice President	R.O.C.	Chi-Liang Huang	2022/01/01	M	10,195		0%	—	—	—	—	M.B.A., National Chengchi University	None	None	None	None	None
					—		—	—	—	—	—						

- Note 1: This should include all President, Vice Presidents, Senior Vice Presidents, and those who hold the equivalent positions (regardless the job titles), as well as, key managers from each department and branch entity, must be disclosed.
- Note 2: Experiences related with current position. Detailed job title and the working responsibilities should be described if previously worked for the auditing accounting firm or its affiliated company.
- Note 3: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, please explain the reasons, rationality and necessity of such an arrangement and any response measures taken, such as introduction of independent directors. Furthermore, disclose whether more than half of directors are involved in concurrent duty as employees or managers.
- Note 4: Shareholding data was accurate as at April 19, 2022 (the book closure date). The number and percentage of preferred shares include both Class A and Class B.
- Note 5: Managers' concurrent employments were accurate as at Feb to Mar 2022.
- Note 6: "—" indicates zero shareholding.

(III) Compensation for retired chairmen and presidents of the Company or related companies re-hired as consultants: disclose name, gender, nationality, title, institution and title before retirement, date of retirement, date appointed as consultant, purpose of hire, and responsibilities (Table 1-4): None

III. Remuneration Paid to directors (including independent directors), presidents, vice presidents and employees in the latest fiscal year

(I) Remuneration to non-independent and independent directors (Table 1-2)

Remuneration to non-independent and independent directors (aggregate disclosure of directors' names and range of remuneration)

December 31, 2021; Unit: NT\$ thousand

Title	Name	Remuneration Paid to Directors								Sum of A, B, C and D as percentage of Net Income (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees								Sum of A, B, C ,D, E, F and G as percentage of Net Income (Note 10)		Compensation from parent company or invested businesses other than subsidiaries (Note 11)
		Compensation (A) (Note 2)		Pension upon retirement (B)		Remuneration (C) (Note 3)		Service Expenses (D) (Note 4)				Base Compensation, Bonuses, and Allowances (E) (Note 5)		Pension upon retirement (F)		Employee remuneration (G) (Note 6)						
		The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	The Company		Consolidated subsidiaries (Note 7)		The Company	Consolidated subsidiaries (Note 7)	
																Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman	Hong-Tu Tsai	36,215	134,376	0	1,458	2,700	2,700	3,410	9,448	42,325 ; 0.03%	147,982 ; 0.11%	41,980	41,980	0	0	27	0	27	0	84,332 ; 0.06%	189,989 ; 0.14%	410
Vice Chairman	Representative of Culture and Charity Foundation of the Cathay United Bank: Tsu-Pei Chen																					
Director	Chia Yi Capital Co., Ltd. Representative: Cheng-Ta Tsai																					
Director	Chen-Sheng Industrial Co., Ltd. Representative: Cheng-Chiu Tsai																					
Director	Representative of Cathay Life Employees' Welfare Committee: Chang-Ken Lee																					
Director	Representative of Cathay Life Employees' Welfare Committee: Tiao-Kuei Huang																					
Director	Representative of Cathay Life Employees' Welfare Committee: Ming-Ho Hsiung																					
Director	Chia Yi Capital Co., Ltd. Representative: Chi-Wei Joong																					
Director	Representative of Culture and Charity Foundation of the Cathay United Bank: Andrew Ming-Jian Kuo																					
Independent Director	Feng-Chiang Miao	18,600	18,600	0	0	0	0	694	2,159	19,294 ; 0.01%	20,759 ; 0.01%	0	0	0	0	0	0	0	19,294 ; 0.01%	20,759 ; 0.01%	0	
Independent Director	Edward Yung Do Way																					
Independent Director	Li-Ling Wang																					
Independent Director	Tang-Chieh Wu																					
1. Please explain the policy, system, standards, and structure by which independent director remuneration is paid, and association between the amount paid and independent directors' responsibilities, risks, and time committed: The Company has specified in its Compensation Principles the policies, scope, categories and regular review practices for independent directors' compensation. In general, independent directors' compensation is determined based on participation and contribution to the Company's operations in reference to peer levels. Each independent director shall have compensation reviewed individually by the Remuneration Committee and approved by the board of directors before payment. The Remuneration Committee reviews performance evaluation and compensation policies every three years. 2. Compensation received by director for providing service (e.g. consultancy service without the title of an employee) to the parent company, any company included in the financial statements, or any business investment in the last year, except those disclosed in the above table: None																						

Remuneration Range

Remuneration Paid to Directors by Range	Directors			
	Total Remuneration from (A+B+C+D)		Total Remuneration from (A+B+C+D+E+F+G)	
	The Company (Note 8)	Consolidated subsidiaries (Note 9) H	The Company (Note 8)	Parent company and all invested businesses (Note 9) I
Under NT\$1,000,000	Hong-Tu Tsai, Cheng-Ta Tsai, Chang-Ken Lee	Hong-Tu Tsai, Cheng-Ta Tsai	Hong-Tu Tsai, Cheng-Ta Tsai	Hong-Tu Tsai, Cheng-Ta Tsai
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (non-inclusive)	Cheng-Chiu Tsai, Tiao-Kuei Huang, Ming-Ho Hsiung, Andrew Ming-Jian Kuo	Chang-Ken Lee	Cheng-Chiu Tsai, Tiao-Kuei Huang, Ming-Ho Hsiung, Andrew Ming-Jian Kuo	None
NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (non-inclusive)	None	None	None	None
NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (non-inclusive)	Li-Ling Wang, Feng-Chiang Miao, Edward Yung Do Way, Chi-Wei Joong	Li-Ling Wang, Chi-Wei Joong	Li-Ling Wang, Feng-Chiang Miao, Edward Yung Do Way, Chi-Wei Joong	Li-Ling Wang, Chi-Wei Joong
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive)	Tang-Chieh Wu	Tang-Chieh Wu, Feng-Chiang Miao, Edward Yung Do Way, Cheng-Chiu Tsai	Tang-Chieh Wu	Tang-Chieh Wu, Feng-Chiang Miao, Edward Yung Do Way, Cheng-Chiu Tsai
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (non-inclusive)	None	None	None	None
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (non-inclusive)	None	None	None	None
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive)	Tsu-Pei Chen	Tsu-Pei Chen, Tiao-Kuei Huang, Ming-Ho Hsiung, Andrew Ming-Jian Kuo	Tsu-Pei Chen, Chang-Ken Lee	Tsu-Pei Chen, Chang-Ken Lee, Tiao-Kuei Huang, Ming-Ho Hsiung, Andrew Ming-Jian Kuo
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive)	None	None	None	None
Over NT\$100,000,000	None	None	None	None
Total	13	13	13	13

- Note 1: Directors' names are presented separately (for corporate shareholders, the name of the corporate shareholder and its representative are presented separately) and distinguished between independent and non-independent directors, while the amount of benefits are presented in aggregate sums. For directors who are also presidents or executive vice presidents at the Company or the subsidiaries, Chart (3-1) or (3-2-1) and (3-2-2) below must be filled in.
- Note 2: This includes salary, compensation for professional services, severance pay, and all bonus and bounties paid to the director during the year.
- Note 3: This refers to filling in director's profit sharing of the latest fiscal year proposed and resolved by the Board.
- Note 4: Payments to the director to cover business expenses (including travel expenditures, allowances, reimbursements, accommodation, company cars, in-kind supplies, etc.) If residences, cars (or other transportations) or personal expenses are provided, information about the assets (including classification, cost, actual or fair market values of the rent, gasoline expenses, other perks) must be disclosed but not included in the remuneration. Compensation paid to personal drivers must be noted, when applicable, but not accumulated under the remuneration received. Total compensation paid to the pertinent drivers by the Group companies in the consolidated statement was NT\$3,091 thousand for the period.
- Note 5: Payments to the director, who is also a president, executive vice president, manager, or employee, to cover business expenses (including travel expenditures, allowances, reimbursements, accommodation, company cars, in-kind supplies, etc.) If residences, cars (or other transportations) or personal expenses are provided, information about the assets (including classification, cost, actual or fair market values of the rent, gasoline expenses, other perks) must be disclosed but not included in the remuneration. Compensation paid to personal drivers must be noted, when applicable, but not accumulated under the remuneration received. Total compensation paid to the pertinent drivers by the Group companies in the consolidated statement was NT\$ 524 thousand for the period. Salary expenses recognized in accordance with IFRS 2 "Share-based Payment" include acquisition of employee stock warrants, new restricted employee shares, and participation in capital increases by cash subscription, which shall all be calculated as remuneration.
- Note 6: A person receiving employee remuneration (stock and cash bonus) to the director, (including concurrently serving as a president, executive vice president, other manager, or employee) shall disclose the rewarding amount proposed and resolved by the Board (If cannot be estimated, the distribution amount of this year shall be determined by the actual distribution ratio of last year). Table 1-3 shall be filled in.
- Note 7: Total remuneration paid by the Group companies (including the Company) in the consolidated report to the director.
- Note 8: Disclose remuneration paid by the Company to the director under the suitable range. Name of the receiver must be shown under the suitable range.
- Note 9: Disclose remuneration paid by the Group companies (including the Company) in the consolidated report to the director under the suitable range. Name of the receiver must be shown under the suitable range.
- Note 10: Net income disclosed from the latest financial statement of each company.
- Note 11: a. This field represents all forms of remuneration that the director received from the Company's parent company or invested businesses other than subsidiaries (specify "None" if absent).
b. For directors who received remuneration from parent company or invested businesses other than subsidiaries, amounts received from these invested businesses or parent company have been added to column I of the remuneration brackets table. In which case, column I will be renamed "...parent company and all invested businesses..."
c. Remuneration refers to any return, compensation (including compensations received as an employee, director and supervisor) and professional service fee that the Company's director received for serving as director, supervisor, or manager in the parent company or invested businesses other than subsidiaries.
- * Remuneration shown under the chart is for disclosure purpose. It is not subject to "income" under the Income Tax Act, and thereby is not taxable.

(II) Remuneration Paid to Presidents and Executive Vice Presidents

Remuneration to the President and Vice Presidents (collective disclosure by name and range of remuneration)

December 31, 2021; Unit: NT\$ thousand

Title	Name (Note 1)	Salary (A) (Note 2)		Pension upon retirement (B)		Bonuses & Allowance Paid (C) (Note 3)		Amount of Employee remuneration (D) (Note 4)				Sum of A, B, C and D as percentage of Net Income (%) (Note 8)		Compensation from parent company or invested businesses other than subsidiaries (Note 9)
		The Company	Consolidated subsidiaries (Note 5)	The Company	Consolidated subsidiaries (Note 5)	The Company	Consolidated subsidiaries (Note 5)	The Company		Consolidated subsidiaries (Note 5)		The Company	Consolidated subsidiaries (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Chang-Ken Lee	86,183	145,922	0	0	119,809	171,621	729	0	729	0	206,721 ; 0.15%	318,272 ; 0.23%	375
Chief Auditor	Hung-Chang Yang													
Chief Financial Officer	Grace Chen													
Senior Executive Vice President	David P. Sun													
Chief Investment Officer	Sophia Cheng													
Senior Executive Vice President	Chung-Yi Teng													
Senior Executive Vice President	Tsung-Hsien Tsai													
Chief Information Officer	Jian-Hsing Wu													
Chief Risk Officer	Ching-Lu Huang													
Executive Vice President	Ming-Chiao Liang													
Executive Vice President	Pei-Ching Lin													
Executive Vice President	Deh-Yen Weng													
Executive Vice President	Shu-Ying Wu													
Executive Vice President	Judie Hsu													
Executive Vice President	Ta-Ching Hung													
Senior Executive Vice President	Hsiang-Hsin Tsa													
Executive Vice President	Yu-Mei Lee													
Senior Executive Vice President	Xu-Jie Yao													
Executive Vice President	Fu-Min Wang													
Executive Vice President	Hua-Pen Miao													
Executive Vice President	Kuan-Hsueh Chen													
Executive Vice President	Fa-Hsiang Chang													
Former Chief Auditor Chih-Jung Kung resigned on February 4, 2021														
Former Executive Vice President Chen-Tung Chang resigned on March 11, 2021														
Former Chief Information Officer Chia-Sheng Chang retired on October 18, 2021														
Former Executive Vice President Chu-Jui Hung resigned on October 31, 2021														
Former Executive Vice President Ching-Yuan, Kung resigned on October 1, 2021														

* All personnel who hold positions equivalent to president or executive vice president (such as chairman, executive, business director, etc) must be disclosed.

Remuneration Range

Remuneration to President and Vice presidents (NT\$) Remuneration Range	President & Executive Vice President Name	
	The Company (Note 6)	Parent company and all invested businesses (Note 7)
Under NT\$1,000,000	Fu-Min Wang, Pei-Ching Lin, Chu-Jui Hung, Hua-Pen Miao, Chen-Tung Chang, Fa-Hsiang Chang	None
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (non-inclusive)	Ta-Ching Hung, Kuan-Hsueh Chen, Ching-Lu Huang, Hsiang-Hsin Tsai	None
NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (non-inclusive)	Hung-Chang Yang	None
NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (non-inclusive)	Ching-Yuan Kung	Pei-Ching Lin
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive)	Jian-Hsing Wu, Shu-Ying Wu, Yu-Mei Lee, Xu-Jie Yao, Deh-Yen Weng, Chia-Sheng Chang, Ming-Chiao Liang, Judie Hsu, Chih-Jung Kung	Fu-Min Wang, Yu-Mei Lee, Ta-Ching Hung, Chu-Jui Hung, Deh-Yen Weng, Chia-Sheng Chang, Chen-Tung Chang, Fa-Hsiang Chang, Ming-Chiao Liang, Judie Hsu, Kuan-Hsueh Chen, Ching-Lu Huang, Hung-Chang Yang, Chih-Jung Kung, Ching-Yuan Kung
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (non-inclusive)	Grace Chen, Tsung-Hsien Tsai	Shu-Ying Wu, Hua-Pen Miao, Grace Chen, Tsung-Hsien Tsai, Hsiang-Hsin Tsai
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (non-inclusive)	David P. Sun, Sophia Cheng, Chung-Yi Teng	Jian-Hsing Wu, Xu-Jie Yao, David P. Sun, Sophia Cheng, Chung-Yi Teng
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive)	Chang-Ken Lee	Chang-Ken Lee
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive)	None	None
Over NT\$100,000,000 (inclusive)	None	None
Total	27	27

Note 1: Names of the presidents and executive vice presidents must be shown separately. Any directors who co-headed the President or Vice President positions are disclosed in this table and in Table (1-1), or Tables (1-2-1), and (1-2-2).

Note 2: This includes salary, compensation for professional services, severance pay, and all bonus and bounties paid to the

director during the year.

- Note 3: Payments to presidents or executive vice presidents to reward or cover business expenses (including travel expenditures, allowances, reimbursements, accommodation, company cars, in-kind supplies, etc.) If residences, cars (or other transportations) or personal expenses are provided, information about the assets (including classification, cost, actual or fair market values of the rent, gasoline expenses, other perks) must be disclosed but not included in the remuneration. Compensation paid to personal drivers must be noted, when applicable, but not accumulated under the remuneration received. Total compensation paid to the pertinent drivers by the Group companies in the consolidated statement was NT\$ 4,787 thousand for the period. Salary expenses recognized in accordance with IFRS 2 “Share-based Payment” include acquisition of employee stock warrants, new restricted employee shares, and participation in capital increases by cash subscription, which shall all be calculated as remuneration.
- Note 4: Employee remuneration amount (stock and cash; if cannot be estimated, the distribution amount of this year shall be determined by the actual distribution ratio of last year) to the president or the executive vice president. The rewarding amount is proposed and resolved by the Board of the fiscal years. Table 1-3 shall be filled in.
- Note 5: Aggregated amount of individual compensation paid by the Group companies (including the Company) in the consolidated statement to the president or executive vice president.
- Note 6: Aggregated amount of individual compensation paid by the Company to the president or executive vice president. Names of the receivers must be shown under the suitable range.
- Note 7: Aggregated amount of individual compensation paid by the Group companies (including the Company) in the consolidated statement to the president or executive vice president. Names of the receivers must be shown under the suitable range.
- Note 8: Net income disclosed from the latest financial statement of each company.
- Note 9:
- (1) This field represents all forms of remuneration that the President and Executive Vice Presidents received from the Company's parent company or invested businesses other than subsidiaries (specify “None” if absent).
 - (2) For President/Executive Vice Presidents who receive remuneration from parent company or invested businesses other than subsidiaries, the amount of remuneration from parent company or invested businesses have been added to column E of the remuneration brackets table. In which case, column E will be renamed “...parent company and all invested businesses...”
 - (3) Remuneration refers to any returns, compensation (including compensations received as an employee, director, and supervisor) and professional service fees that the Company's President/Executive Vice Presidents received for serving as directors, supervisors or managers in the parent company or invested businesses other than subsidiaries.
- * Remuneration shown under the chart is for disclosure purpose. It is not subject to “income” under the Income Tax Act, and thereby is not taxable.

(III) Employee Remuneration Distributed to Managers and Distribution Situation (Table 1-3)

December 31, 2021; Unit: NT\$ thousand

	Title (Note 1)	Name (Note 1)	Stock Amount (Note 2)	Cash Amount (Note 2)	Total	Total as a Percentage of Net Income (%)
Manager (Note 3)	President	Chang-Ken Lee	0	972	972	0.0007%
	Chief Auditor	Hung-Chang Yang				
	Chief Financial Officer	Grace Chen				
	Senior Executive Vice President	David P. Sun				
	Chief Investment Officer	Sophia Cheng				
	Senior Executive Vice President	Chung-Yi Teng				
	Senior Executive Vice President	Tsung-Hsien Tsai				
	Chief Information Officer	Jian-Hsing Wu				
	Chief Risk Officer	Ching-Lu Huang				
	Executive Vice President	Ming-Chiao Liang				
	Executive Vice President	Pei-Ching Lin				
	Executive Vice President	Deh-Yen Weng				
	Executive Vice President	Shu-Ying Wu				
	Executive Vice President	Judie Hsu				
	Executive Vice President	Ta-Ching Hung				
	Senior Executive Vice President	Hsiang-Hsin Tsa				
	Executive Vice President	Yu-Mei Lee				
	Senior Executive Vice President	Xu-Jie Yao				
	Executive Vice President	Fu-Min Wang				
	Executive Vice President	Hua-Pen Miao				
	Executive Vice President	Kuan-Hsueh Chen				
	Executive Vice President	Fa-Hsiang Chang				
	Senior Vice President	Shao-Ling Weng				
	Senior Vice President	Sheng-Hsiung Tsai				
	Senior Vice President	Gwang-Ying She				
	Senior Vice President	Hwa-Hsin Yang				
	Senior Vice President	Chin-Tang Lu				
	Senior Vice President	Yao-Te Wang				
	Senior Vice President	Wan-Yu Ho				
	Senior Vice President	Ya-Jou Chang				
	Senior Vice President	Chun-Chieh Chen				
	Senior Vice President	Chi-Ya Hua				
	Senior Vice President	Jui-Hung Hung				
	Senior Vice President	Chun-Lan Shih				
	Senior Vice President	Wei-Ming Chen				
	Senior Vice President	Hao-Hsiang Liu				

Note 1: Individual name and title must be disclosed, but the profit sharing awarded may be shown as an aggregated number.

Note 2: Employee remuneration amount (stock and cash) to managers. The rewarding amount is proposed and resolved by the Board of the fiscal years. If cannot be estimated, the distribution amount of this year shall be determined by the actual distribution ratio of last year. Net income disclosed from the latest financial statement of each company.

Note 3: Managers subject to the rewarding (according to per March 27, 2003 Letter No. Securities and Futures Bureaus-III-0920001301 of the Financial Supervisory Commission, Executive Yuan of the Taiwan Stock Exchange Corporation) are:(1) president or their equivalents; (2) executive vice president or their equivalents; (3) Division Head or their equivalents; (4) chief financial officer; (5) chief accounting officer; and (6) other persons authorized to manage affairs and sign documents on behalf of a company.

Note 4: For directors, presidents, and executive vice presidents who received Employee remuneration (including stock and cash bonus), Table 1-2 must be filled in other than this chart.

(IV) A Company that has had an insufficient director shareholding percentage for 3 consecutive months or longer during the most recent fiscal year shall disclose the remuneration of individual directors:

None.

(V) A Company that has had an average ratio of share pledging by director supervisors in excess of 50 percent in any 3 months during the most recent fiscal year shall disclose the remuneration paid to each individual director supervisor having a ratio of pledged shares in excess of 50 percent for each such month:

None.

(VI) If the total amount of remuneration received by all of the directors and supervisors in their capacity as directors or supervisors of all of the companies listed in the financial reports exceeds 2 percent of the net income after tax, and the remuneration received by any individual director or supervisor exceeds NT\$15 million, the Company shall disclose the remuneration paid to that individual director or supervisor:

None.

(VII) TWSE/TPEX listed financial holding companies that ranked in the worst tier of the most recent corporate governance evaluation, or were denied evaluation by the Corporate Governance Evaluation Committee for reasons such as change of trading method, trade suspension or delisting in the most recent year up till the publication of annual report, shall disclose director and supervisor remuneration on an individual basis:

None.

(VIII) TWSE/TPEX listed financial holding companies where annual salary of full-time, non-managerial staff average less NT\$500,000 in the most recent year shall disclose director and supervisor remuneration on an individual basis:

None.

(IX) TWSE/TPEX listed financial holding companies that exhibit any of the conditions listed in Item 2, Point 2 or Item 6 shall disclose remuneration of the 5 most highly remunerated managers on an individual basis:

None.

(X) Amount of remuneration paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Executive Vice Presidents, and their respective proportions to standalone net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks.

1. Total remuneration paid to directors, general managers and vice general managers by the Company and all entities included in the consolidated financial statements amounted to NT\$485,957 thousand dollars in 2021 and NT\$444,512 thousand dollars in 2020, representing 0.35% and 0.60% of net income in the respective years.
2. Remuneration policies, standards, packages and procedures, and association with future risks and business performance
 - (1) Directors', president's and executive vice presidents' remuneration are determined according to the Company's "Director Compensation Guidelines" and "Manager Compensation Guidelines" based on an overall assessment of directors' and managers' duties, the market level, their individual contributions, performance assessments, and expected or actual risks.
 - (2) In the "Director Compensation Guidelines" (referred to as the "Guidelines" below), a director's compensation includes fees, remuneration, and traffic and other allowances.

A. Compensation: The Company's independent directors, external directors, and directors involved in business administration (e.g., the Chairman/Vice Chairman) may be paid a fixed monthly fee. The amount of which is determined by the Remuneration Committee and the board of directors based on the level of individual directors' participation and contribution to the Company's operations, and the usual peer level. Directors who are directly involved in business administration are paid additional bonuses using the same standards as managers. This performance bonus is linked to the Company's overall performance and the performance of individual subjects during the year.

B. Remuneration: Director remuneration is determined according to the Company's Articles of Incorporation, which states that up to 0.05% of annual profit may be allocated and distributed at the percentages outlined in the Guidelines. Independent directors and external directors that are being paid monthly fees are not entitled to receive director remuneration.

C. Transportation and other allowances are paid at the standards stated in the Guidelines.

(3) The Company has established a set of "Manager Compensation Guidelines". Managers' remuneration includes salary, bonuses, and pension upon retirement. A manager's salary is determined based on his responsibilities, performances and capabilities, and external salary benchmarking. The amount of which is advised by the Company's Chairman and in effect upon the approval of the Remuneration Committee and the Board of Directors.

3. The Company has established a set of "Director Performance Evaluation Guidelines" and "Manager Performance Management and Development Guidelines" to enhance corporate governance and enforce directors' and managers' duties. Directors' performance evaluation criteria were developed based on "Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers. It has been explicitly stated in the "Director Compensation Guidelines" that directors shall have performance evaluated in combination with internal audit, internal control, and risk indicators; in addition, directors that fail the annual performance evaluation are not entitled to receive remuneration. It has been explicitly stated in the "Manager Performance Management and Development Guidelines" that performance evaluation results shall serve as a reference for managers' salary and bonus.

4. According to the Company's policies, performance evaluation and salary/compensation rules are subject to review or amendment by the Remuneration Committee every three years or at any time deemed necessary.

IV. Implementation of Corporate Governance

(I) Functionality of the board of directors (Table 2(1))

The 7th board of directors (data range: 2021.1.1-2021.12.31)

A total of 8 meetings (A) were held in the last year; below are directors' and supervisors' attendance records:

Title	Name (Note 1)	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 2)	Remarks
Chairman	Hong-Tu Tsai	8	0	100%	—
Vice Chairman	Culture and Charity Foundation of the Cathay United Bank Representative: Tsu-Pei Chen	8	0	100%	
Director	Chia Yi Capital Co., Ltd. Representative: Cheng-Ta Tsai	0	8	0%	
Director	Chen-Sheng Industrial Co., Ltd. Representative: Cheng-Chiu Tsai	7	1	87.5%	
Director	Chia Yi Capital Co., Ltd. Representative: Chi-Wei Joong	8	0	100%	
Director	Culture and Charity Foundation of the Cathay United Bank Representative: Andrew Ming-Jian Kuo	8	0	100%	
Director	Cathay Life Insurance Co., Ltd. Employees' Welfare Committee Representative: Tiao-Kuei Huang	8	0	100%	
Director	Cathay Life Insurance Co., Ltd. Employees' Welfare Committee Representative: Ming-Ho Hsiung	8	0	100%	
Director	Cathay Life Insurance Co., Ltd. Employees' Welfare Committee Representative: Chang-Ken Lee	8	0	100%	
Independent Director	Feng-Chiang Miao	8	0	100%	
Independent Director	Edward Yung-Do Way	8	0	100%	
Independent Director	Li-Ling Wang	8	0	100%	
Independent Director	Tang-Chieh Wu	8	0	100%	

Note 1: Where directors and supervisors are corporate entities, the names of corporate shareholders and their representatives are stated.

Note 2:

- (1) The date of resignation is specified for directors or supervisors who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of board of directors meetings held and the number of actual attendance during active duty.
- (2) If a re-election of directors or supervisors had taken place prior to the close of the financial year, directors/supervisors of both the previous and the current term are listed; in which case, the remarks column would specify the re-election date and whether the director/supervisor was elected in the previous term, the new term, or both. Actual attendance rate (%) was calculated on the basis of the number of board meetings held during each director's term and the number of meetings actually attended by that director.

Attendance of independent directors at board of directors meetings in 2021:

✓: In person; ☆: By proxy; ✕: Absent

2021	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	Remarks
Feng-Chiang Miao	✓	✓	✓	✓	✓	✓	✓	✓	—
Edward Yung-Do Way	✓	✓	✓	✓	✓	✓	✓	✓	
Li-Ling Wang	✓	✓	✓	✓	✓	✓	✓	✓	
Tang-Chieh Wu	✓	✓	✓	✓	✓	✓	✓	✓	

Directors' and supervisors' ongoing education in 2021

Title	Name	Course date		Exam Administrator	Course name	Course hours	Remarks
		From	To				
Director	Hong-Tu Tsai	2021.12.13	2021.12.13	Cathay Financial Holding Co., Ltd.	Corporate Governance Forum – Study on Notes to Financial Institutions' Corporate Governance Based on Recent Penalty Cases I	2.0	—
		2021.12.13	2021.12.13	Taiwan Academy of Banking and Finance	Corporate Governance Forum – Study on Notes to Financial Institutions' Corporate Governance Based on Recent Penalty Cases II	4.0	—
Vice Chairman	Tsu-Pei Chen	2021.08.13	2021.08.13	Taiwan Corporate Governance Association	Financial Statement Fraud Red Flag	3.0	—
		2021.09.01	2021.09.01	Financial Supervisory Commission	“The 13rd Taipei Corporate Governance Forum” (afternoon session)	3.0	—
		2021.12.07	2021.12.07	Taiwan Stock Exchange	2021 Cathay Sustainable Finance and Climate Change Summit	3.0	—
Director	Cheng-Ta Tsai	2021.12.13	2021.12.13	Cathay Financial Holding Co., Ltd.	Corporate Governance Forum – Study on Notes to Financial Institutions' Corporate Governance Based on Recent Penalty Cases I	2.0	—
		2021.12.13	2021.12.13	Taiwan Academy of Banking and Finance	Corporate Governance Forum – Study on Notes to Financial Institutions' Corporate Governance Based on Recent Penalty Cases II	4.0	—
Director	Cheng-Chiu Tsai	2021.12.13	2021.12.13	Cathay Financial Holding Co., Ltd.	Corporate Governance Forum – Study on Notes to Financial Institutions' Corporate Governance Based on Recent Penalty Cases I	2.0	—
		2021.12.13	2021.12.13	Taiwan Academy of Banking and Finance	Corporate Governance Forum – Study on Notes to Financial Institutions' Corporate Governance Based on Recent Penalty Cases II	4.0	—
Director	Chi-Wei Joong	2021.08.27	2021.08.27	Taiwan Investor Relations Institute (TIRI)	Commercial Case Adjudication Act	3.0	—
		2021.09.01	2021.09.01	Financial Supervisory Commission	“The 13rd Taipei Corporate Governance Forum” (afternoon session)	3.0	—
		2021.12.07	2021.12.07	Taiwan Stock Exchange	2021 Cathay Sustainable Finance and Climate Change Summit	6.0	—

Title	Name	Course date		Exam Administrator	Course name	Course hours	Remarks
		From	To				
Director	Andrew Ming-Jian Kuo	2021.04.23	2021.04.23	Insurance Institute of the Republic of China	FinTech – AI and Technology Law	3.0	—
		2021.07.29	2021.07.29	Taiwan Investor Relations Institute (TIRI)	Analysis on New Corporate Governance and Board of Directors’ Performance Evaluation Practices	3.0	—
Director	Tiao-Kuei Huang	2021.02.22	2021.02.22	Cathay Life Insurance Co., Ltd.	Directors/Supervisors Online Training Courses – Information Security Governance Trend and Challenge	0.5	—
		2021.07.06	2021.07.06	Insurance Institute of the Republic of China	Corporate Governance Seminar (2021 Session 12) – Focus of Information Security Governance Based on Information Security Insurance	3.0	—
		2021.09.01	2021.09.01	Financial Supervisory Commission	“The 13rd Taipei Corporate Governance Forum” (morning session)	3.0	—
		2021.10.21	2021.10.21	Cathay Life Insurance Co., Ltd.	Fair Dealing Policy Training	0.5	—
		2021.10.21	2021.10.21	Cathay Life Insurance Co., Ltd.	AML and CFT Training	1.0	—
		2021.11.29	2021.11.29	Deloitte & Touche	IFRS 17 Training	3.0	—
Director	Ming-Ho Hsiung	2021.02.26	2021.02.26	Cathay Life Insurance Co., Ltd.	Directors/Supervisors Online Training Courses – Information Security Governance Trend and Challenge	0.5	—
		2021.11.23	2021.11.23	Cathay Life Insurance Co., Ltd.	Fair Dealing Policy Training	0.5	—
		2021.11.23	2021.11.23	Cathay Life Insurance Co., Ltd.	AML and CFT Training	1.0	—
		2021.12.07	2021.12.07	Taiwan Stock Exchange	2021 Cathay Sustainable Finance and Climate Change Summit	6.0	—
		2021.12.20	2021.12.20	Deloitte & Touche	IFRS 17 Training	3.0	—
Director	Chang-Ken Lee	2021.06.22	2021.06.22	Taiwan Academy of Banking and Finance	Corporate Governance Seminar – FinTech Series (5th Session)	3.0	—
		2021.09.01	2021.09.01	Financial Supervisory Commission	“The 13rd Taipei Corporate Governance Forum” (morning session)	3.0	—
		2021.12.07	2021.12.07	Taiwan Stock Exchange	2021 Cathay Sustainable Finance and Climate Change Summit	2.0	—
Independent Director	Feng-Chiang Miao	2021.09.30	2021.09.30	Computer Audit Association	Improvement of Corporate Information Security Governance Momentum In Response to International Risk, Industry and Standard Development Trends	3.0	—
		2021.10.13	2021.10.13	Securities and Futures Institute	2021 Insider Equity Trading Legal Compliance Presentation	3.0	—
		2021.11.25	2021.11.25	Taiwan Corporate Governance Association	Case Study on Hostile Takeover and Proxy Contest and Company’s Countermeasures	3.0	—
Independent Director	Edward Yung-Do Way	2021.02.25	2021.02.25	Taiwan Corporate Governance Association	Strategic Turning Point of International Century Enterprises and Learning of Sustainability from Century Enterprises	1.0	—
		2021.04.28	2021.04.28	Taiwan Corporate Governance Association	Share How Issuers Practice ESG Correctly Based on Foreign Shareholders’ View and Voting Behavior	1.0	—

Title	Name	Course date		Exam Administrator	Course name	Course hours	Remarks
		From	To				
		2021.06.24	2021.06.24	Taiwan Academy of Banking and Finance	Corporate Governance Seminar – FinTech Series (6th Session)	3.0	—
		2021.07.29	2021.07.29	Securities and Futures Institute	Board of Directors’ Information Security Governance Practices	3.0	—
		2021.09.01	2021.09.01	Financial Supervisory Commission	“The 13rd Taipei Corporate Governance Forum” (afternoon session)	3.0	—
		2021.09.08	2021.09.08	Taiwan Academy of Banking and Finance	Corporate Governance School – Corporate Digital Transformation	3.0	—
		2021.11.05	2021.11.05	Securities and Futures Institute	Global Risk Awareness – Opportunities and Challenges in Next Decade	3.0	—
		2021.11.10	2021.11.10	Taiwan Academy of Banking and Finance	Corporate Governance Course	3.0	—
		2021.11.17	2021.11.17	Securities and Futures Institute	Study on Employee and Director Remuneration Issues – Talks About Amended Article 14 of the Securities and Exchange Act	3.0	—
		2021.12.10	2021.12.10	Taiwan Corporate Governance Association	How Enterprises Plan Differentiated Strategies In Line With ESG Trends	3.0	—
Independent Director	Li-Ling Wang	2021.02.25	2021.02.25	Cathay Life Insurance Co., Ltd.	Directors/Supervisors Online Training Courses – Information Security Governance Trend and Challenge	0.5	—
		2021.07.29	2021.07.29	Center for Corporate Sustainability (CCS)	25th CEO School and Keynote Speech	2.0	—
		2021.09.01	2021.09.01	Financial Supervisory Commission	“The 13rd Taipei Corporate Governance Forum” (morning session)	3.0	—
		2021.09.01	2021.09.01	Financial Supervisory Commission	“The 13rd Taipei Corporate Governance Forum” (afternoon session)	3.0	—
		2021.11.18	2021.11.18	Cathay Life Insurance Co., Ltd.	Fair Dealing Policy Training	0.5	—
		2021.11.18	2021.11.18	Cathay Life Insurance Co., Ltd.	AML and CFT Training	1.0	—
		2021.12.07	2021.12.07	Taiwan Stock Exchange	2021 Cathay Sustainable Finance and Climate Change Summit	6.0	—
		2021.12.23	2021.12.23	Deloitte & Touche	IFRS 17 Training	3.0	—
Independent Director	Tang-Chieh Wu	2021.02.19	2021.02.19	Cathay Life Insurance Co., Ltd.	Directors/Supervisors Online Training Courses – Information Security Governance Trend and Challenge	0.5	—
		2021.04.15	2021.04.15	Taiwan Academy of Banking and Finance	Information Security Governance Seminar (14th Session)	3.0	—
		2021.07.29	2021.07.29	Center for Corporate Sustainability (CCS)	25th CEO School and Keynote Speech	2.0	—
		2021.08.12	2021.08.12	Insurance Institute of the Republic of China	Information Security Governance – Study on Strength and Weakness of Internal Information Security System from a Corporate Governance Perspective	3.0	—
		2021.09.03	2021.09.03	Insurance Institute of the Republic of China	Opportunity for Transformation In Line With IFRS 17	3.0	—
		2021.11.16	2021.11.16	Cathay Life Insurance Co., Ltd.	Fair Dealing Policy Training	0.5	—
		2021.11.16	2021.11.16	Cathay Life Insurance Co., Ltd.	AML and CFT Training	1.0	—
		2021.12.03	2021.12.03	Insurance Institute of the Republic of China	Sustainable Development Roadmap and Model Enterprises	3.0	—

Other items to be stated:

1. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:
 - (1) Conditions described in Article 14-3 of the Securities and Exchange Act: According to Article 14-5 of the Securities and Exchange Act, Article 14-3 does not apply to the Company.
 - (2) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.
2. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the motion and resolution thereof, reason for not voting and actual voting counts:

Directors	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Hong-Tu Tsai, Tsu-Pei Chen, Chang-Ken Lee	Distribution of annual performance bonus and talent retention bonus for managers of department head and above and directors involved in actual business decisions	This motion concerned the interests of Director Hong-Tu Tsai's direct relatives and the following directors	Disassociated from discussion and voting
Chang-Ken Lee	Allocation of employees remuneration	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Hong-Tu Tsai, Tsu-Pei Chen, Cheng-Ta Tsai, Cheng-Chiu Tsai, Chi-Wei Joong, Andrew Ming-Jian Kuo, Tiao-Kuei Huang, Ming-Ho Hsiung, Chang-Ken Lee	Allocation of directors' remuneration	The motion concerned the interests of corporate entities represented by Director Hong-Tu Tsai and directors listed on the left	Disassociated from discussion and voting
Hong-Tu Tsai, Tsu-Pei Chen, Chang-Ken Lee	Adjustment of salary for the Company's managers and directors involved in actual operating activities and periodic review on remuneration to managers	This motion concerned the interests of Director Hong-Tu Tsai's direct relatives and the following directors	Disassociated from discussion and voting
Chang-Ken Lee	Presentation of "2022 Audit Plan" proposed by the Company's Auditing Division	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Hong-Tu Tsai	Plan to recruit additional human resource engaged in the digital development of the Company's annual procurement to help the project development.	The motion did not concern the interests of the directors listed on the left in any substantial or direct manner. These directors were not required to recuse by law, but they had voluntarily recused out of respect for the highest corporate governance standard	Disassociated from discussion and voting

3. TWSE/TPEX listed financial holding companies are required to disclose the cycle, duration, scope, method and detail of board performance self (or peer) evaluations performed, and complete Table 2 (2) Execution of Board Performance Evaluation.

Table 2 (2) Execution of Board Performance Evaluation

	Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
External evaluation of 2018 performance for board of directors	At least once every three years	January 1, 2018 ~ December 31, 2018	Board of Directors	■ The Company has been engaging professional, independent institutions, experts or scholars from outside the organization to conduct at least once every three years. Details of the assessment, including the indicators used, the procedures, target accomplishment rate and interpretation of assessment outcomes, are planned and executed by the external institutions, experts or scholars. ■ On June 2019, the Company engaged “Taiwan Institute of Ethical Business and Forensics” (referred to as “External Evaluator” below) to conduct an external evaluation, produce an assessment report and recommend optimizations to board performance for year 2018. The results were raised for discussion during the board of directors meeting held on August 15, 2019, and has been approved and implemented accordingly to further enhance the Company's corporate governance system. ■ For this assessment, the External Evaluator had assigned an executive panel to review board meeting and corporate governance-related information provided by the Company for 2018, and to survey and interview directors individually. The goal of this executive panel was	The External Evaluator had made the following conclusions and recommendations based on observation of the board's performance: 1. Board's professional capacity: The board of directors would make plans to include females and candidates with academic background or previous work experience in the authority for the next board members. Factors such as overall age distribution and presence of additional independent directors were also taken into consideration, and the added diversity proved beneficial in the encouragement of diverse opinions. The Company was advised to obtain information on industry development, new technologies and supervisory trends through external consultants, and thereby enhance the board's knowledge toward the competitive landscape and industry trends. 2. Board's decision-making capacity: The Company not only values but also encourages independent directors to express opinions; Board members are given adequate time and ample opportunities to communicate and discuss with senior managers. From a corporate governance standpoint, directors should attend board meetings personally where possible. 3. Board's attention and supervision over internal control: The Company currently has an independent Chief Auditor that does not assume concurrent position as audit personnel in any subsidiary. This arrangement not only enhances risk management

	Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
				to observe how the board functions and to raise recommendations. ■ The External Evaluator is a non-profit academic organization consisting of experts and scholars from various fields. The organization focuses on the research and promotion of integrity, corporate governance, fraud prevention and forensic practices that conform with world standards. The executive panel possessed expertise including accounting, law and corporate governance that were relevant to this evaluation. Furthermore, the External Evaluator and executive panel did not engage the Company in any business dealing that would compromise independence.	and control within the group, but also allows audit personnel to discover defects more efficiently and minimize chances of recurrence. Furthermore, board members were particularly aware of the potential risks associated with stakeholder transactions, and had adopted rigorous practices to identify such transactions and minimize risk of fraud. In terms of business integrity, the Company currently has independent directors' mailbox set up as direct communication channel for receiving misconduct reports from investors, employees and stakeholders. In light of the world's rising awareness toward whistleblowing (fraud discovery), the Company may consider engaging independent external institutions and providing e-mails and hotlines exclusively for misconduct report. 4. Board's attitude toward corporate social responsibilities: The Company and subsidiaries have invested significant resources into fulfilling corporate social responsibilities. The Company has been chosen as a composition of DJSI - Emerging Markets for 4 consecutive years between 2015 and June 11, 2019, and was accepted as part of DJSI - World in 2018. These accomplishments are a testament to the Company's performance in terms of corporate social responsibilities and sustainability governance. The Company is already a leading financial group in Taiwan; the board of directors or Corporate Sustainability Committee may consider engaging an external consultant to plan the Company's sustainability practices on different levels

	Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
					of operation. Opinions of an objective third party may prove beneficial to the organization's future decisions concerning sustainable growth. The Company has taken the following improvement measures in response to the assessment report and recommendations raised by the External Evaluator: 1. With respect to board's professional capacity, the Company has arranged external training courses and offered them to directors in need. Outside experts are also invited to host seminars and share information from time to time on emerging issues depending on changes in industry trend, and thereby contribute toward improving board's professional capacity. 2. With respect to board's decision-making capacity, the Company makes sure that board meeting agenda and materials are sent to each director seven days before each board meeting. Directors who were unable to attend board meetings in person have appointed other directors as proxies to discuss and resolve on their behalf during meetings. 3. With respect to board's attention and supervision over internal control, the Company introduced its "Group Whistleblower System" along with dedicated mail box and comprehensive whistleblower procedures in 2018 to ensure that employees and outside third parties are soundly protected by the system and are able to report misconducts through the channels provided. As for the recommendation of seeking whistleblower channel from external institutions, the Company will evaluate such a possibility based on the outcome of the current system.

	Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
					4. With respect to board's attitude toward corporate social responsibilities, the Company has been approaching external consultants for advice and assistance on sustainability and corporate social responsibility issues. For example: PwC and <u>Chia-Wei Hsu</u> from Tungnan University were invited to offer advice on overall CS and internal systems. In the future, the financial group will continue approaching professional consultants for objective opinions on different levels and aspects of sustainability development.
Internal evaluation of 2021 performance for board of directors and functional committees	Once a year	January 1, 2021 ~ December 31, 2021	Board of directors and functional committees (including Audit Committee, Remuneration Committee and Corporate Governance and Nomination Committee)	■ The board of directors, each functional committee members and board meeting organizers were invited to conduct assessments on the board's and each functional committee's performance. ■ Performance of the board and functional committees was then assigned one of three ratings: Above Standard, Standard, and Substandard. Results of the above performance assessment will be submitted to the board of directors for discussion and approval.	Internal assessment of board and functional committees performance covered five main aspects: 1. Participation in company operations, including the knowledge of functional committees' responsibilities. 2. Improvement of board's/functional committee's decision quality. 3. Board/functional committee composition. 4. Election and ongoing education of directors/functional committee members. 5. Internal control. The internal assessment of the board and functional committee performance in 2021 was completed using the five major aspects of self-assessed "qualitative indicators" with the deduction inapplicable parts (i.e. board indicators 25 and 33) for the year of 2021, and the rest of the assessment was completed by all of the directors and members of the functional committees. The "quantitative indicators" were calculated by the board meeting organizer according to the quantitative indicator data. Based on attainment rates that the meeting organizer had calculated for all assessment indicators, the board of directors and functional committees were considered to have performed

	Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
					exceeding the aforementioned standards in 2021. This result was discussed and approved during the board of directors' meeting on January 26, 2022.
Evaluation of 2021 performance for individual directors	Once a year	January 1, 2021 ~ December 31, 2021	Applies to individual board members who remain in duty at the time of assessment.	■ Board member self-assessment: Self-assessments are performed using assessment indicators based on information provided by the management. ■ Independent directors' review: Directors' self-assessments are reviewed by independent directors using appropriate assessment indicators.	Individual director performance assessment covered the following aspects: 1. Director's awareness toward the Company's goals and missions. 2. Director's awareness to duties. 3. Level of participation in the Company's operations. 4. Management and communication of internal relations. 5. Professionalism and ongoing education of directors. 6. Supervision over corporate finance and operations. 7. Supervision over corporate internal audit, internal control, risk management and compliance. 8. Company credit rating. 9. Fulfillment of corporate social responsibilities. Individual director performance assessment should combine with internal control and risk assessment indicators. According to "Cathay Financial Holdings Co., Ltd., Regulations Governing Remuneration Paid to the Directors", remuneration will not be paid to directors that fail the annual individual director performance assessment. The results of director performance assessment were determined to be "Pass" for all the directors in 2021.

Note1: Represents the frequency of board performance evaluation, e.g.: once a year.

Note2: Represents the duration covered by performance evaluation, e.g.: performance of the board of directors between January 1 and December 31, 2021, was assessed.

Note3: The scope of assessment covers performance of the board as a whole, the individual directors and functional committees.

Note4: Assessment methods include: board internal self-assessment, director self-assessment, peer assessment, assessment by external institution or expert, and other methods as deemed appropriate.

Note5: Assessment details, by scope of assessment, include at least the following:

- (1) Board performance assessment: board's participation in the Company's operations, the quality of board's decisions, the board's composition, election and ongoing education of board members, and enforcement of internal control.
- (2) Director individual performance assessment: director's awareness toward the Company's goals and missions, awareness to duties, level of participation in the Company's operations, maintenance of internal relations and communication, professionalism and ongoing education, and enforcement of internal control.
- (3) Performance assessment for functional committees: participation in the Company's operations, awareness to duties, quality of committee's decisions, composition and member selection, and enforcement of internal control.

4. Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc), and the progress of such enhancements:

■ Enhancement of board functionality

Board of Directors:

The Company adopts the “candidate nomination system” where all Board candidates are nominated through the “Corporate Governance and Nomination Committee.” After the Board reaches a resolution, the list is sent to the shareholders’ meeting for election. The Board consists of over ten directors, each with extensive experience and expertise in the fields of finance, commerce, and management. Starting from the 5th Board of Directors, additional external director seats were included. Through the involvement of external directors and the Company’s board, in addition to providing valuable advice on the Company’s long-term development strategies, the directors also play the role of objective supervision and monitoring based on past experience, thus contributing to the Company’s independence of the Board of Directors. Mr. Feng-Chiang Miao, Chairman of MiTAC Holdings, and Mr. Edward Yung-Do Way, former CEO of Deloitte Taiwan, were newly elected as independent directors for 6th Board of Directors, whose presence added independence to the Board of Directors. Furthermore, election for the 7th Board of Directors was completed in 2019, during which said two independent directors were reelected and the number of independent director seats was increased from three to four, and two of which were taken up by new independent directors, Ms. Li-Ling Wang and Mr. Tang-Chieh Wu, whose professional background and knowledge in insurance, securities, risk management, finance and banking help upgrade the Board’s independence and contribute to the Board’s diversity as well as corporate governance capacity effectively. Board members as a whole possess a broad range of skills from finance, business, digital finance, digital technology, overseas markets, M&A to risk management that complement the group’s strategies toward “globalization,” “digitalization” and “financial innovation and application.” (For the diversity of the Company’s Board members, please refer to the following for details: “Directors and Supervisors Information (II)/II. Diversity and independence of the Board of Directors/(I) Diversity of Board of Directors” and “Status of Corporate Governance, deviation and causes of deviation from Corporate Governance Best-Practice Principles for Financial Holding Companies/II. Composition and Responsibilities of Board of Directors/(I) Whether the Board of Directors has set forth the diversity policy and specific management goals?/Implementation/Summary Descriptions (I)”).

Functional Committees:

In order to strengthen the board’s professional functions and connect with the world, the Company has set up the “Audit Committee”, the “Remuneration Committee”, and the “Corporate Governance and Nomination Committee”. Among them, the “Audit Committee” has assisted the company board in making a number of important decisions through professional division of labor and impartiality and independence. The “Remuneration Committee” has provided professional opinions and has reached important resolutions on the Company directors and managers’ performance assessment and remuneration standard setting and revision, and remunerations for directors and managers, which are expected to contribute to the effective establishment the directors and managers’ remunerations and performance assessment system in the company, thereby enhancing the Company’s operational

performance. Furthermore, through the “Corporate Governance and Nomination Committee”, the functions of the nominating board candidates, constructing the organizational frameworks of respective functional committees, and reviewing board operation related regulations have been performed, in the hope of enhancing board effectiveness. Since the establishment of the said committee, the following mechanisms regarding board operations have been added: “The Company shall arrange orientation for the board of directors taking up the post for the first time”, the inclusion of “The Evaluation of the Functional Committee’s Performance”, the setup of “Chief Corporate Governance Officer”, and the addition of “Standard Operating Procedures for Resolving Directors’ Requests”.

Chief Corporate Governance Officer (CCGO)

In 2018, the board of directors passed a resolution to create the position of “Corporate Governance Officer” to further enforce the corporate governance framework, and the position is assumed by the head of Administration Division (executive vice president grade). In January 2019, the board of directors resolved to adjust prerequisites for the “Chief Corporate Governance Officer,” limiting the role only to those qualified as head of legal affairs, shareholder service, meeting, general administration or corporate governance for at least three years in a finance-related institution or public company. Main responsibilities of the Chief Corporate Governance Officer include: “handling of board meeting and shareholder meeting affairs,” “preparation of board meeting and shareholder minute,” “assisting directors with duty and ongoing education,” “providing directors with the information needed to execute duty,” “assisting directors with compliance affairs,” and “other matters specified by law, the Articles of Incorporation or contracts.” In addition, to assist the directors in their performance of duties and to improve the efficiency of the board of directors, the Company has approved the establishment of the “Standard Operating Procedures for Resolving Directors’ Requests” through resolution of the board of directors in March 2019, in order to provide sufficient support to the directors. According to the provisions of the procedure, all directors of the Company shall be able to obtain assistance from the corporate governance supervisor in order to ensure that the procedure of board of directors and all applicable laws and regulations are complied by all directors as well as to ensure proper information communication between members of the board of directors and between directors and the management department. Furthermore, after the corporate governance supervisor receives requests from a director, unless processing time is further specified, it is necessary to coordinate relevant units to handle the request timely within two business days. After relevant units complete the handling of the request, it is necessary to report to the director immediately and to report the handling status to the corporate governance supervisor. In addition to providing information and documents necessary for directors to perform duties in order to promptly assist the directors to perform duties, the corporate governance supervisor of the Company shall also ensure that the information communication between the members of the board of directors and between directors and the management department. Furthermore, it is also necessary to ensure that material information of routine business of the Company, material events and other important matters already confirmed shall be provided to the directors immediately upon the occurrence of such events and matters for their understanding.

Progress of the Company's 2021 corporate governance efforts is explained below:

In addition to appointing a "Chief Corporate Governance Officer" for supervising corporate governance affairs on the group level, each department is also required to assign "corporate governance personnel" to oversee corporate governance-related matters within each unit:

(1) Responsibilities with regards to "handling of board and functional committee meeting affairs (including minutes preparation), assisting directors with duty and ongoing education, and providing directors with the information needed to execute duty" are assisted by personnel of the "Legal Department, Administration Division," who perform the following duties:

- Notify all meeting participants about the agenda and related meeting information seven days before the convention of board of directors' meeting/Audit Committee meeting/Remuneration Committee meeting/Corporate Governance and Nomination Committee meeting, and make arrangement for the meeting minutes to be signed/sealed by the chairperson and minute taker before distributing them to all participants within twenty days after the meeting, and list the meeting minutes as a major corporate file for preservation.
- When the current Board members take office, conduct orientation for first-time directors to introduce them to the Company's business activities, organization and other important issues; provide newly elected directors with a "Director Manual" that guides them through their duties and compliance requirements; and assist directors in the completion of yearly education as needed by the Company and individual directors.
- Provide directors with the requested information and maintain communication between directors and various department heads; assist in independent directors' duties by arranging communication with the chief internal auditor, the financial statement auditor, other internal departments.
- Amend corporate governance policies in line with the Company's business activities and the latest regulations, and present them for resolution by the board of directors.
- Renew "liability insurance for directors and key staff" within the group, and register the required corporate information or changes thereof with the authority before deadline.

(2) With regards to "shareholder meeting affairs (including preparation of minutes)," personnel of the "Share Administration Section, Administration Department, Administration Division," have been assigned to perform the following:

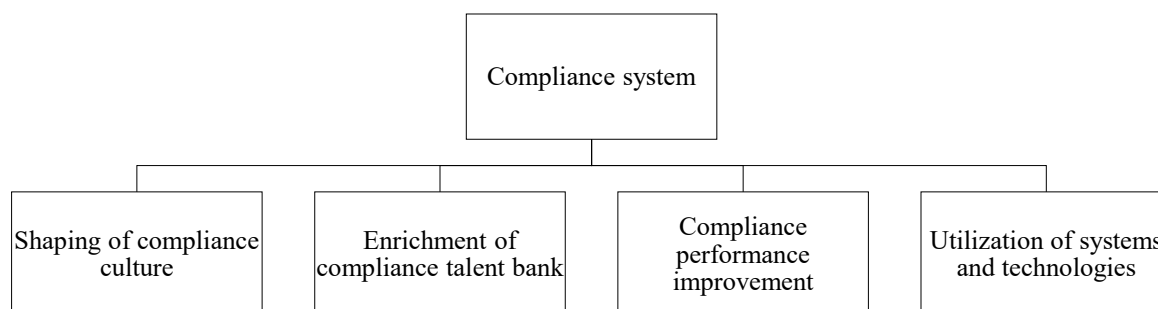
- Prepare and convene shareholder meetings, produce minutes, oversee share administration affairs, and provide adequate information to shareholders to ensure that their interests are soundly protected.
- Responsible of checking major announcements for compliance and accuracy, and ensuring information symmetry for investors.

The Chief Corporate Governance Officer training situation for 2021 is as follows:

Course date		Exam Administrator	Course name	Course hours	Total number of training hours for the current year
From	To				
2021.03.30	2021.03.30	Taiwan Academy of Banking and Finance	Corporate Governance Seminar – FinTech Series (2nd Session)	3.0	21.0
2021.06.22	2021.06.22	Taiwan Academy of Banking and Finance	Corporate Governance Seminar – FinTech Series (5th Session)	3.0	
2021.06.24	2021.06.24	Taiwan Academy of Banking and Finance	Corporate Governance Seminar – FinTech Series (6th Session)	3.0	
2021.07.16	2021.07.16	Digital Governance Association	Effects posed by business courts to the Board of Directors' operations and directors' performance of duties	3.0	
2021.09.01	2021.09.01	Financial Supervisory Commission	"The 13rd Taipei Corporate Governance Forum" (morning session)	3.0	
2021.12.22	2021.12.22	Taiwan Corporate Governance Association	17th (2021) Corporate Governance Summit Forum – Practicing ESG and Sustainable Development	6.0	

Since June 15, 2007, the Company has been purchasing “liability insurance for directors and key staff” to protect itself against the liabilities of directors, supervisors and key staff of the Company and subsidiaries over the course of their duties. Terms of this insurance policy are reviewed on a yearly basis, and since 2017, main details such as the sum assured, the scope of coverage and premium rate are reported to the upcoming board meeting after annual renewal. This insurance exists to reduce the amount of risk borne by directors, supervisors and the Company, as well as to enforce the corporate governance system.

■ Enhancement of compliance system



Cathay Financial Holdings has had a Compliance Department established since 2015 to enforce compliance system within the Group. The department is dedicated to enhancing the compliance culture by organizing relevant training and checking compliance in business conducts. The department also reports to the board of directors and the Audit Committee every six months on the Group’s compliance progress. Cathay Financial Holdings has placed great emphasis on enhancing compliance awareness and knowledge among employees to shape a compliance culture capable of reacting to the rapid changes in the global financial environment. The Company organizes a broad variety of compliance training for different employees that cover basic knowledge, business-specific topics and the latest local/foreign financial supervisory trends. These training courses promote robust risk management practices as well as compliance awareness among employees.

In response to the AML/CFT trends around the world, Cathay Financial Holdings has adopted a “risk-based” approach towards enhancing its AML/CFT system, and continues to align practices with the rest of the world through overseas offices. Subsidiaries of the Group have established dedicated units and committees to combat money laundering and terrorism financing since 2015. By shaping a compliance culture from within, the Group aims to escalate its AML/CFT efforts and enforce consensus and common understanding amongst employees. Meanwhile, practices such as training of technology/compliance/AML/CFT talents, the timely update of laws, and regular review of current affairs are being adopted to promote proper AML/CFT awareness.

In addition, the Company continues to supervise the Group's compliance with the Foreign Account Tax Compliance Act (FATCA) and Common Report Standard (CRS). A Whistleblower System has been implemented whereas supervisory efforts are being committed to ensure completion of compliance risk assessment report across subsidiaries, compliance with regulations and the authority's instructions on the group level, as well as development and implementation of a robust compliance system.

■ Enforcement of corporate governance

The Company has been actively making and amending policies to more effectively support corporate governance efforts, including:

Amended “Procedure for Election of Directors” of the Company to simplify the operation procedure for the director candidate nominated shareholders in order to protect the interests of shareholders.

For improved corporate governance, the Company has amended its “Corporate Governance Code of Conduct” to state that “Corporate shareholder that exercises control over the Company shall appoint

professionally qualified personnel to represent its director or supervisor positions acquired through election, and should not reappoint unless supported by valid reasons.” Furthermore, suggestions have been made to limit independent directors' term of service to no more than 3 sessions, whereas rules concerning the duty, eligibility, appointment and dismissal of Chief Corporate Governance Officer have also been added to the Code of Conduct. Foundation principles of various functional committees have been amended in accordance with The Company Act and related regulations to facilitate meeting proceedings.

The Company has implemented “Business Integrity Policy and Code of Conduct,” “Business Integrity Procedures and Behavioral Guidelines,” “Ethical Behavior Guidelines” and “Employee Code of Conduct” to serve as standards for employees’ ethical behavior and to provide stakeholders with a better understanding of the Company’s ethical standards, and thereby ensure the sustainability of future businesses. These codes of conduct specifically require employees to comply with laws and integrity principles, avoid conflict of interest, and refrain from bribery and illicit personal gains when performing business activities.

The Company was the first financial holding company to implement a group-wide whistleblower system that supports business ethics, integrity and sustainability by encouraging employees to report any conducts that are illegal or in violation of Ethical Behavior Guidelines or Business Integrity Policy and Code of Conduct. “Cathay Group Whistleblower System” and the Company's “Unethical and Dishonest Conduct Reporting Policy” have been implemented to create whistleblower channels that insiders and outsiders may use to uncover illicit conducts without compromising their legal rights. Person-in-charge and employees of the Company may report to the board of directors, the Audit Committee, the audit unit, the compliance unit and personnel of appropriate department upon discovering any act of corruption or bribery. The Company also has the responsibility to maintain secrecy over the informant’s identity and details of the misconduct report. All reported cases shall be thoroughly investigated by the audit unit; any established cases of misconduct shall be referred to the Administration Department and disciplined according to the Company’s policies. Meanwhile, relevant details are to be disclosed over the Company’s Intranet. The Company organized multiple training on integrity-related issues in 2021 (e.g.: annual training on integrity and ethics, orientation training on compliance, and compliance officer conference). These sessions received a total of 798 enrollments and delivered 1,204 man-hours of training.

■ Improvement of information transparency

The Company has “Investors,” “Corporate Governance,” and “Corporate Sustainability” sections created on its website to improve information transparency by providing financial, business and corporate governance-related information in both Chinese and English.

Furthermore, the Company has an “Investor Relations Department” in place to enhance investors’ appreciation of the Company’s values and establish communication with investors. The department holds regular investor seminars to address investors’ queries and enforce their rights to the Company’s financial and business information.

Furthermore, in 2020, the Company and its subsidiaries of “Cathay Life” and “Cathay United Bank” participated in the “CG6012 (2019) Corporate Governance Assessment” organized by Taiwan Corporate Governance Association again, and were consecutively awarded the certification of the highest “Exceptional” rating (certificate valid until 2022), and also subsequently continued to improve the corporate governance mechanism based on the feedback and recommendation of the valuation. In addition, the Company was also selected a composition of “TWSE Corporate Governance 100 Index” and “Taiwan Sustainability Index,” which served as a testament to the Group’s exceptional performance in terms of information transparency, corporate governance and sustainability.

■ **Enhancement of communication channels with stakeholders (including: investors/shareholders, employees, customers and suppliers)**

The Company has a “Stakeholders” section created on its webpage to serve as a communication channel with stakeholders. It is a transparent and effective means for the Company to communicate with stakeholders and is critical for corporate sustainability.

■ **Implementation of Sustainable Governance**

In 2021, the Company was honored the “Outstanding Company on Corporate Governance” of the ASIAN ESG AWARD 2021 THE BEST OF ASIA again, and Chairman Hong-Tu Tsai also received the “Asian Corporate Director Recognition Award” for the second time. Apparently, the Company’s corporate governance operations have been recognized by the world. Meanwhile, the Company participated in the certification by Taiwan Property Management System (TIPS) for the first time and rated as Level A. In order to improve the information security protection ability, complete the Security Operation Center (SOC) service mechanism and achieve the 24/7 uninterrupted information security real-time monitoring management, all of the Company’s important subsidiaries have implemented the Information Security Management System (ISMS). In order to ensure the Group’s sustainability and mitigate the effects posed by the epidemic, extreme weather and other emerging risks to the business operations, the Company took the initiative to pass the BSI “ISO 22301 Business Continuity Management System” international standard certification, thus becoming the first local financial holding company passing the certification to achieve the sound “Business Continuity Management (BCM)” in Taiwan. Meanwhile, the Group also promotes the compliance AI management and adopts new technologies to improve the prevention of financial crimes, and receives well recognition from the FSC.

(II) Functionality of the Audit Committee (Table 2-1)

The Company’s Audit Committee consists entirely of independent directors, whose responsibilities are to assist the board with corporate governance, including:

1. Establishment or amendment of internal control system and procedures for asset acquisition/disposal, derivative trading and major financial/business activities, and evaluation of the internal control system.
2. Matters involving directors’ personal interests.
3. Major transaction of assets or derivatives.
4. Offering, issuance, or private placement of securities with equity characteristics.
5. Appointment, dismissal and remuneration of financial statement auditor; appointment and dismissal of financial, accounting and internal audit officers.
6. Annual and second-quarter financial reports signed or sealed by Chairman, President and Chief Account.
7. Business report, earnings appropriation or loss reimbursement proposal.
8. Other issues deemed material by the Company or the authority.

The Audit Committee convenes meetings on a quarterly basis, and has been empowered to request for the presence of any managerial staff, internal auditor, CPA, legal advisor, or any personnel deemed relevant to provide the necessary information.

The Company’s Audit Committee convened 6 meetings in 2021. The main reviewed matters are as follows:

1. 2020 “Business Report, Final Financial Statements and Earnings Distribution,” “Declaration of Internal Control System” and “Audit Committee Operation Status Report.”
2. 2021 “Q1, first half of the year and Q1-Q3 final financial statements.”
3. 2022 “Audit Plan” and “commissioned Deloitte Taiwan to conduct financial and taxation undertakings”.
4. Amendments to “Internal Control System,” “Internal Audit System and Enforcement Rules” and “Self-Disciplinary Guidelines for Transactions of the Company and Subsidiaries with Transaction Monitoring

Subjects.”

5. “Plan to Handle Long-Term Fundraising,” “Approved Chief Internal Auditor’s Performance Evaluation,” and “Personnel Transfer.”
6. “A total of nine entities including the Company and subsidiary, Cathay Life Insurance, intend to share the job fit information system of Cathay Life Insurance, and sign the Cathay Financial Holdings Job Fit Information System Sharing Agreement.” “A total of nine entities including the Company and subsidiary, Cathay Life Insurance, intend to share the information resources and sign the Cathay Financial Holdings and Subsidiaries Information System Equipment and Personnel Sharing Framework Agreement.” and “A total of eight entities including the Company and subsidiary, Cathay Life Insurance, intend to share the cloud resources and sign the Cathay Financial Holdings and Subsidiaries Cloud Services Sharing Framework Agreement.”

■ Financial Report Review

The financial statements of Cathay Financial Holdings covering the period from January 1 to December 31, 2020, and the business report and earning distribution plan have been prepared and submitted by the Board of Directors of the Company. The financial statements were audited by Cheng-Hung Kuo CPA, and Shu-Wan Lin CPA, of Deloitte & Touche, who issued an auditors’ report. In accordance with Article 14-4 of Securities Trading Act and Article 219 of Corporate Act, the preceding disclosed business reports, financial statements, and surplus distribution cases have been commissioned by the Company’s Audit Committee to Deloitte & Touche for inspection, and no inappropriateness was found. After passing the review by the Company’s Audit Committee on April 28, 2021, the Audit Committee’s inspection report was presented according to provisions and was submitted to the 2021 annual shareholders’ meeting.

■ The assessment of the effectiveness of the internal control system

The Company’s Audit Committee passed the 2020 “Internal Control System Declaration” on March 9, 2021. The design and implementation of the overall internal control system of the Company and its subsidiaries were deemed by the Audit Committee to be valid after assessment. The Audit Committee assessed the effectiveness of the Company’s internal control system policies and procedures (including finance, operations, risk management, information security, regulatory compliance, and other control measures) and reviewed the periodic reports (including risk management and regulatory compliance) proposed by certifying CPAs, audit departments, and other managerial departments. The Audit Committee deemed the Company had adopted all necessary control mechanisms to monitor and correct violations.

■ Commissioning of the certifying CPA

Appointment of financial statement auditor is renewed once a year. In order to ensure the independence, eligibility and professionalism of certifying CPAs, the resumes (including relevant experience, professional qualifications, and main clients) and shareholding situation of CPAs are viewed by the Audit Committee and the Board. Further, the Audit Committee and the Board shall assess the “Impartiality and Independence Declaration” presented by certifying CPAs in order to confirm the provisions in The Norm of Professional Ethics for Certified public Accountant of the Republic of China No. 10 Bulletin-“Integrity, Fairness, Objectivity, and Independence” are not violated and without other financial interest and business relationship. Last, reviewing the independence of certifying accountants in accordance with Paragraph 1 and Paragraph 2 of Article 47 of the “Certified Public Accountant Act”(for example, the auditors are not currently employed by the company for regular work, receiving fixed salary, working as directors, supervisors and performing management consulting or other non-auditing businesses to the extent of violating independence, etc.). The Audit Committee (November 8, 2021) and the Board (November 9, 2021) passed commissioning Deloitte Taiwan to handle the Company’s financial and tax compliance audit 2022, with CPAs Kuo Cheng-Hung and Shu-Wan Lin serving as certifying CPAs. After an assessment, both CPAs were found to be qualified in terms of independence, eligibility, and professionalism.

The 5th Audit Committee (data range: 2021.1.1-2021.12.31)

A total of 6 Audit Committee meetings (A) were held in the last year; independent directors' attendance records are summarized below:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 1, Note 2)	Remarks
Independent Director (Convener of Audit Committee)	Edward Yung-Do Way	6	0	100%	—
Independent Director (Members of Audit Committee)	Feng-Chiang Miao	6	0	100%	
Independent Director (Members of Audit Committee)	Li-Ling Wang	6	0	100%	
Independent Director (Members of Audit Committee)	Tang-Chieh Wu	6	0	100%	

Note 1. Where a specific independent director may be relieved from duties before the end of the fiscal year, specify the date of discharge in the "Remark" section. Actual attendance rate (%) was calculated based on the number of board meetings held during each director's term and the number of meetings actually attended by that director.

Note 2. Where a reelection may be held for filling the vacancies of independent directors before the end of the fiscal year, list out both the new and the discharged independent directors, and specify if they are the former independent directors, or newly elected, re-elected and the date of the reelection in the "Remark" section. Actual attendance rate (%) was calculated on the basis of the number of meetings held by the audit committee during each independent director's term and the number of meetings actually attended by that independent director.

※ Other items to be stated:

- Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, any independent director's opinions expressing objections or reservations or important suggestions, Audit Committee's resolution and the Company's resolution of Audit Committee's opinions:

(1) Explanation to matters listed in Article 14-5 of the Securities and Exchange Act:

Audit Committee	Audit committee meeting motion	The circumstances referred to in Article 14-5 of the Securities and Exchange Act	Resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors
The 12 th meeting of the 5 th term 2021/2/3	1. Amendments to the "Self-Disciplinary Guidelines for Transactions of the Company and Subsidiaries with Transaction Monitoring Subjects."	✓	✗
	2. Approved the Chief Auditor's performance evaluation.	✓	✗
	3. Personnel assignment of the Company.	✓	✗
	Any independent director's opinions expressing objections or reservations or important suggestions: None. Audit Committee resolution: Motion was passed as proposed by all members of the Audit Committee.		

Audit Committee	Audit committee meeting motion	The circumstances referred to in Article 14-5 of the Securities and Exchange Act	Resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors
	The Company's resolution of Audit Committee's opinions: The opinions were submitted to the Board of Directors for a resolution on February 3, 2021, and already approved by the whole present directors unanimously.		
The 13 th meeting of the 5 th term 2021/3/9	1. Review of 2020 final financial statements.	✓	✗
	2. Presentation of the Company's 2020 "Declaration of Internal Control System."	✓	✗
	Any independent director's opinions expressing objections or reservations or important suggestions: None.		
	Audit Committee resolution: ■ Motion 1 was passed as proposed by all members of the Audit Committee. ■ Motion 2 was passed with amendment as proposed by all members of the Audit Committee.		
	The Company's resolution of Audit Committee's opinions: The opinions were submitted to the Board of Directors for a resolution on March 10, 2021. The resolution is specified as follows: ■ Motions 1 was passed as proposed by all attending directors. ■ Motion 2 was passed with amendment as proposed by all attending directors.		
The 14 th meeting of the 5 th term 2021/4/28	1. 2020 Business Report.	✓	✗
	2. 2020 Earnings Distribution.	✓	✗
	3. Audit Committee's Review Report on the Company's 2020 Financial Statements.	✓	✗
	4. Proposal of the Company's long-term funding plan.	✓	✗
	5. Proposal on submission of the "2020 Audit Committee Annual Operation Status Report" at the shareholders' meeting.	✓	✗
	Any independent director's opinions expressing objections or reservations or important suggestions: None.		
	Audit Committee resolution: Motion was passed as proposed by all members of the Audit Committee.		
The 15 th meeting of the 5 th term 2021/5/12	The Company's resolution of Audit Committee's opinions: The opinions were submitted to the Board of Directors for a resolution on April 28, 2021, and already approved by the whole present directors unanimously.		
	1. Review of the Company's 2021 Q1 financial statements.	✓	✗
	2. Amendments to the Company's "Internal Control System."	✓	✗
	3. Amendments to the Company's "Internal Audit System and Implementation Rules."	✓	✗
	Any independent director's opinions expressing objections or reservations or important suggestions: None.		
	Audit Committee resolution: Motion was passed as proposed by all members of the Audit Committee.		
	The Company's resolution of Audit Committee's opinions: The opinions were submitted to the Board of Directors for a resolution on May 13, 2021, and already approved by the whole present directors unanimously.		
The 16 th meeting of the 5 th term 2021/8/18	1. Review of the Company's 2021 1st half financial statements.	✓	✗
	Any independent director's opinions expressing objections or reservations or important suggestions: None.		
	Audit Committee resolution: Motion was passed as proposed by all members of the Audit Committee.		
	The Company's resolution of Audit Committee's opinions: The opinions were submitted to the Board of Directors for a resolution on August 19, 2021, and already approved by the whole present directors unanimously.		

Audit Committee	Audit committee meeting motion	The circumstances referred to in Article 14-5 of the Securities and Exchange Act	Resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors
The 17 th meeting of the 5 th term 2021/11/8	1. Review of the Company's 2021 Q1~Q3 financial statements.	✓	✗
	2. Appointment of financial statement auditors and review of audit remuneration for 2022.	✓	✗
	3. Presentation of "2022 Audit Plan" proposed by the Company's Auditing Division.	✓	✗
	4. Amendments to the "Self-Disciplinary Guidelines for Transactions of the Company and Subsidiaries with Transaction Monitoring Subjects."	✓	✗
	5. A total of nine entities including the Company and subsidiary, Cathay Life Insurance, intend to share the job fit information system of Cathay Life Insurance, and sign the "Cathay Financial Holdings Job Fit Information System Sharing Agreement."	✓	✗
	6. A total of 9 entities including the Company and subsidiary - "Cathay Life" intend to sign "Cathay Financial Holdings and Subsidiaries Information System Equipment and Personnel Sharing Framework Agreement" for the sharing of information resources.	✓	✗
	7. A total of eight entities including the Company and subsidiary, Cathay Life Insurance, intend to share the cloud resources and sign the "Cathay Financial Holdings and Subsidiaries Cloud Services Sharing Framework Agreement."	✓	✗
Any independent director's opinions expressing objections or reservations or important suggestions: None. Audit Committee resolution: Motion was passed as proposed by all members of the Audit Committee.			
The Company's resolution of Audit Committee's opinions: The opinions were submitted to the Board of Directors for a resolution on November 9, 2021. The resolution is specified as follows: ■ Motion 1, 2, and 4 to 7 were passed as proposed by all attending directors. ■ For Motion 3, Director Chang-Ken Lee recused from the motion, and the motion was passed as proposed based on the consents of all of the remaining attending directors.			

(2) Aside from said circumstances, resolution(s) not passed by the audit committee but receiving the consent of two thirds of the Board of Directors: None.

2. In where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the motion and resolution thereof, reason for not voting and actual voting counts: None

Independent Director Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
—	—	—	—

3. Communication between independent directors and internal auditors (e.g. discussions concerning the Company's financial and business affairs, the method of communication used, and the outcome):

■ Communication between independent directors and external auditors:

- (1) The Audit Committee of the Company consists of all independent directors of the Company. The Audit Committee convenes meetings periodically and also engages in communication and discussion with the CPAs on proposals related to financial affairs of the Company (at least four times annually

in principle). The Audit Committee follows the “Audit Committee Organizational Principles” to audit various reports (e.g. business report, financial statements and earnings appropriation report) that the board of directors has prepared for the shareholder meeting, and to issue to which the Audit Committee issues its own audit report.

- (2) In addition to the Audit Committee’s meeting, financial statements audit result seminar is convened on an annual basis. The CPAs independently provide reports to all independent directors and provide explanation on the financial statements audit status and related matters.

■ Communication between independent directors and internal auditors:

- (1) Effectiveness of the Company’s internal control system is reviewed (with Declaration of Internal Control System issued) by the Audit Committee. The outcome of which is submitted to the board of directors for the final resolution.
- (2) Consolidation of the Company’s “Internal Control System” policy was first approved by the Audit Committee and proposed to the board of directors for the final resolution.
- (3) Establishment and amendment of the Company’s “internal audit system and implementation rules” were first approved by the Audit Committee and proposed to the board of directors for the final resolution.
- (4) The Company has an Audit Division established directly under the board of directors to oversee organization and responsibilities of the internal audit system. A chief auditor has been assigned to oversee audit tasks and make quarterly reports to the Audit Committee and the board of directors on the audit progress.
- (5) The Company’s Audit Division regularly presents internal audit reports prepared by the Company and subsidiaries to independent directors for review.
- (6) The Company’s Audit Division constantly keeps track of findings or weaknesses raised by the financial supervisory authority, the CPAs, the internal audit unit and internal departments self-inspection, as well as improvements prompted in the declaration of internal control system. Any progress made on such findings are reported to the Audit Committee and the board of directors in writing.
- (7) At the end of each financial year, the Company’s Audit Division prepares audit plans for the upcoming year and submits them for approval by the Audit Committee, followed by the board’s resolution.
- (8) The Audit Division follows Article 7 of “Corporate Governance Best-Practice Principles for Financial Holding Companies” and convenes “internal control system defect review seminars” once every six months or whenever deemed necessary, during which independent directors are invited to discuss with internal auditors about defects within the internal control system. Detailed minutes are recorded and presented to the board of directors during meetings.
- (9) Any material contingencies encountered by the Company or subsidiaries is notified to all directors (including independent directors) simultaneously via e-mail as a sound corporate governance practice.
- (10) Any penalty imposed by the authority against the Company or subsidiaries is notified to all directors (including independent directors) immediately via e-mail as a sound corporate governance practice.

(III) Items disclosed in accordance with the Corporate Governance Best-Practice Principles for Financial Holding Companies

Please visit: The Company’s website (<http://www.cathayholdings.com>) and the Market Observation Post System.

(IV) Status of Corporate Governance, deviation and causes of deviation from Corporate Governance Best-Practice Principles for Financial Holding Companies (Table 2-2)

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
1. Equity structure and shareholders' rights of financial holding company (1) Whether the financial holding company has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?	✓		The Company's website discloses information such as spokesperson, investor service contact and link to the "Contact Us" mailbox. Shareholders may express opinions through e-mail, telephone or fax, and the Company assigns dedicated employees to handle shareholders' recommendations, queries, disputes and litigations according to "Cathay Financial Holding Co., Ltd. Shareholder Recommendation, Query, Dispute and Litigation Handling Policy."	No significant difference
(2) Is the financial holding company constantly informed of the identities of its major shareholders and the ultimate controller?	✓		The Company reports changes in share ownership of major shareholders on a monthly basis, and compares details of the shareholder registry on every book closure date for timely monitoring of major shareholders' ownership position.	No significant difference
(3) Whether the financial holding company establishes or implements some risk control and firewall mechanisms between the Company and its affiliates?	✓		The Company had already established "Cathay Financial Holding Co., Ltd. and Subsidiaries Firewall Policy" in June 2006 to prevent conflict of interest arising from business transactions, joint marketing activities, information exchange, share of operating equipment, premise or personnel, or internal referral of financial products or services between the Company, its subsidiaries and members of the Group. This policy helps protect the rights of customers and consumers in general.	No significant difference
2. Composition and responsibilities of board of directors (1) Whether the Board of	✓		The Company adopts the "Candidate Nomination System". All the board candidates are nominated through the "Corporate Governance and Nomination Committee". After reaching a board resolution, the list is sent to the shareholders' meeting for election. According to Paragraph 3, Article 30 of the "Corporate Governance Code",	No significant difference

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
Directors has set forth the diversity policy and specific management goals?			the board should possess general knowledge, skills, and literacy required for performing job tasks. In order to achieve the ideal goal of corporate governance, the board as a whole should possess the following competencies: I. Operational judgment competency. II. Accounting and financial analysis ability. III. Business management ability (including ability to manage subsidiaries). IV. Crisis management ability. V. Knowledge of the industry. VI. An international market perspective. VII. Leadership ability. VIII. Decision-making ability. IX. Risk management knowledge and ability. The Company's board of directors has been adequately diversified in terms of age, industry experience, professional knowledge and capability. In order to strengthen corporate governance and facilitate the sound development of the board makeup and structure, in Paragraph 2, Article 30 of the “Corporate Governance Code”, the policy of “board member diversification” points out that he board make ought to take into consideration the company operational framework, business development direction, future development trends, and various needs, as well as evaluating various diversified dimensions such as basic makeup (i.e., gender, age, nationality, race, etc.), professional experience (i.e., finial holdings, banks, insurance, securities, industries, technology etc.), and professional knowledge and skills (i.e., commerce, finance, accounting, law, marketing, digital technology, etc.). The Company emphasizes the diversity of industry experiences of the board members. The goal for board diversity is to include members with previous working experiences in the Company’s bank, insurance, and securities subsidiaries in each term of board of directors. The current term of board members adheres to the previous goal, and includes 8 members with the previous experience in the bank subsidiary, 10 members with the experience in the insurance subsidiary, and 6 members with the experience in the securities subsidiary. For the board of directors of the next term, it shall also comply with the aforementioned objective on the diversity of the board members. For the implementation of the Company’s Board member diversity policy, please refer to the following for details: “Directors and Supervisors Information (II)/II. Diversity and independence of the Board of Directors/(I) Diversity of Board of Directors” and “Implementation of Board diversity policy at Cathay Financial Holdings.”	
(2) Is the financial holding company, in addition to	✓		The Company has assembled a “Corporate Governance and Nomination Committee” to enhance corporate governance and board functionality. The committee comprises	No significant difference

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees			three directors (including two independent directors), whose responsibilities are to: nominate director candidates, verify candidates' eligibility, review establishment and amendment of board-related policies, develop structures for functional committees, establish/amend Organizational Principles for functional committees, review establishment and amendment of Corporate Governance Code of Conduct, and perform other tasks instructed by the board of directors. The committee may convene meetings whenever deemed necessary, and is entitled to approach attorney, CPAs or any other experts for consultation on matters pertaining to its responsibilities. For related information, please refer to the "Information about Members and Functionality of the Corporate Governance and Nomination Committee."	
(3) Has the TWSE/TPEX listed financial holding company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration and nomination decisions? (Note 2)	✓		The Company established its "Board of Directors Performance Evaluation Policy" on November 5, 2015 based on "Corporate Governance Best-Practice Principles for Financial Holding Companies" and "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies," which outlined performance goals for the purpose of enhancing corporate governance and board performance. The policy was later amended and renamed "Board of Directors and Functional Committees Performance Evaluation Policy" on April 26, 2018 to implement annual internal performance assessments for the board of directors and functional committees (including Audit Committee, Remuneration Committee, Corporate Governance and Nomination Committee). Furthermore, to ensure the independence and effectiveness of board performance evaluation, the Company has been engaging professional, independent institutions, experts or scholars from outside the organization to conduct external performance assessments at least once every three years since 2017. Details of the assessment, including the indicators used, the procedures, target accomplishment rate and interpretation of assessment outcomes, are planned and executed by the external institutions, experts or scholars. In order to supervise directors in fulfilling their duties to improve overall performance and achieve sustainable business management, the Company has "Director Performance Evaluation Guidelines" in place. Indicators used for performance evaluation include: director's awareness toward the Company's goals and missions, awareness to duties, level of participation in the Company's operations, maintenance of internal relations and communication, professionalism and ongoing education, supervision over finance and operations, enforcement of internal	No significant difference

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			audit/control, risk management and compliance, corporate credit rating, and corporate social responsibilities. Remuneration will not be paid to directors that fail the annual individual director performance assessment. For more information, please see: "Table 2 (2) Execution of Board Performance Evaluation." There is no material deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. The Company has disclosed "Board of Directors and Functional Committees Performance Evaluation Policy" on Market Observation Post System and at its website. Performance evaluation results of the board of directors and functional committees have been disclosed in the annual report and on the website for public access.	
(4) Does the financial holding company conduct regular assessments regarding the independence of its financial statement auditors?	✓		Appointment of the financial statement auditor is renewed once a year. To ensure independence, suitability, and professionalism of financial statement auditors, the Audit Committee and board of directors would examine CPAs' background (including past experience, professional qualification, and key customers) and shareholding, and require them to issue statements of independence to confirm that no other financial or business dealing exists that would otherwise compromise the "Statement of CPA Professional Ethics No. 10. on Integrity, Fairness, Objectivity, and Independence." These CPAs are then subjected to evaluation according to Paragraphs 1 and 2, Article 47 of the Certified Public Accountant Act (e.g. whether the CPA is hired by the Company to perform routine works, receives a fixed salary from the Company, such work as director/supervisor, performs management consulting, or provides any other non-audit service that would compromise independence).	No significant difference
3. Has the financial holding company allocated adequate number of competent corporate governance staff and appointed a Chief Corporate Governance Officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the	✓		In 2018, the board of directors passed a resolution to create the position of "Corporate Governance Officer" to further enforce the corporate governance framework, and the position is assumed by the head of Administration Division (executive vice president grade). In January 2019, the board of directors resolved to adjust prerequisites for the "Chief Corporate Governance Officer," limiting the role only to those qualified as head of legal affairs, shareholder service, meeting, general administration or corporate governance for at least three years in a finance-related institution or public company. Main responsibilities of the Chief Corporate Governance Officer include: "handling of board meeting and shareholder meeting affairs," "preparation of board meeting and shareholder minute," "assisting directors with duty and ongoing	No significant difference

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?			education,” “providing directors with the information needed to execute duty,” “assisting directors with compliance affairs,” and “other matters specified by law, the Articles of Incorporation or contracts.” In addition, to assist the directors in their performance of duties and to improve the efficiency of the board of directors, the Company has approved the establishment of the “Standard Operating Procedures for Resolving Directors’ Requests” through resolution of the board of directors in March 2019, in order to provide sufficient support to the directors. According to the provisions of the procedure, all directors of the Company shall be able to obtain assistance from the corporate governance supervisor in order to ensure that the procedure of board of directors and all applicable laws and regulations are complied by all directors as well as to ensure proper information communication between members of the board of directors and between directors and the management department. Furthermore, after the corporate governance supervisor receives requests from a director, unless processing time is further specified, it is necessary to coordinate relevant units to handle the request timely within two business days. After relevant units complete the handling of the request, it is necessary to report to the director immediately and to report the handling status to the corporate governance supervisor. In addition to providing information and documents necessary for directors to perform duties in order to promptly assist the directors to perform duties, the corporate governance supervisor of the Company shall also ensure that the information communication between the members of the board of directors and between directors and the management department. Furthermore, it is also necessary to ensure that material information of routine business of the Company, material events and other important matters already confirmed shall be provided to the directors immediately upon the occurrence of such events and matters for their understanding. Progress of the Company’s 2021 corporate governance efforts is explained below: In addition to appointing a “Chief Corporate Governance Officer” for supervising corporate governance affairs on the group level, each department is also required to assign adequate number of competent “corporate governance personnel” to oversee corporate governance-related matters within each unit: (1) Responsibilities with regards to “handling of board and functional committee	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			meeting affairs (including minutes preparation), assisting directors with duty and ongoing education, and providing directors with the information needed to execute duty” are assisted by personnel of the “Legal Department, Administration Division,” who perform the following duties: ● Notify all meeting participants about the agenda and related meeting information seven days before the convention of board of directors’ meeting/Audit Committee meeting/Remuneration Committee meeting/Corporate Governance and Nomination Committee meeting, and make arrangement for the meeting minutes to be signed/sealed by the chairperson and minute taker before distributing them to all participants within twenty days after the meeting, and list the meeting minutes as a major corporate file for preservation. ● Conduct orientation for first-time directors to introduce them to the Company’s business activities, organization and other important issues; provide newly elected directors with a “Director Manual” that guides them through their duties and compliance requirements; and assist directors in the completion of yearly education as needed by the Company and individual directors. ● Provide directors with the requested information and maintain communication between directors and various department heads; assist in independent directors’ duties by arranging communication with the chief internal auditor, the financial statement auditor, other internal departments. ● Amend corporate governance policies in line with the Company’s business activities and the latest regulations, and present them for resolution by the board of directors. ● Renew “liability insurance for directors and key staff” within the group, and register the required corporate information or changes thereof with the authority before deadline. (2) With regards to “shareholder meeting affairs (including preparation of minutes),” personnel of the “Share Administration Section, Administration Department, Administration Division,” have been assigned to perform the following: ● Prepare and convene shareholder meetings, produce minutes, oversee share	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			administration affairs, and provide adequate information to shareholders to ensure that their interests are soundly protected. The Company actively supports electronic voting and candidate nomination system in director/supervisor election as a means to empower and make voting more convenient for its shareholders. Electronic votes have accounted for more than half of total shares represented at shareholder meetings for a consecutive number of years; furthermore, the candidate nomination system has been adopted since the 2016 director election. ● Responsible of checking major announcements for compliance and accuracy, and ensuring information symmetry for investors. Concerning the Chief Corporate Governance Officer training situation in 2021, refer to the “Corporate Governance Operation Situation/Objectives of Strengthening Board Functions for the Current Year/Most Recent Year (Such as Setting up the Audit Committee, Enhancing Information Transparency, etc.) and Explanation of Implementation Situation Assessments/Strengthening of Board Functions”.	
4. Has the financial holding company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers, etc.)?	✓		In addition to spokesperson and deputy spokesperson, the Company also has investor relations, shareholder service and customer service departments available to facilitate two-way communication with shareholders, customers and stakeholders. “Stakeholders,” “Investor Relations” and “Corporate Sustainability” sections have been created on the Company's website to deliver important information and communicate with the outside world, whereas “Chairman's Mailbox” and “Internal Communication Network” have been made available on the Intranet for communication between employees and line managers. The Company prepares a material issues matrix on a yearly basis, and uses it to set short/medium/long term goals and respond to CSR issues that are of concern to stakeholders.	No significant difference
5. Information Disclosure (1) Establishment of a corporate website to disclose information concerning financial affairs and corporate	✓		1. The Company’s website has a section called “Introduction to Cathay Financial Holdings” that discloses the Company’s history, business strategies, competitive advantages, organization, affiliates and awards. The “Corporate Sustainability” and “Corporate Governance” sections disclose the Company’s philosophy and progress on the respective topics. The “Investor Relations” section discloses	No significant difference

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
governance?			activity information relevant to investors as well as annual reports, financial statements and finance/business-related information of the Company and subsidiaries. The website also has a “Shareholder Services” section that discloses information relating to shareholder meetings, dividends etc. Furthermore, in light of the ever-expanding range of products and services offered by subsidiaries, investors may even use the portal to link to subsidiaries' websites for more detailed information. 2. The Company announces “material information” through “Market Observation Post System” according to policy, and in doing so keeps investors up to date about the Company’s operations and financial position.	
(2) Has the financial holding company adopted other means to disclose information (e.g. English website, appointment of designated personnel to collect and disclose corporate information, implementation of a spokesperson system and broadcasting of investor conferences via the company website)?	✓		1. The Company has set up an English website, implemented a spokesperson/deputy spokesperson system, and established Public Relations Department, Investor Relations Department, etc. that are responsible for ensuring timely and accurate disclosure of material information within the Company. 2. The Company convenes analyst meeting regularly to disclose information about its operations and to enable closer interaction with domestic and foreign investors. All Chinese and English materials used during analyst meeting are disclosed on the Company’s website and at “Market Observation Post System.” 3. The Company simultaneously discloses material information in Chinese and English on “Market Observation Post System” to keep local and foreign investors up-to-date on the Company. 4. In light of investors’ concerns for ESG (Environmental, Social, Governance) issues in recent years, the Company has created a “Corporate Sustainability” section on its website to disclose non-financial performance and practices of the Company and subsidiaries in both Chinese and English.	No significant difference
(3) Does the financial holding company publish and make official filing of annual financial reports according to the Financial	✓		The Company complies with the Financial Holding Company Act and Securities and Exchange Act by publishing monthly unaudited income information and 1st quarter, half-yearly, 3rd quarter, and annual auditor-reviewed or audited consolidated financial reports before the statutory due dates.	No significant difference

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
Holding Company Act and Securities and Exchange Act within the required timeframe after the end of an accounting period, and publish/file Q1, Q2, and Q3 financial reports plus monthly business performance before the specified due dates?				
6. Other important information enabling a better understanding of the company's corporate governance (including but not limited to employee rights and interests, employee care, investor relations, stakeholders' rights and interests, continuing education of directors and supervisors, implementation of risk management policies and risk measurement criteria, implementation of customer policy, purchase of liability insurance by the company for directors and supervisors, and donations to political parties, interested parties and public welfare groups)?	✓		1. Employees' rights and care to employees: Please refer to page: "IX. (I) Employee benefit programs, retirement system, related agreements and rights protection." 2. Investor relations: Please refer to sections "1.(1) Whether the financial holding company has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?" 3. Stakeholders' interests: Please refer to section "4. Communication channel with stakeholders." 4. Directors' and supervisors' ongoing education: Disclosures have been made on the Company's website (http://www.cathayholdings.com) and "Market Observation Post System." 5. Implementation of risk management policy and risk measurement criteria: Please refer to "VI. The analysis and assessment of risk management in the most recent year to the date this report was printed by the analysis of the overall financial position and operation." 6. Implementation of customer policy: When engaging in business activities, the Company and subsidiaries are required not only to comply with industry regulations and consumer protection laws, but are also bound by the following internal policies implemented with the goal of	No significant difference

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			protecting customers' interests: (1) Cathay Financial Holding Co., Ltd. Subsidiaries Joint Marketing Policy (2) Cathay Financial Holding Co., Ltd. Confidentiality Agreement on Business Dealing with Subsidiaries and Customers' Data (3) Cathay Financial Holding Co., Ltd. and Subsidiaries Confidentiality Joint Statement (4) Cathay Financial Holding Co., Ltd. Data Warehousing Guidelines (5) Cathay Financial Holding Co., Ltd. Marketing Planning Division's Monitoring of Subsidiary Marketing Activities (6) Cathay Financial Holding Co., Ltd. and Subsidiaries Firewall Policy (7) Cathay Financial Holding Co., Ltd. Personal Information Gathering, Processing and Utilization Policy (8) Cathay Financial Holding Co., Ltd. Human Rights Execution Policy for Personal Information Owners (9) Cathay Financial Holding Co., Ltd. Personal Information Infringement Management Policy (10) Cathay Financial Holding Co., Ltd. Personal Information Security Management Policy (11) Cathay Financial Holding Co., Ltd. Personal Information Security Plan and Data Disposal upon Service Termination Employees of the group are required to sign confidentiality agreements before engaging in any business activity that would expose them to customers' information. Employees are also instructed to place customers' interests at the top of their priority in joint marketing. 7. Purchase of liability insurance by the company for directors and supervisors: Since June 15, 2007, the Company has been purchasing "liability insurance for directors and key staff" to protect itself against the liabilities of directors, supervisors and key staff of the Company and subsidiaries over the course of their duties. Terms of this insurance policy are reviewed on a yearly basis, and since 2017, main details such as the sum assured, the scope of coverage and premium rate are reported to the upcoming board meeting after annual renewal. This	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			insurance exists to reduce the amount of risk borne by directors, supervisors and the Company, as well as to enforce the corporate governance system. 8. Donation to political parties, stakeholders, and charities: Cathay Financial Holdings had been active in supporting charity organizations in 2021. For details on donations, please refer to the Company's website. 9. Intellectual Property Rights Management The Company and its subsidiaries have implemented patent management and reward policies since 2016 as enhanced measure over management of intellectual properties. Employees are encouraged to explore innovation in their respective areas of expertise, and each subsidiary has a dedicated unit in place to assist employees in filing patents for their creations. Furthermore, the Company holds group-wide patent meetings at least once a year to engage subsidiaries in the discussion of how the group should grow its patent portfolio, and to consolidate financial innovations and applications across subsidiaries for further inspiration, and thereby improve the quality of the group's future patent development efforts. Up to the end of 2021, the Company and its subsidiaries had obtained the grants and publication of more than 190 patents worldwide. As for trademarks, the trademark management policy has been implemented since 2004 to govern registration, licensing and use of trademarks on a group scale. Trademarks held by the group are managed and assessed by the Company on an annual basis. In addition, registration and maintenance strategies are constantly adjusted to comply with the trademark laws and to support group business activities. Potential infringement of group trademark is monitored on an ongoing basis, and response measures are taken in a timely manner to prevent customers from falling victim to confusion. Up to the end of 2021, the Company had registered more than 1000 valid trademarks worldwide. In terms of copyright, the Company has specified in its employment contract that the Company shall retain ownership of any creation developed by employees over performance of duty. Furthermore, it has been explicitly stated in Employee Code of Conduct and work rules that employees must perform their duties free of infringement against copyright of others. When engaging external service providers in collaborative arrangement, the Company would state the ownership	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			of potential copyrights in the agreement. Service providers will also be required to provide warranty, as part of the agreement, that any creations completed or delivered are completely legitimate and free of infringement against others. The above practices are how the Company maintains and manages its copyrights. With respect to trade secrets, the Company has specified in the employment contract, Employee Code of Conduct, Ethical Behavior Guidelines and Business Integrity Policy and Code of Conduct that employees are required to bear the obligation to maintain confidentiality for all business-related information learned directly or indirectly due to performance of job duties. The Company also organizes regular training and online tests to ensure that all employees understand the importance of confidentiality. In terms of information security and control, the Company has implemented “Cathay Financial Holdings and Subsidiaries Information Security Incident Reporting and Emergency Response Guidelines” and “Cathay Financial Holdings IoT Equipment Security Management Policy” to manage IT equipments. Not only are security updates performed regularly on IT equipment to minimize leakage risk of confidential information, an expert team is readily available to investigate and undertake emergency measures in response to any leakage of confidential information should it occur, and thereby minimize impact. Furthermore, the Company has specified in its “Cathay Financial Holdings Information Security Policy” that all outsourced IT service agreements shall contain a confidentiality clause, an audit clause, a penalty clause and loss compensation rules to ensure that service providers do comply with confidentiality duties. The Company will continue adjusting management guidelines for intellectual property rights such as patent, trademark, copyright and trade secrets in line with operational goals and strategies of the group, and use them to support future business development. 10. Successor cultivation planning for the Board members and key management: ● Members of the board of directors: The Company expressly states in its Articles of Incorporation that the “candidate nomination system” should be adopted for the election of directors, and all Board candidates are nominated through the “Corporate Governance and Nomination Committee” subject to the structure of the Board of Directors, diversity policy,	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			professionalism and ability requirements under the Company’s “Procedure for Election of Directors,” “Articles of Association for Corporate Governance and Nomination Committee” and “Corporate Governance Best-Practice Principles.” After the Board reaches a resolution, the list is sent to the shareholders’ meeting for election. According to the Company’s “Corporate Governance Best-Practice Principles,” the formation of the Company’s Board of Directors should take into account the Company’s operating framework, business development orientation and future development trend, and the diversity policy shall be adopted for the basic formation, professional experience, knowledge and competence of directors; the Board of Directors shall also possess the industrial knowledge, and abilities in business judgment, accounting and financial analysis, business administration, crisis management, international market perspective, leadership, decision making and risk management. The Company’s Board member successors shall possess said knowledge, competence and quality, and agree to the “Integrity, Accountability and Innovation” as the Company’s core values. In order to exercise the financial holding company’s functions in supervising its subsidiaries, the Company trains internal (including subsidiaries’) managers to have them enrolled to the Board of Directors, so that they may be familiar with the Board of Directors’ operations and the Group members’ business administration by attending the Board meetings and participating in the discussion. Meanwhile, in order to strengthen the Board’s diversity and in consideration of the digital transformation trend and international development needs, the Company recruits outsiders specialized and experienced in digitalized management and international business administration into the Board of Directors too. In order to strengthen the directors’ functions to improve the Board of Directors’ performance, in reference to the external corporate governance trend, corporate business development orientation and competent authorities’ requirements, the Company offers related courses concerning the directors’ functions, including financial expertise, financial accounting, risk management, compliance, FinTech, information security, corporate governance and corporate social responsibility, subject to individual directors’ case and needs, to help the Board members with their continuing education and improve the Board of Directors’ overall performance.	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			● Key management: In response to the challenges in the digital age, the Company has used its best effort to boost the digital transformation internally in the recent years, in an attempt to make the Growth Mindset as the basis to drive the enterprise's strategies to transform talents. The Company expects that each colleague and management officer may have the ability to learn, agility, language ability and also digital literacy. Meanwhile, the Company expressly defines the competence needed by the management at each level. By boosting the training development, the Company drives the management at each level to develop themselves in line with the organization's development targets and keep strengthening the momentum of sustainability in their career. Given this, the Company plans various professional and management training courses. - In order to ensure the bench depth for the key management and provide the human resource needed by the business sustainability, the Company constructs the complete talent pool for trainee managers at each level. When assessing the successors, the Company takes into account their personal professional qualifications and experience, as well as their adaption to the Company's enterprise culture, knowledge about the Company's business and awareness toward the subsidiaries' management. Meanwhile, the Company combines the global renowned leadership assessment tools as the reference indicators for the selection. Through the Workforce Development Council, the Company takes an inventory of the level of performance, leader potential, abilities and personality of the management at each level, in order to build a talent pool for trainee managers. With respect to the talents for trainee managers at each level, the Company provides the complete training development mechanism. In addition to working with international renowned trainers permanently, the Company also introduces the top trainers and latest learning resources, plans the training plans balancing learning and practicing evenly, and improves the management team's business vision and strategic layout by the vertical (promotion) and horizontal (transfer) mobilization of internal talents, so as to perfect the talent pool for the key management's successors.	
7. Please specify the status of the correction based on the	✓		A summary description has been provided in the following table (Improvement or Priority Enhancement Measures Made in Response to the 2021 8th Corporate	No significant difference

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies. (Not required if the Company is not one of the evaluated subjects)			Governance Evaluation).	

Note 1: Regardless “Yes” or “No”, the status shall be stated in the Remarks section

Note 2: Please explain deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Improvement or Priority Enhancement Measures Made in Response to the 2021 8th Corporate Governance Evaluation			
No.	Evaluation indicator	Improved	Priority Enhancement Measures
2.27	Has the Company devised a IP management plan that is linked to its operational goals, and disclosed execution progress on its website or in the annual report? Is progress reported to the board of directors at least once a year? 【Bonus point conditions: One additional score may be added into the total scores, if passing the certification of TIPS or any similar IP management system.】	—	1. In recent years, the Company has focused on building brand awareness and value in local and foreign markets, and taken proactive steps toward financial innovation and digital transformation. Considering that intellectual property provides the foundation for brand management and innovation, the Company has developed an intellectual property management system and enforces intellectual property management as part of its corporate governance to ensure business continuity. Progress is reported to the board of directors on a yearly basis, and relevant disclosures are made in the annual report and over the company website. 2. In 2021, the Company participated in the certification by Taiwan Intellectual Property Management System (TIPS) for the first time and rated as Level A. Subsequently, the Company will continue to improve its IP management mechanism in reference to the feedback and suggestions from TIPS.
Extra question	Has the company exhibited exceptional performance in corporate governance, or derived actual yields from corporate governance?	—	1. In 2020, the Company once again led subsidiaries “Cathay Life Insurance” and “Cathay United Bank” to undergo “CG6012 (2019) Corporate Governance Assessment” organized by Taiwan Corporate Governance Association, and were awarded the highest “Exceptional” rating (certificate valid until 2022). Feedback and recommendations raised in the assessment will be taken into consideration to further refine corporate governance practices. 2. The Company has been taking the initiative to participate in “DJSI” assessments (the assessment covers corporate governance aspect as well) for several years, and was selected for a composition of DJSI - World for four consecutive years (2018 to 2021). 3. The Company makes considerable amount of investment in the energy efficiency and renewable energy industry constantly. 4. The Company offers relief insurance policy loan to economically disadvantaged policyholder.

(V) Describe the composition, duties and operations of the remuneration committee established by the Company, if any:

The Company assembled its Remuneration Committee on April 29, 2011 and vested it the responsibility to: set and review performance evaluation and compensation policies, systems, standards, and structures applicable to directors and managers, and regularly assess and determine directors' and managers' compensation. The Remuneration Committee held four meetings in 2021 to discuss the important motions including 2020 employee/director remuneration allocation, issuance of bonuses to the Company's supervisors and directors actually involved in execution of the Company's business, regular review/adjustment of the remuneration to the managers and directors actually involved in execution of the Company's business, and amendments to the Company's Director Compensation Payment Guidelines/Managers' Performance Management Development Guidelines, in order to enhance the function of the Board of Directors effectively.

1. Information about remuneration committee members (Table 2-2-1)

Position Title (Note 1)	Criteria		Independence Criteria (Note 3)	Number of positions as a Remuneration Committee Member in other public listed companies	Remarks
	Name	Professional Qualifications and Experience (Note 2)			
Independent Director (Convener of Remuneration Committee)	Feng-Chiang Miao	•Serving as the Chairman of MiTAC Holdings for over 8 years, the Chairman of Synnex Technology International for over 33 years, the Chairman of UPC Technology for over 45 years, the independent directors of all Cathay Financial Holdings, Cathay United Bank, Cathay Life Insurance, and Cathay Century Insurance for over 5 years. •With the experience in financial holdings for over five years, and the ability to manage a financial holding company and achieve robust and effective operations of the financial holding company, and held satisfying the professional qualification required by the financial holding company. •Have work experience for over 5 years and also the experience in the area of commerce, finance, accounting, or otherwise necessary for the business of the Company, and held	•Compliance with the independence requirements referred to in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." •Except as the independent director of the Company and subsidiaries wholly owned by the Company including "Cathay United Bank and Cathay Century Insurance," he has never been a director, supervisor or employee of the Company or its affiliates. •None of his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship is a director, supervisor or manager of the Company or its affiliates. •Shares held by him (including those held by his spouse and underage children, or in another person's name) and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the	0	—

Position Title (Note 1)	Criteria Name	Professional Qualifications and Experience (Note 2)	Independence Criteria (Note 3)	Number of positions as a Remuneration Committee Member in other public listed companies	Remarks
		satisfying the professional qualification as an independent director and required by the Remuneration Committee. • Good at management of the areas including IT channel layout, global production, corporate logistics, joint venture and strategic alliance, and venture capital.(Contribute IT distribution and manufacturing knowledge, international business experience, and expertise in venture capital with long-term investor perspective to the company.) • Not been a person of any conditions defined in Article 30 of the Company Act.	Company's shares or a top-10 natural-person shareholder of the Company. • Shares held by his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship, and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the Company's shares or a top-10 natural-person shareholder of the Company. • Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 5–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). • Not a shareholder of any specific company or institution engaged in business and financial transactions with the Company holding more than 5% of the shares of such company or institution. • Neither he or his spouse is a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of more than NT\$500,000 in the last two years, to the Company or its affiliate, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies.		

Position Title (Note 1)	Criteria Name	Professional Qualifications and Experience (Note 2)	Independence Criteria (Note 3)	Number of positions as a Remuneration Committee Member in other public listed companies	Remarks
Independent Director (Member of Remuneration Committee)	Edward Yung-Do Way	• Certified public accountant in State of Georgia, U.S., and The Republic of China; having served as CEO of Deloitte Taiwan for over 2 years; serving as Chairman of YCSY Co., Ltd. for over 11 years, independent director of both Cathay Financial Holdings and Cathay United Bank for over 4 years, independent director of Cathay Securities for over 2 years. • With the ability to manage a financial holding company and achieve robust and effective operations of the financial holding company, and held satisfying the professional qualification required by the financial holding company. • Have work experience for over 5 years and also the experience in the area of commerce, finance, accounting, or otherwise necessary for the business of the Company, and held satisfying the professional qualification as an independent director and required by the Remuneration Committee. • Not been a person of any conditions defined in Article 30 of the Company Act.	• Compliance with the independence requirements referred to in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” • Except as the independent director of the Company and subsidiaries wholly owned by the Company including “Cathay United Bank and Cathay Securities,” he has never been a director, supervisor or employee of the Company or its affiliates. • None of his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship is a director, supervisor or manager of the Company or its affiliates. • Shares held by him (including those held by his spouse and underage children, or in another person’s name) and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the Company’s shares or a top-10 natural-person shareholder of the Company. • Shares held by his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship, and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the Company’s shares or a top-10 natural-person shareholder of the Company. • Not a director, supervisor or employee of any company engaged in specific	2	—

Position Title (Note 1)	Criteria		Professional Qualifications and Experience (Note 2)	Independence Criteria (Note 3)	Number of positions as a Remuneration Committee Member in other public listed companies	Remarks
	Name					
				relationship with the Company (per subparagraphs 5–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). ●Not a shareholder of any specific company or institution engaged in business and financial transactions with the Company holding more than 5% of the shares of such company or institution. ●Neither he or his spouse is a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of more than NT\$500,000 in the last two years, to the Company or its affiliate, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies.		
Independent Director (Member of Remuneration Committee)	Tang-Chieh Wu		●Serving as Secretary-General of Taiwan Financial Services Roundtable; having served as Chairman of Hua Nan Financial Holdings Co., Ltd. and Hua Nan Bank for over 2 years, Chairman of Land Bank of Taiwan for over 1 year, Vice Chairman without Portfolio of Financial Supervisory Commission for over 5 years, Director-General of Securities and Futures Bureau for over 4 years, and independent director of	●Compliance with the independence requirements referred to in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” ●Except as the independent director of the Company and subsidiaries wholly owned by the Company including “Cathay Life Insurance, Cathay United Bank and Cathay Century Insurance,” he has never been a director, supervisor or employee of	0	—

Position Title (Note 1)	Criteria Name	Professional Qualifications and Experience (Note 2)	Independence Criteria (Note 3)	Number of positions as a Remuneration Committee Member in other public listed companies	Remarks
		all Cathay Financial Holdings, Cathay United Bank, Cathay Life Insurance, and Cathay Century Insurance for over 2 years. • With the ability to manage a financial holding company and achieve robust and effective operations of the financial holding company, and held satisfying the professional qualification required by the financial holding company. • With the work experience in financial administration or management for over 5 years, and also held the position at 8th job rank or equivalent under recommended appointment, with outperformance, and held satisfying the professional qualifications required by the banking, insurance and securities industries. • Have work experience for over 5 years and also the experience in the area of commerce, finance, accounting, or otherwise necessary for the business of the Company, and held satisfying the professional qualification as an independent director and required by the Remuneration Committee. • Not been a person of any conditions defined in Article 30 of the Company Act.	the Company or its affiliates. • None of his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship is a director, supervisor or manager of the Company or its affiliates. • Shares held by him (including those held by his spouse and underage children, or in another person's name) and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the Company's shares or a top-10 natural-person shareholder of the Company. • Shares held by his spouse, relatives within the second degree of kinship or lineal relatives within the third degree of kinship, and percentage thereof: 0 share/0%, not a shareholder holding more than 1% of the Company's shares or a top-10 natural-person shareholder of the Company. • Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 5–8, Paragraph 1 of Article 3 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). • Not a shareholder of any specific company or institution engaged in business and financial transactions with the Company holding more than 5% of the shares of such company or institution.		

Position Title (Note 1)	Criteria	Professional Qualifications and Experience (Note 2)	Independence Criteria (Note 3)	Number of positions as a Remuneration Committee Member in other public listed companies	Remarks
	Name				
			Neither he or his spouse is a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of more than NT\$500,000 in the last two years, to the Company or its affiliate, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies.		

Note 1. Please specify the related seniority, professional qualifications, experiences, and independence of each Remuneration Committee member in the Table. For members who are also independent directors, references have been made to Attachment 1 – Directors’ and Supervisors’ Background (I) on Page __. In the Identity field, each member is specified either as independent director or other (please mark the role of convener, if any).

Note 2. Professional qualifications and experience: Please specify the professional qualifications and experience for each member of the Remuneration Committee.

Note 3. Compliance with the independence requirements: Please specify the Remuneration Committee members’ compliance of independence, including but not limited to, whether they or their spouses or relatives within the second degree of kinship serve as directors, supervisors, supervisors or employees in the Company or any of its affiliates; the number and percentage of the Company’s shares held in their own names or names of the spouses, relatives within the second degree of kinship (or proxy shareholder); whether they serve as directors, supervisors, or employees in any company engaged in specific relationship with the Company (please refer to the subparagraphs 5–8, Paragraph 1 of Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); and the amount of remuneration received in the last two years for providing commercial, legal, financial, accounting or other professional services to the Company and its affiliates.

2. Information concerning the remuneration committee

The Company's Remuneration Committee had 3 members in the most recent year.

Term of the 4th committee members: from June 14, 2019 to June 13, 2022. The Remuneration Committee held 4 meetings (A) in the last year (2021.1.1-2021.12.31); members' eligibility and attendance records are as follows:

Remuneration records are as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)(Note)	Remarks
Independent Director (Convener of Remuneration Committee)	Feng-Chiang Miao	4	0	100%	—
Independent Director (Member of Remuneration Committee)	Edward Yung-Do Way	4	0	100%	
Independent Director (Member of Remuneration Committee)	Tang-Chieh Wu	4	0	100%	
Other items to be stated:					
1. If the Board of Directors does not adopt or amend the remuneration committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the company's handling of the remuneration committee's opinions (if the remuneration approved by the Board of Directors is superior than that suggested by the remuneration committee, please specify the deviation and reason): None.					
2. For resolution(s) made by the remuneration committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company's handling of the said opinions: None.					

Note

- (1) The date of resignation is specified for members of the Remuneration Committee who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.
- (2) If a re-election of Remuneration Committee members had taken place prior to the close of the financial year, members of both the previous and the current Remuneration Committee are listed; in which case, the remarks column would specify whether the committee member was elected in the previous board, the new board, or both. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.

Remuneration Committee	Motion	Resolution	The Company's handling of the Remuneration Committee members' opinion
The 6 th meeting of the 4 th term 2021.2.3	1. Amendment of the Company's Performance Management and Development Guidelines 2. Approval and Distribution of Performance Bonuses and Talent Retention Bonuses to Managers and Directors Actually Involved in Business Undertakings in 2020.	The Remuneration Committee members unanimously consent to passing the case.	■ The motion 1 was submitted to the board; all the attending directors unanimously consented to passing the motion. ■ With the exception of Chairman Hong-Tu Tsai, Vice Chairman Tsu-Pei Chen and Director Chang-Ken Lee who had recused from the motion, motion 2 was passed as proposed by the remaining attending directors without Chairman Hong-Tu Tsai having exercised any voting right on behalf of Director Cheng-Ta Tsai.
The 7 th meeting of the 4 th term 2021.3.9	1. Allocation of employee remuneration for 2020. 2. Allocation of director remuneration for 2020.	The Remuneration Committee members unanimously consent to passing the case.	■ With the exception of Director Chang-Ken Lee who had recused from the motion, motion 1 was passed as proposed to the board by the remaining attending directors. ■ Other than Chairman Hong-Tu Tsai, Vice Chairman Tsu-Pei Chen, Director Cheng-Chiu Tsai, Director Chi-Wei Joong, Director Andrew Ming-Jian Kuo, Director Tiao-Kuei Huang, Director Ming-Ho Hsiung, and Director Chang-Ken Lee had a conflict of interest, as well as Chairman Hong-Tu Tsai who did not take part in the resolution on behalf of Director Cheng-Ta Tsai, the rest of the attending independent directors unanimously consented to pass Motion 2.
The 8 th meeting of the 4 th term 2021.5.12	1. Adjustment of salary for managers and directors involved in actual operating activities and periodic review on remuneration to managers 2. Amendments to the "Director Compensation and Payment Guidelines." of the Company.	The Remuneration Committee members unanimously consent to passing the case.	■ With the exception of Chairman Hong-Tu Tsai, Vice Chairman Tsu-Pei Chen and Director Chang-Ken Lee who had recused from the motion, motion 1 was passed as proposed by the remaining attending directors without Chairman Hong-Tu Tsai having exercised any voting right on behalf of Director Cheng-Ta Tsai. ■ The motion 2 was submitted to the board; all the attending directors unanimously consented to passing the motion.

The 9 th meeting of the 4 th term 2021.11.8	1. Adjustment of managers' salary.	The Remuneration Committee members unanimously consent to passing the case.	■ The motion 1 was submitted to the board; all the attending directors unanimously consented to passing the motion.

3. Information about Members and Functionality of the Corporate Governance and Nomination Committee

Qualifications and **Functions** of the Corporate Governance and Nomination Committee Members

The Committee shall consist of at least three directors appointed by the Board of Directors, a majority of whom shall be independent directors. The members' term of office is identical with that to be held by the Board of Directors members.

The Company's Corporate Governance and Nomination Committee, established officially as of December 22, 2017, comprises three directors (including two independent directors). Director Ming-Ho Hsiung, the convener of the Committee, possesses expertise in "Actuarial Science/Management"; Member Edward Yung-Do Way and Independent Director Li-Ling Wang possess expertise in "Management/Audit" and "Risk Management/Corporate Governance" respectively. All of the Committee members are held satisfying the expertise required by the Committee. The purpose of the committee is to enhance corporate governance and board performance, and its responsibilities include:

- (1) Nomination of director candidates and verification of candidates' eligibility.
- (2) Review of establishments/amendments made to board of directors policies.
- (3) Design of organizational structure and review of establishments/amendments made to functional committee policies.
- (4) Review of establishments/amendments made to the Company's Corporate Governance Code of Conduct.
- (5) Any other tasks instructed by the board of directors.

The Corporate Governance and Nomination Committee may convene meetings whenever deemed necessary, and is entitled to approach attorney, CPAs or any other experts for consultation on matters pertaining to its responsibilities.

Professional Qualifications and Experience, and Functionality, of the Corporate Governance and Nomination Committee

The Company's Corporate Governance and Nomination Committee had three members in the most recent year.

Term of 2nd Committee members: from June 14, 2019 to June 13, 2022. The Corporate Governance and Nomination Committee held one meeting (A) in the last year (January 1, 2021–December 31, 2021); members' professional qualifications, attendance records and discussion matters are as follows:

Title	Name	Professional Qualifications and Experience	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Director (Convener of Corporate Governance and Nomination Committee)	Ming-Ho Hsiung	■ Serving as the Vice Chairman of Cathay Life Insurance for over 4 years, the director of Cathay Financial Holdings for over 14 years; having served as the President of Cathay Life Insurance for over 9 years. ■ With the experience in financial holdings for over	1	0	100%	—

Title	Name	Professional Qualifications and Experience	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
		five years, and held satisfying the professional qualification required by the financial holding company. ■ With the experience in insurance for over five years, and held satisfying the professional qualification required by the insurance industry. ■ Not been a person of any conditions defined in Article 30 of the Company Act.				
Independent Director (Member of Corporate Governance and Nomination Committee)	Edward Yung-Do Way	■ Certified public accountant in State of Georgia, U.S., and The Republic of China; having served as CEO of Deloitte Taiwan for over 2 years; serving as Chairman of YCSY Co., Ltd. for over 11 years, independent director of both Cathay Financial Holdings and Cathay United Bank for over 4 years, independent director of Cathay Securities for over 2 years. ■ With the ability to manage a financial holding company and achieve robust and effective operations of the financial holding company, and held satisfying the professional qualification required by the financial holding company. ■ Have work experience for over 5 years and also the experience in the area of commerce, finance, accounting, or otherwise necessary for the business of the Company, and held satisfying the professional qualification as an independent director. ■ Not been a person of any conditions defined in Article 30 of the Company Act.	1	0	100%	—

Title	Name	Professional Qualifications and Experience	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Independent Director (Member of Corporate Governance and Nomination Committee)	Li-Ling Wang	■ Serving as Professor of Risk Management and Insurance, National Chengchi University for over 13 years, Chairman of Pension Funds Association of R.O.C. in Taiwan for over 4 years; having served as Chairman and Vice Chairman without Portfolio of Financial Supervisory Commission, Vice President of National Chengchi University, and independent director of China Life Insurance for over 1.5 years, director of First-Aviva Life for over 2 years; serving as independent director of Cathay Financial Holdings and Cathay Life Insurance for over 2 years. ■ With the ability to manage a financial holding company and achieve robust and effective operations of the financial holding company, and held satisfying the professional qualification required by the financial holding company. ■ With the experience in insurance for over five years, and held satisfying the professional qualification required by the insurance industry. ■ Have work experience for over 5 years and also the experience in the area of commerce, finance, accounting, or otherwise necessary for the business of the Company, and held satisfying the professional qualification as an independent director. ■ Not been a person of any conditions defined in Article 30 of the Company Act.	1	0	100%	—

Title	Name	Professional Qualifications and Experience	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Other items to be stated: Please clearly state the meeting date, term, contents of motions, any Corporate Governance and Nomination Committee member's suggestions or opinions expressing objections, Corporate Governance and Nomination Committee's resolution and the Company's resolution of Corporate Governance and Nomination Committee's opinions.						

Note:

- (1) The date of resignation is specified for the Corporate Governance and Nomination Committee member who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of Corporate Governance and Nomination Committee meetings held and the number of meetings actually attended during active duty.
- (2) Where a reelection may be held for the Corporate Governance and Nomination Committee members before the end of the fiscal year, list out both the new and the discharged members, and specify if they are the former members, or newly elected, reelected and the date of the reelection in the "Remark" section. The percentage of actual attendance (%) is calculated based on the number of Corporate Governance and Nomination Committee meetings held and the number of meetings actually attended during active duty.

Corporate Governance and Nomination Committee	Corporate Governance and Nomination Committee Meeting Motion	Corporate Governance and Nomination Committee Member's Suggestions or Opinions Expressing Objections	Corporate Governance and Nomination Committee Resolution	Company's handling for opinions of the Corporate Governance and Nomination Committee
The 6 th meeting of the 2 nd term 2021.3.9	Amendments to the Company's "Procedure for Election of Directors"	None.	Proposal was approved as proposed based on the consents of all members of the Corporate Governance and Nomination Committee.	Proposal was submitted to the board of directors' meeting and approved as proposed based on the consents of all attending directors.

Since the establishment of the Corporate Governance and Nomination Committee, the following mechanisms regarding board operations have been added: "The Company shall arrange orientation for the board of directors taking up the post for the first time", the inclusion of "The Evaluation of the Functional Committee's Performance", the setup of "Chief Corporate Governance Officer", and the addition of "Standard Operating Procedures for Resolving Directors' Requests".

(VI) Sustainable development practices; deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies (Table 2-2-2)

Projects	Implementation Status (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Has the Company implemented a governance framework that supports sustainable development, and designated a unit that specializes (or is involved) in the promotion of sustainable development? Is the unit empowered by the board of directors and run by senior management, and how does the board supervise progress?	✓		To implement and promote ESG, in 2011, the Company has established the “Cathay Financial Holdings Co., Ltd. Corporate Social Responsibility Committee,” and changed the name to “Cathay Financial Holdings Co., Ltd. Corporate Sustainability Committee” in 2014 and elevated to be directly under the board of directors of the Company. The Committee is supervised by independent directors and consists of one chairperson acted by the President of the Company and committee members acted by the Presidents of subsidiaries. The committee meeting is convened quarterly, and independent directors also participate the meetings to jointly direct the present sustainability performance of the Company. In addition, the Corporate Sustainability Office also reports important resolutions of the committee, sustainability strategy, and subsequent execution status of important projects to the board of directors semi-annually, in order to supervise the properly implementation of sustainability related affairs. The general secretariat of the committee is the “Corporate Sustainability Office” of the Company and is directly under the President, responsible for sustainability promotion of the Group. A “CS Secretariat” has been designated in each subsidiary to ensure that CS efforts are enforced as part of department duties. In addition, six working groups on “Responsible Investment,” “Sustainable Governance,” “Responsible Products,” “Employee Happiness,” “Green Operation,” and “Social Mutual Prosperity” were formed and staffed with participants from different subsidiaries, departments and the Company. A total of four meetings were held in 2021 to communicate and track various sustainability project outcome and progress.	No significant difference

II. Has the company conducted risk assessment on environmental, social and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality? (Note 2)	✓	The scope of the present evaluation includes Cathay Financial Holdings and its subsidiaries, including Cathay Life, Cathay United Bank, Cathay Century Insurance, Cathay Securities, Cathay Securities Investment Trust, and Cathay Venture, and the region of operation focuses on Taiwan as the primary core disclosure. Cathay Financial Holdings values expectations of its stakeholders and engages them in active communications under four main principles: materiality, effectiveness, flexibility and respect. Cathay Financial Holdings Stakeholder Engagement Strategy has been created to facilitate communication with stakeholders, and findings on stakeholders' concern toward environmental, social and corporate governance issues combined with senior managers' analysis on how each issue affects business operations are used to construct materiality matrix on a yearly basis. In 2021, the Company conducted corporate sustainability (CS) analysis and identified issues that were material to Cathay Financial Group. Long-term goals were set accordingly and tracked on a yearly basis to support management of sustainability issues. Compliance, risk management, and information security were some of the material issues highlighted by Cathay FHC in 2021. Below are the risk control strategies implemented for our ESG material issues listed: <table><tr><th>Material Issue</th><th>Topic</th><th>Risk Management Strategy</th></tr><tr><td>Governance</td><td>Ethics and Compliance</td><td> 1. Cathay FHC values the corporate culture of ethical corporate management. We established the Policy and Code of Operation Integrity, the Procedures and Guidelines of Integrity Management Operation, and the Code of Conduct for Employee to require employees to comply with internal regulations when performing their duties. In 2021, all of our employees completed our annual training on the Code of Conduct for Employees with a completion rate of 100%. 2. The group's compliance and AML/CFT is managed as a whole on the group-level, and </td></tr></table>	Material Issue	Topic	Risk Management Strategy	Governance	Ethics and Compliance	1. Cathay FHC values the corporate culture of ethical corporate management. We established the Policy and Code of Operation Integrity, the Procedures and Guidelines of Integrity Management Operation, and the Code of Conduct for Employee to require employees to comply with internal regulations when performing their duties. In 2021, all of our employees completed our annual training on the Code of Conduct for Employees with a completion rate of 100%. 2. The group's compliance and AML/CFT is managed as a whole on the group-level, and	No significant difference
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					implemented by level and region. The Chief Compliance Officer holding concurrent post as the Chief AML Compliance Officer appointed by the Board of Directors is in charge of the management of group compliance. The company takes compliance as one of the key points of internal control. We manage compliance risks systematically, including annual compliance evaluation, semiannual compliance self-assessment and self-inspections, trainings, compliance risk incidents, etc.	
			Environmental	ESG Investment and Lending Policy	Cathay has established a Responsible Investment Working Group in 2014, which supervises Cathay FHC's responsible investment strategies and sets up policies. The working group continuously learns the best international practices, trends and methodologies to establish action plans to refine and improve the ESG integration process. We also provide teams with ESG analysis tools and deliver ESG trainings to strengthen capability of ESG risks management. Cathay has established Responsible Investment and Lending Policy, Investment and Lending Exclusion Policy and Engagement Policy. We incorporate ESG into the existing investment and lending procedures. Therefore, we have implemented exclusion screening, and more crucial, integrated ESG factors into comprehensive investment decisions in daily operations. We also managed businesses based on the risk level, and actively implemented post-investment/post-loan management after the investment	

					and lending to reduce risks. In addition to proprietary assets, Cathay also incorporated mandate assets into the scope of responsible investment management. We will keep improving our ability to manage ESG risks of investment and lending through enhancing carbon reduction management of our financial assets and strengthening shareholders' activism.	
			Social	Customer Relationship Management	The Company has held the business philosophy of being "customer-centric." The risk management mechanism for customer relationship management is as below. 1. Cathay FHC has a Service Quality Committee that sets the Group's service policy based on the principles of protecting customer rights and treating customers fairly. The committee periodically reviews service strategies and projects together with each subsidiary. Meanwhile, the Service Quality Team assembled by each subsidiary plans, implements, and follows up on service quality improvement plans. 2. Cathay values customers' opinions. We have a number of customer complaint channels and dedicated units. We also established regulations and the highest principle of "actively handling issues and actively showing concern" that requires our staff to immediately contact customers and propose solutions. 3. Each subsidiary has certain mechanisms in place to execute the principles of treating customers fairly. We hold internal training courses for responsible persons on a regular basis; include the principles of	

					treating customers fairly into compliance evaluation process; convene meetings to discuss the implementation and improvement plans, and report the implementation status to the Board of Directors.	
III. Environmental issues (I) Has the Company established environmental policies suitable for the Company's industrial characteristics?	✓		The Company regards environmental responsibilities as a priority, and has established a "Green Operation Working Group" under the Company's Corporate Sustainability Committee from 2014. The team actively participates in external green advocacy, and is in charge of the operation and supply chain management of energy and environmental issues. The related managing rule milestones are as follow: 1. The Company stipulated "Regulations Governing Energy Saving and Carbon Reduction Operation" in 2010, effectively increasing the resource efficiency and reducing impact of the Company's operation on natural environment. 2. By the end of 2011, the Company established "Cathay Financial Holdings Corporate Social Responsibility Committee", and the "Environmental Protection Team" is responsible for implementing environmental protection policy. The Company also assigned energy saving and carbon reduction specialized personnel, who is in charge of promoting energy saving and carbon reduction measures. 3. By the end of 2014, "Cathay Financial Holdings Corporate Social Responsibility Committee" is officially renamed "Cathay Financial Holdings Corporate Sustainability Committee", which is under the board. The "Green Operation Working Group" is responsible for operation management and supply chain management, and actively participates in external green initiatives. 4. In 2017, Cathay Financial Holdings established a set of "Environment and Energy Policy" to serve as a guideline for preserving natural resources; it was also the year when ISO 14001 - Environmental Management system was adopted organization-wide, for which the group was certified by external institutions. 5. Since 2018, the Company has identified the risks in the procurement process and set the "Cathay Financial Holdings Sustainability Procurement Policy" to implement the concept of sustainable procurement in practice and influence the action of upstream suppliers.			No significant difference

			The Company and its subsidiaries have established the environmental and energy management system according to ISO 14001, ISO 50001 and have passed the third-party authentication continuously. In addition, greenhouse gas inventory analysis is performed annually according to ISO 14064-1:2018, in order to track the carbon reduction outcome and is also publicly disclosed in the sustainability report and on the Company's website (https:// https://www.cathayholdings.com/holdings/csr/intro/env/em).	
(II) Is the Company committed to making efficient use of energy, and using renewable materials that produce less impact on the environment?	✓		In order to implement green operation and adhere to government policy, the Company has been actively promoting energy saving and carbon reduction, green procurement, renewable energy, and environmental education to reduce the impact of the operation process on the environment, the relevant measures are as follows: Energy Saving and Carbon Reduction: 1. Actively coping with the "Regulation of Self-Governance Statutes Governing Energy Saving and Carbon Deduction Counseling and Management of Industry and Business in Taipei", the Company maintains the average temperature of the air-conditioner in the office above 26°C. 2. During working days, the lighting Control System automatically turns off the lights in 12:30-13:00 and in after hours. Specialized personnel are in charge of controlling elevators in office hours and lunch break to reduce electricity consumption. Green Procurement: 1. Promote paperless office, adopting electronic official document system and e-mail to handle business connections and reduce paper usage. 2. Comprehensively procure FSC/PEFC certified copy papers, use soy inks to print important publications as well as to promote double-sided printing, use recycled paper to print general documents, discarded documents are sent to professional paper plants, and destroyed in order to provide recycled paper pulp. 3. The Company fully promotes the purchase of energy-saving products and equipment equipped with environmental and green labels. In addition, for 11 consecutive years (2010-2021), the Company has received Green Purchasing Enterprise Commendation from Taipei City Department of Environmental Protection and Environmental Protection Administration.	No significant difference

Renewable Energy:

1. The Company has been increasing its solar capacity on a yearly basis since 2013 as a support to the government's policies, and currently has 5,000 kw of solar panel installed throughout proprietary buildings located in Taoyuan and Taichung. The Company began the deployment of solar-powered branches throughout the nation. In 2016, Cathay United Bank's Ming-Cheng Branch in Kaohsiung was awarded "Photovoltaic Intelligent Building Certification from Kaohsiung City Government — Silver Prize". In addition, Pingtung branch has added solar energy to generate green energy for own use since 2019. As of the end of 2019, a total of 4,711 kWh green energy has been generated, 2,511 kilograms of carbon emission was estimated to be reduced. The Pingtung has also passed the BSI ISO 14064- 1 examination.
2. In 2015, the newly constructed Cathay Landmark adopted green building design, and the Company was awarded "Gold Certification" by the Ministry of the Interior and "Gold Certification" by Leadership in Energy and Environment Design (LEED) of U.S. Green Building Council. New green building certifications were obtained for Yangmei Logistics Park and Minsheng Jianguo Building in 2018. In 2019, Cathay Life's Wuri Education Building received LEED NC Gold certification for having exhibited outstanding energy efficiency, water management, waste management and environmental performance overall. The building also has 183 kw of solar panels installed on the rooftop, generating nearly 250,000 kwh of power per year in 2020. In addition, Cathay United Bank also installed rooftop solar panels at the Pingtung branch (installed capacity of 26.7 kw), and the total power generation in 2020 is nearly 34,000 kwh.
3. The rainwater recycling system at "Cathay Landmark" commenced operation in 2016, whereas the reclaimed water system at "Cathay Taoyuan Industrial Zone Phase 2" commenced operation at the end of 2017. Meanwhile, a new proprietary building was constructed in Wuri, Taichung, in 2018 with the introduction of reclaimed water system, which is expected to be activated in 2019. Water Usage Survey has been conducted since 2017, and the organization has obtained external verification for 434 offices across nine companies nationwide including the financial holding parent and

		its 1st-tier and 2nd-tier subsidiaries. 4. Cathay Life completed Taiwan's first renewable energy certificate (REC) transaction in September 2017, whereas Cathay United Bank also purchased RECs to make KOKO Lab a 100% green-powered branch. A total of 233 RECs were purchased between 2017 and 2019. Environmental Actions: 1. In 103, the Company was awarded the 23rd “ROC Enterprises Environmental Protection Award – Bronze Prize” by the Environmental Protection Administration (the first financial institution who wins the award). Later in 106, Cathay Life Insurance was also awarded the 26th “ROC Enterprises Environmental Protection Award – Bronze Prize” (making it the first life insurance Company in Taiwan to win this award). Furthermore, Cathay United Bank was awarded the “27th ROC Enterprises Environmental Protection Award - Bronze Prize” in 2018. In 2019, Cathay Life and Cathay United Bank received Bronze Certification during the 1st National Corporate Environmental Protection Award. In 2020, Cathay Life and Cathay United Bank respectively received the Silver and Bronze Certifications during the 2nd National Corporate Environmental Protection Award. In 2021, Cathay United Bank received Silver during the 3rd National Corporate Environmental Protection Award. 2. Employees are encouraged to bring their own reusable containers, while supply of packaged drinking water was discontinued in 2017. This measure is estimated to reduce use of disposable containers by 17,130 cups per year, which lessens impact on the environment. 3. The Company has gradually initiated the examination of domestic waste related to operations since 2017. In 2019, the scope of examination had included the headquarters of the financial holdings company and subsidiaries, the 26 branches of Cathay Life Insurance, all branches of Cathay United Bank. In addition, domestic waste and the amount of recycle have been examined according to ISO 14064- 1 by a third party from 2018.	
(III) Does the company assess potential	✓	Cathay identifies climate risk and opportunities, and through qualitative questionnaire, the Group’s climate risk and opportunity matrix is established, and six major risks and five major opportunities have been selected in order to further analyze relevant responsive	No significant difference

risks and opportunities associated with climate change, and undertake measures in response?		actions of the Group. The responsive actions for the aforementioned two categories of risks and opportunities are explained in the following (please refer to Cathay Financial Holdings 2021 Task Force on Climate-Related Financial Disclosures (TCFD) Report for details): <u>Significant Risks</u> Risk 1. Increase of greenhouse gas reduction : (1) Give full play to the value related to the group value and reduce the cost of publicity (2) Promote “Zero Carbon Operational Transformation,” reduce own operation carbon emission through workplace transformation, mobile office, etc. (3) Through the Task Force on Climate-Related Financial Disclosures (TCFD), Group synergy is applied to implement climate related management actions and to establish strategies for the Group. Risk 2. Risk for transformation of high carbon emission investment and financing positions: (1) Participate in international advocacy organization and negotiation ESG-related risk management action procedures to reduce investment and financing risks. (2) Perform scenario analysis, measure anticipated loss derived from investment and financing, periodically evaluate and monitor asset climate risk quantified data. <u>Significant Opportunities</u> Opportunity 1. Digital Finance Trends (1) Integrate digital transformation, improve customer convenience andand reduce carbon footprint.Integrate digital transformation, improve customer convenience andand reduce carbon footprint. Ex : Promote electronic policies to reduce paper consumption, Securities electronically placed orders, digital account opening, mobile insurance application, remote insurance application, etc. Opportunity 2: Sustainable Management (1) Be in line with international standards and respond to stakeholders, refer to international methodologies such as the Science-Based Carbon Reduction Target Initiative (SBTi), and grasp the cutting-edge trends in carbon reduction.Establish a 5-year target plan, set up the carbon reduction scopes 1 and 2 in order to reduce the carbon emission by at least 2.5% annually. Link to the global RE100 advocacy, set up the related target of green mangement. (2) Periodically inspect the energy use status, execute workplace transformation.	

(IV) Does the company maintain statistics on greenhouse gas emission, water usage and total waste volume in the last two years, and implement policies aimed at reducing greenhouse gas, water, and waste?	✓	In order to reach the goal of carbon reduction and support the government’s policy of promoting green operation, Cathay Financial Holdings has set a goal to reduce 5% carbon emission by the year of 2021 compared to the benchmark in 2016. During a meeting held by the “Green Operation Team” in 2017, a decision was made to adopt the standards set by Science Based Targets initiative, and to revise the Company’s reduction targets to “at least 5% and ideally 10% by 2021, with 2016 emission level as the base year.” In addition, since 2021, in response to the SBT goal, the Company aims to reduce carbon emission by 2.5% annually, and the cumulative carbon reduction reaching at least 25% for the period from 2021 to 2030 in comparison to the carbon reduction in 2020. In addition, the Company establishes environmental and energy management system annually according to ISO 14001 and IS 50001, and also performs “Greenhouse Inventory Analysis” to track environmental data according to ISO14064-1:2018. All of the aforementioned three standards have passed the third-party authentication, and will be used as important reference for the Company to establish the carbon reduction goal. The environmental data over the years are as follows: Greenhouse gas emission in last two years: <table><tr><th>Item</th><th>2020</th><th>2021</th></tr><tr><td>Electricity Consumption (kWh)</td><td>110,862,737</td><td>Domestic business offices: 105,713,107 Overseas business offices: 4,875,229</td></tr><tr><td>Renewable Energy Usage(kWh)</td><td>272,000</td><td>1,032,000</td></tr><tr><td>Total GHG Emissions Category 1 (tons)</td><td>3,816.05</td><td>Domestic business offices: 3,712.39 Overseas business offices: 393.02</td></tr><tr><td>Category 2 (tons-market standard)</td><td>56,427.61</td><td>Domestic business offices: 52,817.7 Overseas business offices: 3,051.15</td></tr><tr><td>Category 1+2 Total (tons)</td><td>60,243.66</td><td>Domestic business offices: 56,530.09 Overseas business offices: 3,444.16</td></tr></table>	Item	2020	2021	Electricity Consumption (kWh)	110,862,737	Domestic business offices: 105,713,107 Overseas business offices: 4,875,229	Renewable Energy Usage(kWh)	272,000	1,032,000	Total GHG Emissions Category 1 (tons)	3,816.05	Domestic business offices: 3,712.39 Overseas business offices: 393.02	Category 2 (tons-market standard)	56,427.61	Domestic business offices: 52,817.7 Overseas business offices: 3,051.15	Category 1+2 Total (tons)	60,243.66	Domestic business offices: 56,530.09 Overseas business offices: 3,444.16	No significant difference
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			Category 3-6 (tons)	3,836.1	3,294.52	
			Actual amount of domestic waste (tons)	764.61	1,246.29	
			Recycling (tons)	509.11	453.85	
			Direct Water Consumption (m³)	711,445	596,153.5	
			Standard	ISO 14064-1:2018 (Including GHG, waste, direct water consumption, business travel, insurance services, credit card services)	ISO 14064-1:2018 (Including GHG, waste, direct water consumption, business travel, insurance services, credit card services, unsecured small amount credit loan services)	
			Note 1: Inventory inspection offices are adjusted via the rotation method annually. In 2021, there were a total of 492 domestic business offices, and a total of 122 overseas offices were newly added. Note 2: Category 3 to 5 include the items of business trip carbon emission, operational waste and purchase product carbon emission, product use stage and product end of life carbon emission.			
			Environmental data target and results are as follows:			
	2021 Result	Short-term (Within 2020)	Mid-term (2020-2022)	Long-term (2022-2024)		
Energy Usage	The power consumption per unit of revenue in this year was 750.33 kWh/one million of revenue	Do not exceed 20,000 kWh per 1 million revenue				
Carbon Reduction	Emission decreased by 13.54% in comparison to the base year	2016 as base year, a 5% reduction in 110, a 10% reduction if	Adhere to SBTs and reduce carbon emission by 2.5% yearly, and by at least 25% on a cumulative basis between 2021 and 2030			

					ideal	compared to 2020			
			Renewable Power Usage	1,032,000 kWh	Adhere to RE 100, and achieve 100% use of green energy sources by 2025 for headquarters of the financial holding company, the life insurance subsidiary, and the non-life insurance subsidiary, and by 2030 for all domestic business locations.				
			Waste Production	Waste per capita decreased by 58% due to examination scope adjustment	Decreased by 15% in comparison to the base year (2017)	Decreased by 20% in comparison to the base year (2017)			
			Recycle Ratio	The resource recycling ratio of the current year reached 36.4% due to the examination scope adjustment	Above 40%				
			Water Usage	The average water consumption per capita of the current year was 12.84 m3/person due to the examination scope adjustment and the implementation of epidemic control measures	Do not exceed 14.0 m3/person				
			Other measures are as follows:						
			1. The Company has been actively responded to Carbon Disclosure Project (CDP) since 2006. The overall quality of its disclosure was rated 85C in 2014, 95C in 2015, Level C in 2016, and Level B in 2017 and 2018. As a result of climate risk management actions taken in 2019, the Company was able to improve its score to Leader A-, and Level B in 2020. In 2021, the Company improved its score to Leader A-.						
			2. Climate risks associated with core business activities are managed by Chief Risk Officer's TCFD, whose responsibilities are to identify and assess climate risks and						

			report risk monitoring progress on a monthly basis. Members of the taskforce are also required to report to superiors of their respective business units at the same time. 3. The Company has responded to the “Voluntarily Energy Saving Signing Meeting for Financial, Catering, and Shoe Industry Groups” since 2012, and 5% of energy was saved in three years. The Company promoted total 27 voluntarily energy saving measures and saved 777,239 kWh. Since 2016, the Company has been participating in the “2016 - 2018 Corporate Headquarter Voluntary Energy Conservation” scheme organized by the Bureau of Energy, Ministry of Economic Affairs, by taking count and replacing energy-intensive equipment. 1,276,000 kWh of power-saving effect was estimated to have been achieved during the 3 years, for which the Company was awarded commendation of outstanding performance. 4. In 102, the Company was the first company in financial industry to sign the “Greenhouse Gas Reduction Management Declaration for Cathay Financial Holdings and all Subsidiaries”, and the Company launched a three-year greenhouse gas inspection and passed British Standards Institution (BSI) ISO14064-1 inspection. 5. All subsidiaries have been introduced in ISO 50001 energy management system and ISO 14001 environment management system one after another since 102, setting up the best model of enterprise pole in financial industry as well as implementing energy saving and environment standardized management. 6. Between 2014-2015, the Company set goals to reduce energy consumption by 1.5% on 12 buildings, and passed certification for the energy and environment management system. 7. By the end of 104, the “Green Operation Team” of Cathay Financial Holdings Corporate Sustainability Committee held a meeting and resolved that “greenhouse gas inspection operation” will be carried out in 46 operation locations of 9 companies of subsidiaries and grandson subsidiaries of Cathay Financial Holdings. 8. In a meeting held by the “Green Operation Team” of Cathay Financial Holdings Corporate Sustainability Committee towards the end of 2016, a decision was made to conduct “Greenhouse Gas Inventory” on all 434 office locations under the financial holding parent and 1st tier and 2nd tier subsidiaries. Scope 1 and Scope 2 emissions	

			were measured at a total of 56,021.87 tons. 9. In 2017, the Company completed the adoption of ISO50001-Energy Management System and ISO14001-Environmental Management System, for which it was recognized as the role model in the financial industry. 10. Projects including “Credit Card Service Carbon Survey” and “Insurance Service Carbon Footprint” were launched in 2018 to enable effective management of carbon emission associated with core business activities. In the end of February 2020, Cathay Life and Cathay Century Insurance were awarded Life Insurance Carbon Reduction Label and Non-life Insurance Carbon Reduction Label, respectively, by the Environmental Protection administration. 11. The Company began development of a climate risk and opportunities matrix in 2017 and aims to use the matrix for guidance as to how the Company should respond to climate change. According to the matrix, a typhoon would be the most significant climate risks over the short-term and medium-term, as the disaster has the potential to cause damages to renewable energy facilities invested or insured by the Company; as for the long term, the most significant climate risk involves adopting low-carbon operations to help keep global warming under 2°C. Cathay Financial Holdings has a Corporate Sustainability Committee in place to discuss how to respond to risks and opportunities associated with climate change. These issues are being monitored regularly to assess possible impacts in the future.	
IV. Social issues (I) Whether the Company establishes the related management policies and procedures in accordance with the relevant laws	✓		To increase the respect and support from the Company and staff, the Company stipulated “Ethical Behavior Guidelines”, “Employee Code of Conduct”, and “Regulations Governing Reporting Unethical or Dishonest Behavior Cases”. The Company also adopted with relevant laws and regulations to amend and publicly announced “Work Rules”. In addition, the content of regulations provided by labor laws is included into the inspection items in the regular law compliance self-assessment operation in order to ensure the compliance of labor laws and international human rights.	No significant difference

and international human right conventions?				
(II) Has the company developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?	✓		The Company provides employees with comprehensive care, and is committed to creating a happy workplace. Cathay Financial Holdings has been selected a composition of “Taiwan High Compensation 100 Index” every year since 2014 for compensating employees above the market rate, maintaining average salary adjustment above 3% for the last three years, offering leave of absence more favorable than what the laws require (e.g.: paid sick leave, additional days of paternity leave, paid miscarriage leave etc.), and providing comprehensive employee welfare measures (such as: learning/growth support, family care, health, recreation, social activities, investment allocation etc.). The Company even created a designated section on the employee portal to explain various benefits available to employees and how to apply for them, and thereby helping employees achieve a work-life balance. These measures and rules have been explicitly stated in the work rules for best protection of employees' interest. The human rights policy of the Company ensures that the Company shall not have any discrimination in promotion, salary payment, or behavior due to gender or sexual orientation, and the Company shall exert effort to provide fair opportunity and stage, allowing female employees to exploit their greatest potential. To establish a gender-friendly workplace, we provide numerous gender-friendly measures superior to the regulatory requirements (such as 5-day paid menstrual leave, paid miscarriage leave, and 10-day paid pregnancy checkup leave annually), hold a variety of family-friendly events, and offer abundant learning resources such as online learning platforms to our employees. Therefore, all employees can achieve work-life balance without limitations. In 2021, our female employees in the back-office and the front-office accounted for 61.92% and 76.79% of each population, respectively. On the other hand, the percentages of female managers in back-office and front-office have reached 42.75% and 59.14%, respectively. It shows the company commits to realizing gender equality in employment. The Company has stated in its “Employee Compensation Policy” and “Employee Performance Bonus Policy” that compensations must be determined at levels that	No significant difference

			commensurate employees' duties, performance and capabilities, and associated with company performance and external market benchmarks.	
(III) Whether the Company provides the existence of a safe and healthy work environment; regular safety and health training to company employees?	✓		To ensure a safe working environment to guarantee employee personal safety, the Group already established the following measures: 1. First-aid personnel are required to take the related professional training. First-aid kits and AEDs are provided in all working locations. 2. Regular tests for illumination and carbon level of working environment. 3. Health checkups and pre-job safety and health training for new hires. 4. Health checkups and safety and health training for employees on a regular basis. 5. Arrange physician and nursing personnel to provide on-site labor health service. 6. The number of disabling and occupational injury in 2021 is zero. 7. The number of safety and health training is respectively 560 personnel and 686 hours.	No significant difference
(IV) Has the Company established some effective career development training plan for employees?	✓		To assist the employee competency improvement and career development, the Company implements the “Employee Cultivation and Development Journey” and optimizes the employee learning experience nodes from the employees’ perspective. Through the learning activities of “Cultivation and Development Guideline,” “Competency Identification,” “Personal Development Plan,” “Learning and Development” and “Outcome Review,” the internal talent cultivation mechanism is systematically established to improve the employees’ self-learning culture, in order to ensure high quality talent competency. The Company plans the “Training Roadmap” for employees at all levels according to the job function requirements of different stages, in order to ensure employees’ current job competency and to satisfy the talent development needs for the next stage, thereby ensuring that the talent cultivation compiles with the strategic development of the Company. In addition to the consideration of the needs of the organization, team and employee individuals of the current year, supervisors and employees may further refer to the	No significant difference

			comprehensive competency feedback results, in order to jointly discuss and set up personal development plan. Accordingly, through periodic review and feedback, the Company is able to assist employees to continue to develop their skills and competency. The human resource unit also plans common job training courses according to the comprehensive competency needs of the current year, in order to facilitate the improvement of job competency of employees and the promotion of organization business transformation.	
(V) Has the company complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures?	✓		Each company stipulates a policy of treating customers fairly with principles in accordance with the “Principles of Treating Customers Fairly” promulgated by FSC, which is consistent with Cathay Financial Group’s service principles of “Start from the heart, treat customers with integrity, touch customers, and create value”, The Policy shapes a value system and code of conduct for the whole corporation to comply with in order to establish and implement the corporate culture with the core of treating customers fairly.	No significant difference
(VI) Has the company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and	✓		Cathay Financial Holdings enforces sustainability in its procurement practices, and exerts influence over the conduct of its suppliers in the upstream. Cathay Financial Holdings and subsidiaries have adopted ISO 20400:2017 - Sustainable Procurement Guidelines since 2018, which makes Cathay world's first financial institution to pass audit. The Company has developed Cathay FHC Sustainable Procurement Policy based on the 7 principles of sustainable purchase. Implementation of robust “Sustainable Purchase Procedures” combined with the support of online procurement platform, supplier sustainability self-assessment, 100% suppliers' commitment to Cathay sustainability statement, sustainability training and annual supplier conference, the Company is able to systematically influence supply partners and help them take steps toward achieving sustainability goals such as	No significant difference

tracked suppliers' performance on a regular basis?		compliance, human rights protection and local employment. As part of the Company's supplier management practice, all potential suppliers are required to undergo assessment for compliance with the following codes before establishing business relationship; violators will have active status revoked: 1. Environmental protection regulations 2. Regulations governing occupational safety and health management 3. Labor rights regulations 4. Ethical norms regulations 5. In 2021, 100% of the suppliers cooperated with the Company comply with the following criteria: <table><tr><td>Supplier Sustainability Performance Management</td><td>Promote suppliers’ sustainability performance and ethical policies, request new suppliers to perform evaluation and to comply with supplier sustainability code of practice, including the signing of sustainability value declaration, irregular supplier education and training, supplier ESG self-evaluation form submission</td></tr></table> The company added CSR clauses in the contracts with suppliers, in which requires suppliers to comply with laws and regulations governing environmental protection, labor conditions, labor safety and health, and labor rights. The Company requires suppliers to jointly fulfill CSR with actual conducts. If a supplier is confirmed violating or failing to meet the norms, the Company may set a period and urge the supplier to fulfill or improve. If a supplier is confirmed violating or failing to meet the norms, the Company may set a period and urge the supplier to fulfill or improve. If the supplier fails to fulfill or improve within that period, the Company may terminate or rescind the contract. Furthermore, subsidiaries Cathay Life and Cathay United Bank have adopted ISO 45001 (Validation : Cathay Life Insurance 2022/3/14~2025/3/13 ; Cathay United Bank : 2021/1/10 ~2023/1/9) and implemented “Contractor and Outsourcee Safety and Health” guidelines for enhanced management over contractors. In addition to hazard warnings and coordination meetings, the subsidiaries also perform random safety inspections at work sites to ensure that occupational safety and health are maintained above satisfactory levels.	Supplier Sustainability Performance Management	Promote suppliers’ sustainability performance and ethical policies, request new suppliers to perform evaluation and to comply with supplier sustainability code of practice, including the signing of sustainability value declaration, irregular supplier education and training, supplier ESG self-evaluation form submission	
Supplier Sustainability Performance Management	Promote suppliers’ sustainability performance and ethical policies, request new suppliers to perform evaluation and to comply with supplier sustainability code of practice, including the signing of sustainability value declaration, irregular supplier education and training, supplier ESG self-evaluation form submission				

V. Does the Company prepare sustainability report or any report of non-financial information based on international reporting standards or guidelines? Are the above mentioned reports supported by assurance or opinion of a third-party certifier?	✓	Cathay FHC publishes annual corporate sustainability reports in both Chinese and English. The 2020 CS report published in 2021 was prepared in accordance with GRI (Global Reporting Initiative) Standards, Financial Services Sector Supplement, Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies, ISO 26000 Social Responsibility Guidelines, UN Global Compact, Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, guidelines of Sustainability Accounting Standards Board (SASB), guidelines of Task Force on Climate-related Financial Disclosures (TCFD), and UN Sustainable Development Goals (SDGs). The Company has engaged BSI Taiwan Branch to review the report based on the GRI Standard - Core Options and AA1000 AS v3 Type 2 high-level assurance. Meanwhile, PwC Taiwan had corroborated sustainability performance and the selected sustainability performance related to SDGs stated in the Company's GRI Standard-based report using the Statement of Assurance Principles No. 1 – "Audit and Review of Non-Financial Information" published by the Accounting Research and Development Foundation (based on International Standard on Assurance Engagements – ISAE3000), to which PwC Taiwan issued a limited assurance. The Group also engaged BSI Taiwan to provide assurance on greenhouse gas emission (ISO 14064-1:2018), energy management system (ISO 50001:2018), environmental management system (ISO 14001:2015) and sustainable procurement (ISO 20400:2017). A copy of the Independent Assurance Opinion Statement and assurance report have been provided in the Appendix section of the 2020 Corporate Sustainability Report.	No significant difference
VI. If the Company has established sustainability policies in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: There was no deviation between the Company's sustainability practices and its policies.			
VII. Other information useful to the understanding of sustainable practice: The Company has long dedicated itself to corporate sustainability. Depending on changes in international trends and outcomes of stakeholder engagement, the financial group adjusts its short/medium/long-term sustainability plans and takes steps toward fulfilling goals such as responsible investment, sustainable governance, responsible product, employee welfare, green operations, and mutual social prosperity. Progress of the above efforts is disclosed in compliance with			

law.

In addition, in order to be the best sustainable financial institution in Asia Pacific, the Company implements CSR both inside and out. Internally, the Company implements corporate sustainability governance. Externally, the Company affects suppliers through procurement in upstream as promotes the concept from aspects of loans and investments by using cash flow influence in downstream. The result in 2021 was excellent, and the key excellent performances are as follows:

- Cathay was the first financial institution in Taiwan to publish an integrated ESG report that explains how ESG values have been incorporated into credit and investment decisions and various business processes.
- Cathay Financial Holdings and TWSE jointly organized the “2021 Cathay Sustainable Finance and Climate Change Summit,” and received more than 1,500 participants including representatives from 39 of the top 50 enterprises. The participating enterprises accounted for 51% of overall carbon emission in Taiwan, and the scale of the summit reached its 5-year high. Furthermore, the 2021 summit was recognized and counted towards training hours of TWSE/TPEX directors and supervisors for the first time. Out of the 363 TWSE/TPEX listed companies that enrolled for the summit, a total of 247 directors/supervisors were present.
- Cathay Financial Holdings was selected as one of the compositions of TWSE’s “ESG Index - Taiwan Sustainability Index”.
- The Company has been taking the initiative to participate in “DJSI” assessments for several years, and has been selected a composition of DJSI – World for four consecutive years and DJSI – Emerging Markets for seven consecutive years. In the most recent DJSI assessment, the Company ranked first among Taiwanese companies in Sustainable Finance and Financial Inclusion in the insurance industry.
- The Company has been participating in the “Excellence in Corporate Social Responsibility” organized by CommonWealth Magazine for many years, and ranked 3rd in the 2021 “Commonwealth Sustainability Top 100 – Large Corporation Division.”
- The Company is a long-time participant of the “Corporate Social Responsibility Awards” organized by Global Views Magazine. In 2021, the Company won First Award in the “Overall ESG Performance – Banking and Insurance” category for the 3rd consecutive year, and will secure its place on the Honorable Board next year. Cathay Life, on the other hand, won Outstanding Solutions Award in “Educational Promotion” and “Environment Friendliness” divisions.
- During the “2021 Taiwan Corporate Sustainability Award,” Cathay Financial Holdings ranked 3rd in “The Most Prestigious Sustainability Awards-Top Ten Domestic Corporates – Service Sector,” won “Corporate Sustainability Report – Platinum,” and claimed performance awards in multiple categories including “Climate Leader,” “Information Security Leader,” “Talent Development Leader,” and “Growth through Innovation Leader.”
- Cathay FHC received First Prize in the “Buying Power – Social Innovative Product and Service” scheme organized by the Small and Medium Enterprise Administration, Ministry of Economic Affairs.
- During the “9th Taiwan Insurance Excellence Award” organized by Taiwan Insurance Institute, Cathay Life won multiple awards including Excellence in Public Care, Excellence in Policyholder Service, Excellence in Talent Training, Excellence in IT Application, Excellence in Risk Management, Excellence in Innovative Product Planning, and Excellence in Cybersecurity Awareness.
- Cathay Life won four awards and three honorable mentions in “2021 Faith, Hope and Love Awards of Insurance.”
- In the “2021 Taiwan Financial Award” organized by Wealth Magazine, Cathay Life won Gold Award for “Best Customer Recommendation – Life Insurance” and “Best Service – Life Insurance.”
- In the “8th Insurance Competition Awards” organized by the FSC, Cathay Life was awarded “Excellence in Fair Customer Treatment,” “Elderly Friendly

Small Coverage Award,” and “No.1 Insurance Company,” “Business Performance Excellence Award,” and “Distress Relief Award” in the Micro Insurance Competition.

- Cathay Life won the First Award during the “2021 Buying Power – Social Innovative Product and Service Procurement Incentive” scheme organized by the Small and Medium Enterprise Administration, Ministry of Economic Affairs.
- Cathay United Bank was awarded Best Bank – 2020 Taiwan by Asian Private Banker.
- Cathay United Bank received the 3rd National Corporate Environmental Protection Award -Silver Prize by the Environmental Protection Administration, Executive Yuan.
- In the Digital Financial Service Award organized by Commercial Times, Cathay United Bank won Digital Information Service Award – Gold and Digital Transformation Model Award – Excellence.
- In the 2021 Trust Award organized by Commercial Times, Cathay United Bank won Family Trust Innovation – Gold and Insurance Trust Innovation – Excellence.
- Cathay United Bank won “Best Banking Service – Gold” in Wealth Magazine’s 2021 Taiwan Financial Award.
- Cathay Century Insurance won three awards in “2021 Faith, Hope and Love Awards of Insurance.”
- In the “9th Taiwan Insurance Excellence Award” organized by Taiwan Insurance Institute, Cathay Century Insurance won three gold awards and five silver awards.
- In the 18th National Brand Yushan Award, Cathay Century Insurance won National First Award in the “Best Product Category,” making it the second consecutive year to win in the “Best Product Category.”
- In the 18th National Brand Yushan Award, Cathay Securities won National First Award in the “Outstanding Enterprise Category,” making it the sixth consecutive year to win in the National Brand Yushan Award.
- In the “2021 Taiwan Financial Award,” Cathay Securities won Best FinTech Securities – Excellence and Best Customer-recommended Securities Firm – Gold.
- In the “16th (2021) Golden Goblet Awards,” Cathay SITE won five major awards including “Outstanding Leadership Talent Award,” “Outstanding Asset Management Award,” “Outstanding Risk Management Award,” “Outstanding ESG Sustainability Award,” and “Outstanding Green Financing Award,” making it the biggest winner of the 2021 Golden Goblet Awards.

Note 1: If Implementation is specified “Yes,” please explain the key policies, strategies, and measures taken and the execution progress. If Implementation is specified “No,” please explain deviation and cause of deviation in the field titled “Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies,” and provide any policy, strategy and measure planned for the future.

Note 2: Materiality principle refers to environmental, social and corporate governance issues that are of material impact to the Company's investors and stakeholders.

Note 3: For method of disclosure, please refer to the best practice examples presented on the website of Taiwan Stock Exchange Corporate Governance Center.

(VII) Enforcement of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies (Table 2-2-3)

Business integrity management

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
1. Enactment of ethical management policy and program (1) Has the company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?	✓		The Company established a set of “Business Integrity Policy and Code of Conduct” on November 13, 2019 based on “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies” to provide the foundation needed to support business integrity, corporate culture, corporate governance, risk management and a sustainable business environment. This code of conduct was reported to the board of directors in 2019.	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
(2) Has the company developed systematic practices for assessing integrity risks? Does the company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company's “Business Integrity Policy and Code of Conduct” and “Operational Procedures and Guidelines of Ethical Corporate Management Best Practice” specifically outline and prohibit dishonest behaviors (which refers to any direct or indirect offering, commitment, request or acceptance of inappropriate gains by an insider over the course of business activity in an attempt to gain or sustain advantage, or any other conducts that are considered illegal or constitute breach of integrity or fiduciary duty). Meanwhile, whistleblowing channels have been made available under “Regulations Governing Reporting Unethical or Dishonest Behavior Cases” and “Cathay Group Whistleblower System.” Each year, the Company implements the “Employee Integrity and Ethical Conduct Education and Training” on all official employees to ensure that all employees understand the regulations of the Company, thereby preventing the occurrence of relevant events and violations.	No significant difference
(3) Has the company defined and enforced operating procedures, behavioral guidelines, penalties and grievance systems as	✓		The Company has established business integrity practices and preventions against dishonest conducts based on its “Business Integrity Policy and Code of Conduct.” Preventions of dishonest conduct include operating procedures, behavioral guidelines and training progs, for which the Company has implemented through a separate policy called “Operational Procedures and Guidelines of Ethical Corporate Management Best Practice.”	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?			The Company is bound to comply with The Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and any laws that pertain to business conduct of TWSE/TPEX listed companies. These regulations shall provide the foundation for the Company's integrity management. Furthermore, the Company's directors, managers, employees and controllers are prohibited from offering, committing, requesting or accepting any illegitimate benefits, or involving in any conducts that would be construed as dishonest, illegal or in breach of trust, whether directly or indirectly, while carrying out their duties. All reported cases of violation against business integrity shall be thoroughly investigated by the audit unit; any established cases of misconduct will be referred to the Administration Department and disciplined according to the Company's policies. The Company has created a “Sustainable Governance Working Group” under the “Corporate Sustainability Committee,” the latter reports directly to the board of directors. The panel is responsible for corporate governance-related matters within the group, such as business integrity, anti-corruption, anti-bribery and compliance; it reports progress regularly (at least once a year to) the board of directors. The board of directors of the Company will exercise the duty of care as prudent managers to supervise and prevent dishonest conducts, and ensure that the integrity policy is duly enforced. Furthermore, the Audit Division is required to include compliance with the code of conduct as part of its audits, and report regularly back to the board of directors on any defects found and any steps taken to improve.	
2. Implementation of ethical management (1) Has the Company assesse a trading counterpart's ethical	✓		The Company is bound by the “Business Integrity Policy and Code of Conduct” to conduct business activities in the utmost fairness and integrity. Prior to commencing business dealings, the Company is required to evaluate the legitimacy and credibility of its counterparties, and thereby avoid dealing with entities that demonstrate poor integrity. The	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?			code of conduct also recommends the inclusion of integrity clauses in contracts signed with other parties.	
(2) Does the company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis (at least once a year)?	✓		The Company has created a “Sustainable Governance Working Group” under the “Corporate Sustainability Committee,” the latter reports directly to the board of directors. The panel is responsible for corporate governance-related matters within the group, such as business integrity, anti-corruption, anti-bribery and compliance; it reports progress regularly (at least once a year to) the board of directors. Furthermore, the “Business Integrity Policy and Code of Conduct” is maintained by the Administration Division, and establishment, amendment and abolishment of which is subject to board of directors' consent. The board of directors of the Company will exercise the duty of care as prudent managers to supervise and prevent dishonest conducts, and ensure that the integrity policy is duly enforced. Furthermore, the Audit Division is required to include compliance with the code of conduct as part of its audits, and report regularly back to the board of directors on any defects found and any steps taken to improve.	No significant difference
(3) Has the Company defined any policy against conflict of interest, provides adequate channel	✓		Directors are expected to exhibit a high level of discipline according to the Company's “Business Integrity Policy and Code of Conduct.” If a director, or a corporate entity represented by the director, is in conflicting interest against the Company with respect to a motion proposed in a board of directors meeting, the director shall explain key details of the conflicting interest during the current meeting session and may still express opinions	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
thereof, and fulfills the same precisely?			and answer queries but must not participate in the discussion or voting of such motion. In addition, the director may not exercise voting rights on behalf of other directors with respect to the motion. Directors must also exercise self-discipline and refrain from backing up each other in inappropriate ways. A director would be considered to hold self interest in a topic raised in the meeting if the director’s spouse, 2nd-degree direct relative or closer, or any of the director’s controlled or controlling entities holds stake in the said topic. Directors and managers of the Company must not exploit their vested authorities for improper gains, whether for themselves or for spouse, parents, children, or any other parties.	
(4) Has the company implemented an effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions	✓		1. The Company has developed an effective accounting policy. According to the Company's “accounting policy” and “subsidiary financial supervision policy,” the Finance Division is required to obtain monthly management reports, including operations report, balance sheet, income statement, cash flow statement, accounts receivable aging/quality analysis and overdue receivables statement, from each subsidiary to facilitate analysis. 2. The Company has developed an effective internal control system. Internal audit units are required to perform audits on employees' compliance with the above system, including general audits at least once a year, and special audits on finance, risk management and compliance for the Company and subsidiaries at least once every six months. Half-yearly special audits can be exempted if the general audit already covers the scope of the special audit and no major defect is found. 3. Before the end of each financial year, the Company is required to prepare audit plans for the upcoming year and submit them in writing for approval of the Audit Committee and board of directors. The audit plan must address business integrity and execution, and shall be carried out accordingly once approved.	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
against dishonest conduct?				
(5) Has the Company organized internal/external education training program for ethical management periodically?	✓		Integrity is the Company’s core value. The Company has outlined in its “work rules,” “Ethical Behavior Guidelines,” “Employee Code of Conduct” and management policies the behaviors that employees are bound to obey, and disciplinary systems to enforce such behaviors. Training is organized regularly to promote employees’ awareness towards the Money Laundering Control Act, Sexual Harassment Prevention Act, and the Personal Information Protection Act. The Company organized multiple training on integrity-related issues in 2021 (e.g.: annual training on integrity and ethics, orientation training on compliance, and compliance officer conference). These sessions received a total of 798 enrollments and delivered 1,204 man-hours of training.	No significant difference
3. Status of the Company’s complaint system (1) Has the Company defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?	✓		According to the Company's “Business Integrity Policy and Code of Conduct,” any violation of business integrity involving the Company's directors, managers or employees must be reported immediately to the board of directors, the Audit Committee or the audit unit. The Company also has the responsibility to maintain secrecy over the informant's identity and details of the misconduct report. All reported cases shall be thoroughly investigated by the audit unit; any established cases of misconduct shall be referred to the Administration Department and disciplined according to the Company's policies. Meanwhile, the name and title of the offender and the date, details and progress of the offense will be disclosed over the Company's Intranet. Furthermore, according to the Company’s “Employee Discipline and Reward Guidelines”: employees are rewarded credits for uncovering forgery, alteration or impersonation that lead to the prevention or mitigation of losses for the Company or customers; a merit is awarded for reporting fraud or attempting to prevent other harmful acts that lead to the mitigation of losses for the Company; and a major merit is awarded for reporting or assisting in the investigation of crime that lead to the mitigation of losses for the Company. The informant rewards mentioned above are intended to enhance the whistleblower system. In addition, an	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
			“Independent Director Mailbox” has been created on the external website to facilitate sound communication between independent directors and the Company's employees, shareholders and stakeholders for better corporate governance. Meanwhile, a “Chairman's Mailbox” has been made available on the Company's Intranet to gather employees' suggestions with respect to the Company's management, system and policies. The Company was the first financial holding company to implement a group-wide whistleblower system for insiders as well as outsiders, with defined policies to protect the legal rights of informants and relevant personnel. Details of “Cathay Group Whistleblower System” and the Company’s “Regulations Governing Reporting Unethical or Dishonest Behavior Cases” have been disclosed on website (http://www.cathayholdings.com); together, they outline the departments responsible, the reporting channels available, the procedures involved and the disciplinary measures in place. Persons accused of misconduct are given the opportunity to state their opinions or appeal before the final decisions are made.	
(2) Has the company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?	✓		According to the Company's “Business Integrity Policy and Code of Conduct,” any violation of business integrity involving the Company's directors, managers or employees must be reported immediately to the board of directors, the Audit Committee or the audit unit. The Company also has the responsibility to maintain secrecy over the informant's identity and details of the misconduct report. All reported cases shall be thoroughly investigated by the audit unit; any established cases of misconduct shall be referred to the Administration Department and disciplined according to the Company's policies. Meanwhile, the name and title of the offender and the date, details and progress of the offense will be disclosed over the Company's Intranet.	No significant difference
(3) Has the Company adopted any measures	✓		According to the Company's “Business Integrity Policy and Code of Conduct,” the Company has the responsibility to maintain secrecy over the informant's identity and	No significant difference

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
to prevent the complainants from being abused after filing complaints?			details of the misconduct report. The audit unit is required to include compliance with the code of conduct as part of its audits, and report regularly back to the board of directors on any defects found and any steps taken to improve, thereby ensuring that the informant is not subjected to improper treatment.	
4. Enhancing Information Disclosure Has the Company has disclosed the Ethical Management Principles and effect of implementation thereof on its website and Market Observation Post System?	✓		The Company's “Business Integrity Policy and Code of Conduct” and “Operational Procedures and Guidelines of Ethical Corporate Management Best Practice” have been disclosed on website (http://www.cathayholdings.com) and on “Market Observation Post System.” The Company has assigned dedicated personnel to gather, disclose and update information regularly on its website. Website information has been made available in Traditional Chinese and English for enhanced disclosure.	No significant difference
5. If the Company has established ethical management principles based on “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: None.				
6. Other information material to the understanding of ethical management operation (e.g. discussion of an amendment to the ethical management best practice principles defined by the company): Corporate social responsibility clauses have been included in supplier contracts to enforce corporate social responsibility and integrity practices among suppliers.				

Note1: Regardless “Yes” or “No”, the status shall be stated in the Remarks section.

Note2: Non-TWSE and non-TPEX listed financial holding companies need not explain “Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”

(VIII) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed

Disclosures have been made on the Company's website (<http://www.cathayholdings.com>) and "Market Observation Post System."

(IX) Other information material to the understanding of corporate governance within the Company

1. All directors, managers and insiders are issued a copy of "Notes on Change of Insider Shareholding" upon commencement of duty to prevent insider trading. Each director is given a copy of "Director Handbook" and "Legal Knowledge Manual for Directors and Supervisors of TWSE/TPEX Listed Companies," "Notes on Securities Market Regulations for Directors, Supervisors and Major Shareholders of TWSE Listed Companies" and "Legal Knowledge Manual for Independent Directors" prepared by Taiwan Stock Exchange Corporation upon commencement of duty. These documents help directors understand more about securities regulations and reporting requirements and legal responsibilities of a public-listed company.
2. The Company has implemented "Material Information Announcement and Management Guidelines/Rules" and "Material Information Press Conference Rules" based on "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities" to regulate announcement and management of material information within the Company and subsidiaries. All above policies have been disclosed on the legal section of the Company's Intranet to ensure compliance from all employees while avoid violation or occurrence of insider trading.
3. The Company has also adopted the "Ethical Management Best-Practice Policy and Principles," "Procedures for Ethical Management and Guidelines for Conduct," "Codes of Ethical Conduct" and "Employee Code of Conduct," including the requirements about "Prohibition of Insider Trading." The Company also organized the education and promotion of "Integrity, Ethics and Code of Conduct" for its directors, managers and employees each year. The promotional program for 2021 has been completed in December. The Company has also strengthened the promotion and presentation about legal bases, principles and related guiding cases of the "Prohibition of Insider Trading." In 2021, a total of 490 trainees attended the program, delivering a total of 588 man hours.

For directors, copies of the "Business Integrity Policy and Code of Conduct," "Business Integrity Procedures and Behavioral Guidelines" and "Ethical Behavior Guidelines" were issued for comprehension, acknowledgment and compliance. For managers and employees, training materials have been placed on the internal training platform and made readily accessible at any time. These training materials not only convey prohibition against insider trading, but also explain the Company's rules on anti-money laundering, prohibition against gifts and treatments, participation in public affairs, political donations etc., using case studies where appropriate.

4. Please refer to "Status of Corporate Governance, deviation and causes of deviation from Corporate Governance Best-Practice Principles: VI. Other important information enabling a better understanding of the company's corporate governance?"

5. Managers' ongoing education

Title	Name	Course name	Course hours
President	Chang-Ken Lee	Corporate Governance Course – FinTech Series (5th session)	3
		“The 13rd Taipei Corporate Governance Forum” (morning session)	3
		2021 Cathay Sustainable Finance and Climate Change Summit	2
		2021 AML and CTF Training for Directors and Supervisors	1
		2021 Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training of Cathay United Bank	1
Chief Auditor	Hung-Chang Yang	202101 Banking Law Penalties Review and Handling Criteria of Cathay United Bank /Compliance Dept.	0.5
		2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		202201 Restrictions on part-time staff and prohibition of misconduct by staff / Compliance Dept.	0.5
		Auditor Workshop --- (538th session)	7
		Financial Inspection and Auditing Seminar (23th session)	12
		Auditor Workshop --- (544th session)	4
		Auditor Workshop --- (545th session)	4
		Seminar-Internal Control of Financial Holdings	3
		Seminar-Preventions of Insider Trading	3
Chief Financial Officer	Grace Chen	2021 Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training	1
		Interpret of IFRS17	1
		10th Taiwan CEO Week	8
		The impact of prudential measures on the housing market	2
		IC Foundry and Application of Advanced IC Packaging	3
		The Development and Application of Supervisory Technology and Compliance Technology and Its Impact on Financial Stability	2
		Discussion on the influence of the overseas investment cap of Taiwan's life insurance industry on its asset allocation	2
		Opportunities and challenges of developing green finance in Taiwan	2
		Seminar-CCR "2021 Taiwan Credit Focus"	2
		Key Technologies and Business Opportunities of Quantum Technology	3
		Wealth inheritance model - case study of stock and real estate transfer	3
		Introduction to the Global Minimum Tax System and its Impact on Taiwanese Enterprises and Suggestions for Countermeasures	2
		International Cooperation Strategies of our country's Information and Communication Industry under the Restructuring of Global Supply Chains	2
		Economic Outlook and Corporate Strategy on post-COVID	2
		The issuance principle and potential impact of stablecoins	2
		Observations of the UN COP26 Climate Conference and Business Responses	2

Title	Name	Course name	Course hours
Senior Executive Vice President	David P. Sun	2021 Anti-Money Laundering, Counter Terrorism Financing, and Fair Customer Treatment Education and Training for Directors, Supervisor, and Senior Managers	1
		Gartner IT Symposium 2021	2
Chief Investment Officer	Sophia Cheng	2021 Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training of Cathay United Bank	1
		2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		10th Taiwan CEO Week	8
		AIGCC Masterclass - Developing a climate policy and action plan	1
		Cathay Sustainable Finance and Climate Change Summit	2
		Cathay Sustainable Finance and Climate Change Summit	4
		Climate Action and International Cooperation under Article 6	2.5
		Empowering and Driving Net Zero - Finance	6
		Financing W-MSMEs for a Green, Resilient, and Inclusive Recovery in the Central American Region	1.5
		Strategies for winning carbon governance in the era of net zero carbon emissions	2.5
		Taiwan Sustainable Taxonomy Communication Conference	2.5
		2021 Climate Change and Sustainable Development Forum	6.5
		2021 High School Financial Literacy Course-Financial management	1.5
		Expert Symposium-Opportunities and challenges for developing the green bond market-	2
		2021 International Sustainable Investment Forum	3.5
		Valuing Water : What Institutional Investors and Banks Can Do	0.5
		Supporting the Ambition to Sustainability through Funders Perspective	1.5
		Climate Change and Investment Academy	4
Senior Executive Vice President	Chung-Yi Teng	2021 Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training of Cathay United Bank	1
		2021 Second Half Bank-wide AML Education and Training/AML Department	1
		2021 First Half Bank-wide AML Education and Training/AML Department	1
		202101 Banking Law Penalties Review and Handling Criteria of Cathay United Bank /Compliance Dept.	0.5
		2021 Commonwealth Economic Forum - Winter Session	16
Chief Information Officer	Jian-Hsing Wu	2021 First Half Social Engineering protection	1
		Experience sharing of financial institutions in implementing information security and maintaining uninterrupted operations	2.5
		2021 First Half Bank-wide AML Education and Training	1
		Accelerating Digital Business with Value-Driven Cost Management	2
		CFHC/CUB/CLI Gartner Top Strategic Technology Trend for 2021	1
		Data Definitions : Data Warehouse, Data Lake, Data Hub	1
		Logical data model and meta data management	1

Title	Name	Course name	Course hours
		Data Governance	1
		Data Quality	1
		Data Middle Office	1
		CyberSecurity Mesh Architecture	1
		How to identify opportunities in the digital ecosystem and indirect data monetization used cases	0.5
		Taiwan-2021 Bank of Forum-The future of finance and the digital transformation of banks	2
		2021 First Half Information Security Fundamentals Course	1
		MasterCard AP chip committee	8
		Data Architecture Feedback	1
		Data Architecture Feedback (Part 2)	1.5
		Gartner EXP Online Round – Progress towards hyperautomation	2.5
		Cyber Defense Seminar on Banking and Critical Infrastructure	2.5
		2021 Second Half Bank-wide AML Education and Training	1
		202101 Restrictions on part-time staff and prohibition of misconduct by staff / Compliance Dept.	0.5
		202101 Banking Law Penalties Review and Handling Criteria of Cathay United Bank /Compliance Dept.	0.5
		2021 Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training of Cathay United Bank	1
		Sharing Meeting on Implementing Information Security and Maintaining Uninterrupted Operations in Financial Institutions	3
		Anti-Money Laundering and Counter Terrorism Financing Personnel On-Job Training Seminar	8
Senior Executive Vice President	Tsung-Hsien Tsai	2021 Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training of Cathay United Bank	1
		2021 IT Security Education and Training	1
		Impact of IFRS17 on Insurance Operations (1 st session)	3
		Cathay Sustainable Finance and Climate Change Summit	3
Senior Executive Vice President	Hsiang-Hsin Tsa	Interpret of IFRS17	1
		Practical workshop of Director, supervisor (include Independent supervisor) and Chief Corporate Governance Officer- Taipei	15
		NTU, Global Views -ESG Sustainability Leadership Forum	67.5
Senior Executive Vice President	Xu-Jie Yao	2021 Business Management Conference	8
		Market Insights Sharing Session of Dentsu Marketing Communication Group's "Guide to the Epidemic Marketing Battle"	3
		Digital Platforms : Looking at the Past and their Future	2
		Founded in Taiwan: Join to create the vision of cloud finance	2
Executive Vice President	Deh-Yen Weng	Online course of Corporate Governance- The impact of commercial courts on the operation of the board of directors and the execution of duties by directors	3
		Corporate Governance Course – FinTech Series (2th session)	3
		Corporate Governance Course – FinTech Series (5th session)	3
		Corporate Governance Course – FinTech Series (6th session)	3

Title	Name	Course name	Course hours
		The impact of commercial courts on the operation of the board of directors and the execution of duties by directors	3
		“The 13rd Taipei Corporate Governance Forum” (morning session)	3
		The 17th Corporate Governance Summit-Practice ESG to implement governance and sustainable development	6
Executive Vice President	Shu-Ying Wu	2021 Anti-Money Laundering, Counter Terrorism Financing, and Fair Customer Treatment Education and Training for Directors, Supervisor, and Senior Managers	1
		Business Continuity Management Annual Education and Training	1
		Strategic Consensus Camp-Strategic Focus	4
		Strategic Consensus Camp-2	8
		2021 Online Legal Compliance Course (DJSI)	3
		2021 First Half IT Security Education and Training	1
		2021 First Half Social Engineering Education and Training	1
		Strategic Talent	12
Executive Vice President	Ta-Ching Hung	2021 Anti-Money Laundering, Counter Terrorism Financing, and Fair Customer Treatment Education and Training for Directors, Supervisor, and Senior Managers	1
		2021 Online Course of director and Supervisor- Training of IFRS 17 (IFRS 17 Project office)	1
		Strategic Consensus Camp of senior Manager	12
		Strategic Talent	19
		2021 Nurturing development journey-II: Set up the annual target and development plan (Manager)	1
		IC Foundry and Application of Advanced IC Packaging	3
		Share with the process, plan and experience of IFRS17	3
		IFRS17 Project-System (include Inspection mechanism and system control point)	3
Executive Vice President	Fu-Min Wang	2021 Anti-Money Laundering, Counter Terrorism Financing, and Fair Customer Treatment Education and Training for Directors, Supervisor, and Senior Managers	1
		In line with IFRS 17 Insurance Business Trends Forum	3
		Strategic Consensus Camp of senior Manager	12
		Digital transformation and information security go first	4
Executive Vice President	Yu-Mei Lee	Securities firm also engages in futures proprietary business Application of current laws and market violation cases	0.5
		Anti-Money Laundering and Counter Terrorism Financing Personnel On-Job Training Seminar (339th session)	12
		2021 Training for new managers of the group (distribution of digital data for groups above the departmental level)	1
		Cathay Sustainable Finance and Climate Change Summit	3
Chief Risk Officer	Ching-Lu Huang	2021 Anti-Money Laundering, Counter Terrorism Financing, and Fair Customer Treatment Education and Training for Directors, Supervisor, and Senior Managers	1
		Seminar- Banking industry Climate Risk and Stress Testing	2
		How to Improve the Development of Domestic Guaranteed Investment-linked insurance	2
		Introduction and practice sharing of VM-21 specification of variable annuity insurance with guaranteed benefits	4

Title	Name	Course name	Course hours
		The possible impact of the implementation of ICS in Taiwan on the asset allocation of the life insurance industry	4
Executive Vice President	Pei-Ching Lin	2021 Online Course of director and Supervisor- Training of IFRS 17 (IFRS 17 Project office)	1
		Exchange rate risk and foreign exchange related regulations (Education and Training Department)	1
		2021 Anti-Money Laundering, Counter Terrorism Financing, and Fair Customer Treatment Education and Training for Directors, Supervisor, and Senior Managers	1
Executive Vice President	Ming-Chiao Liang	2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		2021 First /Second Half Social Engineering Education and Training	1
Executive Vice President	Kuan-Hsueh Chen	Business Management Conference	12
		2021 Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training of Cathay United Bank	1
		2021 First/Second Half Information Security Fundamentals Course	2
		2021 Principle of Fair Treatment to Customers	3
		2021 First/Second Half Social Engineering protection	2
Executive Vice President	Hua-Ben Miao	Anti-Money Laundering and Counter Terrorism Financing Personnel On-Job Training Seminar	8
		2021 Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training	1
		Business Management Conference	8
		The First Course of Social Engineering in 2021/Information Security Department	0.5
		Employee Confidentiality Education in 2021/Compliance Department	0.5
		CUB Overseas branch AML/ CFT training/AML	1
		The First Information Security Foundation Course in 2021/Information Security Dept/Information Security Department	1
		2021 Principle of Fair Treatment to Customers	3
		Business Continuity Management Annual Education and Training	1
Executive Vice President	Fa-Hsiang Chang	2021 Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training	1
		Business Management Conference	3
		On the practical training course of bank derivatives from the perspective	3
		Experience sharing meeting of Financial institutions implement information security and maintain uninterrupted operations	3
		CommonWealth Economic Forum - Winter Session	16
		Green Finance Leaders Roundtable Forum: Climate Risk Management	3
		Cathay Sustainable Finance and Climate Change Summit	3
		NTU, Global Views -ESG Sustainability Leadership Forum	24
		2021 Principle of Fair Treatment to Customers	3
		2021 Second Half Social Engineering Education and Training of Cathy Holdings	1

Title	Name	Course name	Course hours
Assistant Vice President	Shao-Ling Weng	ATD 2021 APC	3
		Cultivate efficient execution, improve work efficiency and efficiency	3
		2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		2021 First Half /Second Half Social Engineering Education and Training	1
		2021 First Half/Second Half Social Engineering Education and Training	
		2021 Nurturing development journey-II: Set up the annual target and develement plan (Manager)	1
		Remote group efficient communication	1.5
		Mixed work style on post-COVID	2
		UI/UX Design Workplace General Course	1
		2021Q1 Communication of financial holding's Manager-Performance Management and Development System	1
		2021Q2 Communication of financial holding's Manager-how to cotrol remote group	1
		2021Q3 Communication of financial holding's Manager-A systematic approach from recruiting to the perfect newcomer experience	1
		2021Q4 Communication of financial holding's Manager- End of term interview (PMD) and IPD follow	1
Assistant Vice President	Gwang-Ying She	2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		Corporate Governance Seminar of Director, supervisor and Chief Corporate Governance Officer (2021, 6th session)- financial technology- AI and Technology Law	3
		Auditor Workshop --- (538th session)	7
		Financial Inspection and Auditing Seminar (23th session)	12
		Auditor Workshop --- (544th session)	4
		Auditor Workshop --- (545th session)	4
		Seminar-Internal Control of Financial Holdings	3
		Seminar-Preventions of Insider Trading	3
Assistant Vice President	Sheng-Hsiung Tsai	Business Continuity Management Annual Education and Training	1
		Training Course of operational impact analysis and risk assessment	2
		Mixed work style on post-COVID	1.5
		Leadership courses for managing mixed work teams	3
		2021 Regulatory Letters Course	10
		Cathay Sustainable Finance and Climate Change Summit	6
		ESG Risk Management Trends Forum	3
		National Banking Industry Climate Change Risk Management Project - Internal Training of competitors-1/2/3/4	12
Assistant Vice President	Hwa-Hsin Yang	2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		2021 First Half /Second Half Social Engineering Education and Training	1
		2021 Nurturing development journey-II: Set up the annual target and develement plan (Manager)	1

Title	Name	Course name	Course hours
		Business Continuity Management Annual Education and Training	1
		Digital Power Forum	2
Assistant Vice President	Chin-Tang Lu	2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		Business Continuity Management Annual Education and Training	1
		2021 First Half/Second Half Social Engineering Education and Training	1
		Mixed work style on post-COVID	1.5
		Remote group efficient communication	1
Assistant Vice President	Yao-Te Wang	Experience sharing meeting of Financial institutions implement information security and maintain uninterrupted operations	3
		Financial Security Protection and Network / The latest financial crime landscape in API and cloud environments	3.5
		Training of Information Security Governance Maturity: NIST CSF&CIS CSC	1
		Training of Information Security Governance Maturity: Identity Access Security Management Policy - Privileged Account	1
		2021 Manager class- Talk about the team's good PMD, smart management performance	1
		Basel X IRB	1
		2021 First /Second Half Social Engineering Education and Training	1
		Business Continuity Management Annual Education and Training	1
		2021 Risk management annual Education and Training	1
		Business Management Conference	6.5
		2021 First Half/Second Half IT Security Education and Training	2
		Personal Data Protection Law and Practice Course	1
		2021 First/Second Half AML Education and Training	2
		2021 Nurturing development journey-II: Set up the annual target and development plan (Manager)	2
Assistant Vice President	Wan-Yu Ho	2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		2021Q1 Communication of financial holding's Manager-Performance Management and Development System	1
		2021Q2 Communication of financial holding's Manager-how to control remote group	1
		Remote group efficient communication	1
		2021Q3 Communication of financial holding's Manager-A systematic approach from recruiting to the perfect newcomer experience	1
		2021Q4 Communication of financial holding's Manager- End of term interview (PMD) and IPD follow	1
		Mixed work style on post-COVID	1.5
		Insurance issues updated by COVID-19	2
		Tribute or plagiarism? Is it fair to use it? Starting from the controversy of "Your Name Engraved Herein"	2

Title	Name	Course name	Course hours
Assistant Vice President	Chun-Chieh Chen	2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		2021 Nurturing development journey-II: Set up the annual target and develement plan (Manager)	1
		2021 First Half/Second Half Social Engineering Education and Training	1
		Business Continuity Management Annual Education and Training	1
Assistant Vice President	Ya-Jou Chang	2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		(Coaching and developing talent) Stimulate the potential of colleagues, coaching for Performance its you (Mastercheers)	1
		2021 First Half /Second Half Social Engineering Education and Training	1
		Investor Relations Seminar	3
		Investor Relations Leader Seminar --- Best Practice Strategies for ESG in International Capital Markets	1
		2021 Tiwan ESG and Responsible Investment Seminar	5
		2021Q1 Communication of financial holding's Manager-Performance Management and Development System	1
		2021Q2 Communication of financial holding's Manager-how to cotrol remote group	1
		Remote group efficient communication	1.5
		Insurance issues upended by COVID-19	1
		New life of employee on Post-COVID - Application for reporting corruption, sexual harassment and job bullying prevention	1.5
		2021Q3 Communication of financial holding's Manager-A systematic approach from recruiting to the perfect newcomer experience	1
		OFAC (Office of Foreign Assets Control) Sanctions and Implications for Financial Institutions	1.5
		Taiwan – ESG Progress in Spotlight	1
		Tribute or plagiarism? Is it fair to use it? Starting from the controversy of "Your Name Engraved Herein"	1
		Leadership courses for managing mixed work teams	3
		2021Q4 Communication of financial holding's Manager- End of term interview (PMD) and IPD follow	1
		Webinar-Insurance Sustainability and Financial Reporting	2.5
		Mixed work style on post-COVID	1.5
		Webinar-Outlook ahead of the 2022 shareholder meeting	1
		Under the new value of ESG, reshape the new look of directors' responsibility and corporate governance	1
Assistant Vice President	Chi-Ya Hua	Eliminate models and practices such as enterprise financial credit risk assessment	1
		Basel X IRB	1
		Business Management Conference	6.5
		2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		2021 First Half/Second Half Social Engineering Education and Training	1
		Business Continuity Management Annual Education and Training	1

Title	Name	Course name	Course hours
		2021 Nurturing development journey-II: Set up the annual target and development plan (Manager)	1
		2021 Manager class- Talk about the team's good PMD, smart management performance	1
Assistant Vice President	Jui-Hung Hung	2021 AML and CTF Training for Directors and Supervisors	1
		2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		2021 First Half /Second Half Social Engineering Education and Training	1
		Business Continuity Management Annual Education and Training	1
		Training Course-Issuer Securities Firms and Stock Exchange Accounting Supervisors Continuing Education	12
Assistant Vice President	Chun-Lan Shih	2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		(Coaching and developing talent) Stimulate the potential of colleagues, coaching for Performance its you (Mastercheers)	3
		2021 First Half/Second Half Social Engineering Education and Training	1
		Mixed work style on post-COVID	1.5
Assistant Vice President	Wei-Ming Chen	2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		2021 First Half/Second Half Social Engineering Education and Training	1
		Business Continuity Management Annual Education and Training	1
		2021 Nurturing development journey-II: Set up the annual target and development plan (Manager)	1
		Mixed work style on post-COVID	1.5
Assistant Vice President	Hao-Hsiang Liu	2021 Risk management annual Education and Training	1
		2021 Personal Data Protection Education and Training	1
		2021 First Half /Second Half Social Engineering Education and Training	1
		2021 First Half/Second Half Social Engineering Education and Training	1
		Business Continuity Management Annual Education and Training	1
		Mixed work style on post-COVID	1.5
Assistant Vice President	Chi-Liang Huang	202101 Restrictions on part-time staff and prohibition of misconduct by staff / Compliance Dept.	1
		2021 Second Half Bank-wide AML Education and Training/AML Department	1
		2021 Manager class- Talk about the team's good PMD, smart management performance	1
		Basel X IRB	1
		Group Mid-Level Manager Class- easy to know the personal development plan	1.5
		PMD of end of period-how to do the performance appraisal	1

(X) Implementation of internal control system

1. Declaration of Internal Control System: Please refer to Appendix IV.
2. If the internal control policy was reviewed by an external auditor, the result of such review must be disclosed: none.

(XI) Penalties imposed against the financial holding company and subsidiaries in the last 2 years up till the publication date of this annual report, including the weaknesses found and the improvements made

1. Indictment of the Company's statutory responsible person or an employee by prosecutors for crimes committed on the job: None.
2. Any regulatory violation or defect fined or corrected by FSC, any occurrence that the FSC has exercised decision power in accordance with Paragraph 1, Article 54 of the Act, or any penalty imposed against the company or insider for violation of internal control system; where the penalty is likely to have material impact on shareholders' interest or security price, or meets any of the conditions mentioned in Article 2 of FSC's Regulations Governing Announcement of Major Penalties Imposed for Violation of Financial Regulations, should explain in details the penalty imposed, the main defects involved, and progress for improvement:

■ **Cathay Life Insurance Co., Ltd.**

(1)The following defects were found during Financial Supervisory Commission's (FSC) 2018 general inspection on subsidiary - Cathay Life:

- A. With regards to complaints about sales representatives having persuaded customers to terminate insurance policies or undertake financed purchase of investment-linked policies, the subsidiary did not develop adequate control systems to check transaction patterns and prevent sales representatives from engaging in improper solicitation.
- B. One of the branches of a Mainland insurance company that the subsidiary is a co-investor of was issued the administrative penalty to suspend new accident insurance services by the local financial authority, but the Company did not notify FSC in time upon receiving news of the administrative penalty.
- C. The subsidiary did not develop proper underwriting procedures for corporate insurance applicants. Furthermore, the subsidiary lacked reasonable controls to evaluate whether changes in insurance applicant or beneficiary are consistent with the initial insurance purpose.
- D. Inappropriate sales talks were found in telemarketing activities.
- E. The subsidiary did not adopt reasonable measures to verify customers' identity; customer due diligence and enhanced due diligence measures were not fully enforced; insurance policies of high policy value reserve are considered to exhibit high money laundering risk, but online sale of which was not subjected to risk assessment and transaction pattern monitoring.
- F. Investigation of policyholders' complaint found that the subsidiary had not followed up on policyholder's complaint about the private cash exchange between sales representatives and customers that may give rise to consumer dispute. The subsidiary should enhance its awareness promotion and management over the issue.
- G. For structured note-linked insurance products, policyholders are issued "Insurance Principal Overdue Collection Advice" (via ordinary mail) and contacted by phone if proceeds are uncollected within 2 months after maturity, but no call record is maintained.

- H. Post-investment management on venture capital companies was too focused on performance evaluation, and lacked analysis and disclosure on whether investment positions are consistent with investment plans.
- I. The subsidiary did not evaluate the necessity of SWIFT user accounts that were unused for an extended period of time, in order to keep user access to the minimum; monitoring of abnormal activities in the event log was limited only to transactions completed during non-office hours, and there was no monitoring of other abnormal activities.

The Financial Supervisory Commission imposed NT\$5.6 million in fines and issued 6 orders of correction on February 18, 2020.

Improvement: Subsidiary - Cathay Life has rectified the defect.

- (2) The following defects were found during the Financial Supervisory Commission's (FSC) 2018 general inspection (September to October) on subsidiary Cathay Life:

When reclassifying self-occupied real estate into investment property, the subsidiary was found to have negotiated and signed lease agreements with tenants and made half-yearly reports to the board of directors beforehand, and did not complete the reclassification until the board of directors had made the final resolution. This practice did not conform with Subparagraph 4, Note 3 of FSC Instruction No. Jing-Guan-Bao-Cai-10804945921 dated August 23, 2019, for which the Financial Supervisory Commission issued an order of correction on April 22, 2020.

Improvement: Subsidiary - Cathay Life has rectified the defect.

- (3) The following defects were found during FSC's special inspection on subsidiary Cathay Life regarding the prevention of conflicting domestic equity interest:

The subsidiary did not implement appropriate verification practices for reports of conflicting domestic equity interest, for which the Financial Supervisory Commission issued an order of correction on July 31, 2020.

Improvement: Subsidiary - Cathay Life has rectified the defect.

- (4) The following defects were found during Financial Supervisory Commission's (FSC) 2020 general inspection on subsidiary - Cathay Life:

- A. When participating in an international syndicated loan case, the subsidiary did not verify the rationality of the valuation assumptions, criteria, and parameters mentioned in the lead arranger's valuation report or maintain record of the verifications performed. The "Credit Review Policy" does not specify the abnormal signs to look out for, hence the credit review is ineffective at raising early alerts. Post-lending management practices are deemed inadequate.
- B. The subsidiary's "Collaterals Guidelines" require all collaterals obtained, whether in the form of real estate or movable property, to be handled in accordance with the lending principles unless the Loan Review Panel approves otherwise under special circumstances. As per inspection, collaterals held under special circumstances were not rigorously reviewed; the collateral review process requires improvement, and the lack of which may compromise operations.

The Financial Supervisory Commission imposed NT\$600,000 in fines and issued 1 orders of rectification on May 19, 2021.

Improvement: Subsidiary - Cathay Life has rectified the defect.

- (5) The FSC found following defects regarding internal personnel management and internal control practices of subsidiary – Cathay Life:

For sales representatives who had known contact with a COVID-19 confirmed case but had yet to obtain stay-at-home notice, the subsidiary merely relied on the sales representative's report after the fact and did not undertake any preemptive control measure. Furthermore, employees were not adequately supervised to comply with internal disease control guidelines.

The Financial Supervisory Commission imposed NT\$600,000 in fines on June 22, 2021.

Improvement: Subsidiary - Cathay Life has rectified the defect.

- (6) The FSC found the following defects regarding the issuance of payment notice for insurance renewal premiums by subsidiary – Cathay Life:

Since October 2005, Cathay Life has been issuing insurance renewal premiums payment notices, policy cash value refund notices, policy loan payment notices, and policy loan interest payment notices (pre-rollover notices) to each policyholder's latest address across all policies held. There were instances where abnormal premium payments were not followed up despite there being no "Return" in the physical mail delivery of the above notices. This practice is deemed to have compromised policyholders' interests.

The Financial Supervisory Commission imposed NT\$600,000 in fines on October 6, 2021.

Improvement: Subsidiary - Cathay Life has rectified the defect.

- (7) The following defects were found during Financial Supervisory Commission's (FSC) 2020 general inspection on subsidiary - Cathay Life:

- A. For the solicitation and approval of insurance coverage, the subsidiary created a new mechanism in 2020 that checks each applying customer for history of policy loan and policy termination three months before the date of application. However, despite being able to identify insurance applications that met the above conditions, the subsidiary did not investigate discrepant details specified in sales representatives' business solicitation reports, which defeats the purpose of the systematic check. In terms of telemarketing, there were instances where customers were excluded from coverage for having possessed a disability handbook (severe disability and above), and inappropriate sales talk techniques were used. For persons with disabilities, the subsidiary was found to have denied coverage without proper assessment of an applicant's health state.
- B. With regard to policy termination, there were instances where the subsidiary did not check whether such a request required a phone interview beforehand, and conducted the phone interview after the surrender proceeds were paid. Some product remarks were designed to be applicable for policyholders who purchased before a certain date (before March 31, 2019); this gave rise to instances where policyholders purchasing the same product and paying the same amount of premiums had reversionary bonuses calculated differently (monthly declaration and monthly allocation versus month declaration and annual allocation). There were also instances where calculation of reversionary bonus was changed through an amendment of remarks without notifying or obtaining consent from the policyholder. When handling termination of master contract and attached riders, there were instances where the subsidiary did not take the initiative to refund unearned premiums back to the applicant when required to do so according to rider terms.
- C. The subsidiary did not adopt any regular practice to examine screen captures of mobile insurance application stored on mobile devices.
- D. The subsidiary did not generate reports to check for transactions solicited by the same sales representative using the same IP address. Furthermore, there were instances where several sales

representatives shared one mobile number. These practices are deemed inappropriate and may compromise sound business operations.

- E. When reviewing new insurance applications, the subsidiary was found to have approved new coverage without reminding policyholders of their rights to reinstate old policies. This practice may be detrimental to consumers' interests and compromise sound business operations.
- F. The subsidiary did not conduct review or propose response measures to the deterioration in the quality of the overseas loan portfolio in a timely manner, which may compromise sound business operations.
- G. When conducting credit assessment, the subsidiary did not evaluate the feasibility of the borrower's construction plan or verify whether the underlying collateral was being sold to multiple buyers; furthermore, the subsidiary was found to have formulate its own construction plan for the borrower. These practices are deemed inappropriate and may compromise sound business operations.
- H. One of the venture capital companies that the subsidiary had invested in was found to have purchased common shares and made financed purchase of preferred shares that were unrelated to its investment objectives or plans. Stop-loss actions were not duly executed on foreign shares despite multiple loss control reports being issued on the investment, and even after stop-loss was executed, the subsidiary did not perform follow-up actions as suggested. One of the discretionary investment managers had purchased assets that did not conform with domestic regulations, but the subsidiary did not have relevant rules or controls in place, and nor was the incident reported to the board of directors. This defect has the potential to compromise sound business operations.
- I. With regards to AML and CFT practices, the suspicious transactions monitoring system was not configured to monitor all causes of contract termination, indicating inappropriate parameter settings, which may compromise sound business operations.
- J. With regard to non-credit transactions with stakeholders, the subsidiary did not monitor transactions with indirect stakeholders. This defect has the potential to compromise sound business operations.
- K. Instances were found where: VPN users did not duly input reasons for VPN use and the entries were not verified by managers; access of USB on local computer terminal was not appropriately controlled; and system vulnerabilities were not patched and released to the production environment within the internal deadline. These defects have the potential to compromise sound business operations.

The Financial Supervisory Commission imposed NT\$1.2 million in fines and issued 8 orders of rectification on December 8, 2021.

Improvement: Subsidiary - Cathay Life has rectified the defect.

(8) The following defects were found during FSC's 2020 general and insurance inspection on subsidiary – Cathay Life:

- A. The subsidiary had suspended one of its sales representatives from business solicitation for three months, but did not check whether the sales representative "possessed and used policyholders' online banking accounts and passwords."
- B. When processing applicant's (Liu) request to change death benefit beneficiary to someone who was neither a direct relative nor a spouse, the subsidiary did not duly verify relationship between the death benefit beneficiary and the insured party, and did not explain reasons for the change, which failed to comply with internal policies.
- C. Chen, one of the policyholders, purchased a foreign currency policy while designating himself as the insured party, but terms of the policy were not explained by a certified foreign currency sales representative and important details of the policy were not conveyed to the policyholder. The soliciting

sales representative failed to exercise the duty of care as a prudent manager and did not verify the source of premium payment or whether the policy was suitable to the applicant/insured party. Furthermore, failure to explain key details to the applicant/insured party may result in the policyholder having inadequate knowledge of policy terms, and negatively affect the interests of the applicant, insured party, or beneficiary.

- D. Huang, one of the policyholders, purchased multiple insurance policies consecutively while specifying salary as the source of premium payment and one particular institution as the beneficiary in most cases; however, the subsidiary approved the coverage without thoroughly investigating the source of capital, the purpose of insurance, and policyholder's needs. An examination of sales representative's solicitation report and due diligence worksheet prepared for Chen's applications found apparent discrepancy between insured party's personal annual income and the annual amount of premiums payable, which indicated that the subsidiary did not properly review the policyholder's premium servicing capacity.

The Financial Supervisory Commission imposed NT\$1.2 million in fines and issued 2 orders of correction on January 22, 2022. Improvement: Subsidiary - Cathay Life has rectified the defect.

(9) The following defects were found during financial customer protection 2021 elderlies Financial Consumer Protection Operations on subsidiary - Cathay Life:

- A. When underwrite Investment-linked insurance policies , For policyholders who have increased insurance premiums, the trial balance of the policy account value after the premium has not been added does not provide protection for the rights of the policyholders
- B. The source of funds for paying insurance premiums for policyholders is loans or insurance policy loans, and purchase of insurance products with policy value reserves, the content of the phonecall did not clearly inform the maximum possible loss amount according to the characteristics of the product, the telephone operation was not implemented.

The Financial Supervisory Commission imposed and issued 2 orders of correction on March 22, 2022. Improvement: Subsidiary Cathay Life has made improvements for the telephone operation was not implemented to the mentioned above; improvement measures for the trial balance of policy account value after premium is not provided have been submitted to the authority in writing and are currently being reviewed.

■ **Cathay United Bank Co., Ltd.**

- (1) Former financial advisor of Banqiao Branch was found to have embezzled customers' funds, failed to establish insurance applicants' needs, and failed to check the solicited applications before submission. These defects were in violation against Paragraph 1, Article 45-1 of The Banking Act and Article 6 and Paragraph 1, Article 7 of the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies," for which the Financial Supervisory Commission imposed a fine of NT\$12 million on December 31, 2020 out of concern for the integrity of banking operations. Furthermore, pursuant to Subparagraph 1, Paragraph 1, Article 164-1 of the Insurance Act and Subparagraph 2, Paragraph 1, Article 61-1 of The Banking Act, the Bank's Banqiao Branch was suspended from soliciting new insurance brokerage and money trust customers for one month each, starting from the effective date of penalty, and may resume service only when improvements are approved by the FSC.

Improvements: The Company has enhanced its control over non-counter transactions, its assessment of customers' insurance needs and product suitability, its identification of abnormal insurance transactions, and the monitoring of cash flow between financial advisors or related accounts and customers.

Meanwhile, on-site audits, self-audits, and training are being conducted at high intensity to promote employees' compliance awareness.

- (2) Former employee of Anhe Branch was found to have embezzled customers' funds, for which the Financial Supervisory Commission issued an order of correction on December 31, 2020 out of concern for the integrity of business operations.

Improvements: The subsidiary has abolished the practice of manually stamping the collection seal; statements are now printed automatically by the system with warning messages to prevent fraud.

■ Cathay Century Insurance Co., Ltd.

- (1) The following defects were found during FSC's 2020 general inspection on subsidiary – Cathay Century Insurance:

- A. When underwriting insurance for persons with disability, the subsidiary did not conduct assessments according to the general underwriting guidelines.
- B. There were instances where the subsidiary had underwritten insurance coverage without obtaining extended vehicle warranty agreement, without retaining proof of premium calculation, and without evaluating terms of the insurance product offered.
- C. New services were launched without supporting opinions from the Compliance Officer of the head office regarding compliance with regulations and internal policies, and no signature was provided for accountability.
- D. The subsidiary engaged a group affiliate for IT maintenance service, but did not implement control measures for the services performed. This defect does not favor accountability and compliance.
- E. There were instances where residential fire insurance policies were underwritten without using the latest premium rates and construction cost guidelines.
- F. There was no consistent standard for checking sales representative's address against the address of new contract or policy.
- G. Investment analysis and decision-making process for domestic bond ETFs was somewhat incomplete.
- H. Transactions with substantive related parties were not properly defined, and as a result, some transactions with third parties that also involve substantive related parties were not monitored.
- I. An examination of IT operations found instances where: access was not configured according to the least privilege principles; standard operating procedures on monitoring and alert of abnormal incidents were absent; security vulnerability was noticed in the portal, the insurance brokerage/agency B2B system, and the travel liability B2B system; and no monthly report on database administrator's access was designed or generated.

The Financial Supervisory Commission imposed NT\$2.4 million in fines and issued 5 orders of correction on May 18, 2021.

Improvement: Subsidiary - Cathay Century Insurance has rectified the defect.

■ Cathay Securities Corporation

- (1) The FSC conducted a securities brokerage special inspection at Cathay Securities' Corporate Service Division and Guanqian Branch from June 17 to July 3, 2019, during which the FSC found several defects, including lack of transaction check for insider accounts and customer accounts, acceptance of customers' trade instructions at unspecified prices, absence of voice recording for trade instructions placed via telephone, customers' margin trading limits not being approved/rejected by personnel of proper approval authority, and the rate of securities borrowing fees collected from customers not published at the business

premise or on the website. The Financial Supervisory Commission issued an order of correction on January 30, 2020.

Improvement: Subsidiary - Cathay Securities has rectified the defect.

- (2) Taipei Exchange (TPEX) conducted an audit on the Company on November 9 and 10, 2020. Deficiencies including that the Company provided the co-location service operation with customized service to specific clients for use, the trading software developed by the client was placed in the system of the co-location host machine, the client entrustment time record was not preserved, the system log record content failed to be preserved for 3 years, account passwords failed to be changed after a period of 3 months, the firewall access record was not preserved for 3 years, and vulnerability scan was not performed, etc., were found during the audit. On December 11, 2020, Taiwan Stock Exchange (TWSE) issued a letter requesting attention on improvements and an administrative fine of NT\$300,000 was imposed. In addition, on March 4, 2021, the Financial Supervisory Commission (FSC) rendered a decision on an administrative fine of NT\$1.44 million and a warning sanction was imposed.

Improvement: Subsidiary - Cathay Securities has rectified the defect.

■ Cathay Securities Investment Trust Co., Ltd.

- (1) Subsidiary Cathay Securities Investment Trust had some of its PC terminals and servers infected with a virus on October 22, 2019, but did not make preliminary reports using the information security reporting system within 30 minutes. The Financial Supervisory Commission issued an order of correction on April 22, 2020 for this defect.

Improvements: Subsidiary Cathay Securities Investment Trust has reexamined its information security reporting procedures and organized enhanced training to correct this defect.

- (2) With regard to the refund of over-charged commission by Raymond James Financial Service (RJF), an overseas broker, at the end of 2018, subsidiary Cathay Securities Investment Trust was found to have credited the refund into the appropriate accounts after verifying calculations and reaching a settlement with RJF, but did not notify the authority or make timely reports according to its major occurrences policy. The Financial Supervisory Commission issued an order of correction on August 20, 2020 for lack of diligence.

Improvements: Subsidiary Cathay Securities Investment Trust has since reexamined its definition of major occurrence; no transaction with RJF has taken place since March 2018, hence the defect is considered rectified.

- (3) In August 2020, the FSC proceeded to the subsidiary Cathay Securities Investment Trust to conduct general business inspection. Upon inspection, the deficiencies including that the Know Your Client (KYC) process was performed but the offshore company's substantial beneficiary identification was not performed thoroughly, identification and verification of agent identity for agent account opening were not performed and no photocopies of such identification and verification were preserved, and existence certificates were not obtained for offshore corporate judicial person account opening, were found, and the FSC requested for correction on March 2, 2021.

Improvement: Subsidiary - Cathay SITE has rectified the defect.

2. Disclosure of losses exceeding \$50 million incurred during the year, whether individually or in total, as a result of conspiracy, material contingencies (including fraud, theft, misappropriation of assets, fictitious transactions, forgery of documents and securities, kick-backs, natural disasters, external forces, hackers' attacks, theft and leakage of confidential information, disclosure of customers' details or other major events), or accidents arising from failure to comply with Safety and Maintenance Guidelines for Financial Institutions: none.
3. Other disclosures required by the Financial Supervisory Commission: None.

(XII) Shareholder meeting(s) and significant board resolutions during the most recent year and up to the date of publication of this annual report

1. Major resolutions of the 2021 annual general meeting and the execution progress

Major resolutions of the 2021 annual general meeting	Implementation Status
(1) Acknowledgment of 2020 business report and financial statements.	Announced to the public after shareholder meeting resolution.
(2) Acknowledgment of the Company's 2020 earnings appropriation.	August 1, 2021 was set as the baseline date for distribution, whereas August 23, 2021 was determined as the distribution date. (1) EPS of NT\$2.5 for common shares. (2) NT\$2.28 per share for Class-A preferred shares. (3) NT\$2.13 per share for Class-B preferred shares.
(3) Discussion for amendments to the Rules of Procedure for Shareholders' Meetings of the Company.	The Rules of Procedure for Shareholders' Meetings have been amended as resolved in the shareholders' meeting and announced to the public.
(4) Amendments for amendments to the Company's Procedure for Election of Directors of the Company.	The Procedure for Election of Directors have been amended as resolved in the shareholders' meeting and announced to the public.
(5) Discussion of the Company's long-term funding plan.	After determination and assessment, currently, there is no need to execute such plan.

2. Major board of directors resolutions made in 2021 and in 2022 up till the publication date of this annual report:

(1) 12th meeting of the 7th board dated January 15, 2021

- Passed amendments to the Company's "Investment Management Guidelines."
- Passed the decision to have subsidiary of Cathay Life to participate in the cash issue of Cathay Life Vietnam.

(2) 13th meeting of the 7th board dated February 3, 2021

- Passed extension of unsecured credit from the Company to Taiwan Cooperative Bank, First Commercial Bank and KGI Bank.
- Passed the amendments to the Company's "Ethical Management Best-Practice Policy and Principles," "Procedures for Ethical Management and Guidelines for Conduct" and "Managers' Performance Management Development Guidelines."
- Passed discussion of Chief Auditor's performance evaluation.
- Passed personnel assignment of the Company.
- Passed distribution of bonus to the Company's managers and directors involved in business decisions.
- Passed the Company's 2020 "board of directors and functional committee" internal performance evaluation.
- Passed the appointment of directors and supervisors to the subsidiaries of "Cathay United Bank" and "Cathay Securities."
- Approved the proposal on the application for registration of a wholly owned subsidiary at Shanghai submitted by Conning Asia Pacific Limited, a sub-subsidiary of Cathay Life in Hong Kong.

(3) 14th meeting of the 7th board dated March 10, 2021

- Passed the 2020 employee and director remuneration.

- Passed review of the 2020 year-end financial statements.
 - Passed the 2021 financial and business target.
 - Passed the Company's 2020 "Declaration of Internal Control System."
 - Passed the amendments to the Company's "Rules of Procedure for Shareholders' Meetings" and "Procedure for Election of Directors."
 - Passed reorganization of the Company and amendments to "foundation principles."
 - Passed personnel assignment of the Company.
 - Passed the appointment of directors to subsidiary - "Cathay United Bank."
- (4) 15th meeting of the 7th board dated April 28, 2021
- Passed the 2020 business report.
 - Passed review of the 2020 earnings appropriation.
 - Approved the Audit Committee's Review Report on the Company's 2020 Financial Statements.
 - Passed the Company's long-term funding plan.
 - Approved the "2020 Audit Committee Annual Operation Status Report" submitted at the shareholders' meeting.
 - Passed extension of unsecured credit from the Company to Bank SinoPac, E.SUN BANK, International Bills Finance, China Bills and Ta Ching Bills.
 - Passed personnel assignment of the Company.
 - Passed the appointment of directors to subsidiary - "Cathay Securities Investment Trust."
- (5) 16th meeting of the 7th board dated May 13, 2021
- Passed review of the 2021 Q1 financial statements.
 - Passed amendments to the Company's "Internal Control System," "Internal Audit System and Implementation Rules" and "Director Compensation and Payment Guidelines."
 - Passed amendments to "Foreign Insurance Business Investment Procedures" of the subsidiary "Cathay Life."
 - Passed distribution of compensation to the Company's managers and directors involved in business decisions.
- (6) 17th meeting of the 7th board dated July 5, 2021
- Passed the amendments to the Company's 2020 earnings appropriation.
 - Approved the extension of unsecured credit from the Company to CTBC Bank, MEGA Bills, Grand Bills and Dah Chung Bills.
- (7) 18th meeting of the 7th board dated August 19, 2021
- Passed review of the 2021 first-half financial statements.
 - Approved the extension of unsecured credit from the Company to Union Bank.
 - Passed amendments to the Company's "Business Continuity Management Guidelines" and "Information Security Policy."
 - Passed personnel assignment of the Company.
- (8) 19th meeting of the 7th board dated November 9, 2021
- Approved the review of the Company's 2021 Q1–Q3 financial statements.
 - Passed appointment of financial statement auditors and review of audit remuneration for 2022.
 - Passed extension of unsecured credit from the Company to Yuanta Bank, Taipei Fubon Bank, Taishin International Bank and Hua Nan Bank.
 - Passed the adoption of the Company's "Guidelines for Conduct on Prevention of Conflict of Interest in Domestic Equity Product Transactions."

- Passed reorganization of the Company and amendments to “foundation principles.”
 - Passed personnel assignment of the Company.
 - Passed the managers’ compensation of the Company.
 - Passed the appointment of directors to subsidiary - “Cathay Securities Investment Trust.”
- (9) 20th meeting of the 7th board dated January 26, 2022
- Passed extension of unsecured credit from the Company to Bank SinoPac, KGI Bank and International Bills Finance.
 - Passed discussion of Chief Auditor’s performance evaluation.
 - Passed distribution of bonus to the Company’s managers and directors involved in business decisions.
 - Passed the salary adjustment for the Company’s managers.
 - Passed the Company’s 2021 “board of directors and functional committee” internal performance evaluation.
- (10) 21th meeting of the 7th board dated March 11, 2022
- Passed the 2021 employee and director remuneration.
 - Passed review of the 2021 year-end financial statements.
 - Passed the 2022 financial and business target.
 - Passed extension of unsecured credit from the Company to Taiwan Cooperative and Ta Ching Bills.
 - Passed the adoption of the “Cathay Financial Holdings and Subsidiaries Customer Data Sharing Policy.”
 - Approved the amendment to the “Articles of Incorporation” and “Corporate Sustainability Rules” of the Company.
 - Passed discussion for the election of the Company's 8th board of directors.
 - Passed the Company’s 2021 “Declaration of Internal Control System.”
 - Passed personnel assignment of the Company.

(XIII) The main contents of important resolutions passed by the Board of Directors regarding in which directors or Supervisors have voiced differing opinions on the record or in writing, during the most recent year and up to the date of publication of this annual report:

None.

(XIV) Resignation or dismissal of personnel related to financial statement preparations (including the chairman, president, head of finance, head of accounting, chief internal auditor, and the Chief Corporate Governance Officer) in the most recent year up till the publication date of annual report (Table 2-3):

Title	Name	Date of Appointment	Date of Discharged	Reason of Resignation or Dismissal
Chief Information Officer	Chia-Sheng Chang	2015/04/01	2021/10/18	Retired at retirement age
Chief Compliance Officer	Judie Hsu	2015/03/25	2022/04/01	Resignation

Note: The “related parties of the Company” described refers to the Chairman, President, Financial Supervisor, Accounting Supervisor, Internal Audit Supervisor and Corporate Governance Supervisor, etc.

V. Certified Professional Fees to CPAs (Table 3)

Unit: NT\$ thousand

Accounting firm name	Names of Auditors	Audit period	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Cheng-Hung Kuo	2021/1/1~ 2021/12/31	6,862	4,509	11,371	Scope of non-audit service: mobile office consultancy service, cybersecurity evaluation, tax certification, etc.
	Shu-Wan Lin					

Note 1: If the CPAs or public accounting firms for the Company were replaced during the year, the duration of their audit engagement should be separately disclosed, and the reason for replacement should be explained in the remark section, and information such as audit and non-audit fees paid should be disclosed in said sequence. Detailed explanations to non-audit service should be provided.

Note 2: Audit fees for the current period were 31.86% lower compared to the previous year, mainly due to the amendment of "Regulations Governing Information to Be Published in Annual Reports of Financial Holding Companies" on February 21, 2022, which reclassified tax certification into non-audit service.

VI. Information of Independent Auditor replacement (Table 3-1)

(I) Information relating to the former CPA

(1) Information relating to the former CPA			
Date of reappointment	Passed during the board of directors meeting dated November 12, 2020		
Reason for reappointment	Organizational adjustment within Deloitte Taiwan		
Was the termination of audit services initiated by the principal or by the CPA	Parties involved Situation	Certified Public Accountant	Principal
	Service terminated by	—	—
	Service no longer accepted (continued) by	—	—
Reasons for issuing opinions other than unqualified opinions in the recent 2 years	None		
Disagreements with the company	Yes	—	Accounting principles or practices
		—	Disclosure of financial report
		—	Scope or steps of audit
		—	Others
	None	✓	
	Notes	None	
Other disclosures (Matters that shall be disclosed in Article 10, Subparagraph 6, Item 1, Point 4, of Regulations Governing the Preparation of Financial Reports by Financial Holding Companies)	None		

(III) Information relating to the succeeding CPA

Firm name	Deloitte Taiwan
Names of Auditors	Cheng-Hung Kuo, Shu-Wan Lin
Date of reappointment	Passed during the board of directors meeting dated November 12, 2020
Inquiries and replies relating to the accounting practices or accounting principles of certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment	None
Written disagreements from the succeeding auditor against the opinions made by the former CPA	None

(IV) The reply letters on Article 10, Subparagraph 6, Item 1, and Item 2, Point 3, of Regulations Governing the Preparation of Financial Reports by Financial Holding Companies from the previous CPA:

None.

VII. The facts about the Company chairman, president, managerial officer in charge of financial or accounting affairs having served with the CPA Office or the affiliation thereof over the past year

None of the Company chairman, president, and managerial officer in charge of financial or accounting affairs has served with the CPA Office or the affiliation thereof over the past year.

VIII. Facts about the director or supervisor, managerial officer, or a same person or a same affiliated enterprise having held the equity of a same financial holding corporation with voting power exceeding the specified ratio which should be declared under Article 11 of the Managerial Regulations: The facts of equity transfer and change in equity pledge (Table 4)

Facts of change in equity which should be declared as required (I)

Title (Note 1)	Name	2021		The year till March 30, 2022	
		Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Chairman	Hong-Tu Tsai	0	0	0	0
Vice Chairman	Tsu-Pei Chen	0	0	0	0
Juristic (corporate) person director	Chen-Sheng Industrial Co., Ltd.	0	0	0	0
Juristic (corporate) person director	Chia Yi Capital Co., Ltd.	0	0	0	0
Juristic (corporate) person director	Cathay Life Insurance Co., Ltd. Employees' Welfare Committee	0	0	0	0
Juristic (corporate) person director	Culture and Charity Foundation of the Cathay United Bank	0	0	0	0

Title (Note 1)	Name	2021		The year till March 30, 2022	
		Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Director	Cheng-Ta Tsai	0	0	0	0
Director	Cheng- Chiu Tsai	0	0	0	0
Director	Chi-Wei Joong	0	0	0	0
Director	Andrew Ming-Jian Kuo	0	0	0	0
Director	Tiao-Kuei Huang	0	0	0	0
Director	Chang-Ken Lee	0	0	0	0
Director	Ming-Ho Hsiung	0	0	0	0
Independent Director	Feng-Chiang Miao	0	0	0	0
Independent Director	Edward Yung-Do Way	0	0	0	0
Independent Director	Li-Ling Wang	0	0	0	0
Independent Director	Tang-Chieh Wu	0	0	0	0
Major shareholder and the same related party	Wan Pao Development Co., Ltd.	0	0	22,000,000	0
Major shareholder and the same related party	Lin Yuan Investment Co., Ltd.	0	10,000,000	43,678,251 582,426 Preferred Share A	(10,000,000)
The same related party	Chia Yi Capital Co., Ltd.	0	0	0	0
The same related party	Wan Ta Investment Co., Ltd.	0	0	50,000	0
The same related party	Tung Chi Capital Co., Ltd.	0	0	0	0
The same related party	Weng-Chuan Lin	0	0	0	0
The same related party	Mei-Hui Wang	0	0	0	0
The same related party	Weng-Chin Lin	0	0	0	0
The same related party	Weng-Chen Lin	0	0	0	0
The same related party	Hsiu-Te Lin	0	0	0	0
President	Chang-Ken Lee	0	0	0	0
Chief Auditor	Hung-Chang Yang (Newly appointed on February 4, 2021)	0	0	0	0
Chief Financial Officer	Grace Chen	0	0	0	0
Senior Executive Vice President	David P. Sun	0	0	0	0
Chief Investment Officer	Sophia Cheng	0	0	0	0
Senior Executive Vice President	Chung-Yi Teng	0	0	0	0
Senior Executive Vice President	Jian-Hsing Wu	0	0	0	0
Senior Executive Vice President	Hsiang-Hsin Tsai	0	0	0	0

Title (Note 1)	Name	2021		The year till March 30, 2022	
		Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Senior Executive Vice President	Tsung- Hsien Tsai	0	0	0	0
Senior Executive Vice President	Xu-Jie Yao	0	0	0	0
Vice President and Chief Corporate Governance Officer	Deh-Yen Weng	0	0	0	0
Executive Vice President	Shu-Ying Wu	0	0	0	0
Executive Vice President	Ta-Ching Hung	0	0	0	0
Chief Compliance Officer	Judie Hsu	0	0	0	0
Executive Vice President	Fu-Min Wang	0	0	0	0
Executive Vice President	Yu-Mei Lee	0	0	0	0
Chief Risk Officer	Ching-Lu Huang	0	0	0	0
Executive Vice President	Ming-Chiao Liang	0	0	0	0
Executive Vice President	Pei-Ching Lin	0	0	0	0
Executive Vice President	Kuang-Hsueh Chen (Newly appointed on February 4, 2021)	0	0	0	0
Executive Vice President	Hua-Ben Miao (Newly appointed on March 11, 2021)	0	0	0	0
Executive Vice President	Fa-Hsiang Chang (Newly appointed on November 10, 2021)	0	0	0	0
Chief Auditor	Chih-Jung Kun (Discharged from the post on February 4, 2021)	0	0	(Note 3)	(Note 3)
Executive Vice President	Chen-Tung Chang (Discharged from the post on March 11, 2021)	0	0	(Note 3)	(Note 3)
Executive Vice President	Ching-Yuan, Kung (Discharged from the post on October 1, 2021)	0	0	(Note 3)	(Note 3)
Chief Information Officer	Chia-Sheng Chang (Discharged from the post on October 18, 2021)	(6,000) (15,000) Preferred Share B	0	(Note 3)	(Note 3)
Executive Vice President	Chu-Jui Hung (Discharged from the post on October 31, 2021)	0	0	(Note 3)	(Note 3)
Senior Vice President	Shao-Ling Weng	0	0	0	0
Senior Vice President	Gwang-Ying She	0	0	0	0
Senior Vice President	Sheng-Hsiung Tsai	0	0	0	0
Senior Vice President	Hwa-Hsin Yang	0	0	0	0
Senior Vice President	Chin-Tang Lu	0	0	0	0
Senior Vice President	Yao-Te Wang	0	0	0	0
Senior Vice President	Wan-Yu Ho	0	0	0	0
Senior Vice President	Ya-Jou Chang	0	0	0	0
Senior Vice President	Chun-Chieh Chen	0	0	0	0
Senior Vice President	Chi-Ya Hua	0	0	0	0

Title (Note 1)	Name	2021		The year till March 30, 2022	
		Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Senior Vice President	Jui-Hung Hung	0	0	0	0
Senior Vice President	Chun-Lan Shih (Newly appointed on June 21, 2021)	0	0	0	0
Senior Vice President	Wei-Ming Chen (Newly appointed on August 20, 2021)	0	0	0	0
Senior Vice President	Hao-Hsiang Liu (Newly appointed on November 10, 2021)	0	0	(3,000)	0
Senior Vice President	Chi-Liang Huang (Newly appointed on January 1, 2022)	(Note 3)	(Note 3)	0	0
Senior Vice President	Shan-Chih Liu (Discharged from the post on March 8, 2021)	0	0	(Note 3)	(Note 3)
Senior Vice President	Wei-Jen Chang (Discharged from the post on March 8, 2021)	0	0	(Note 3)	(Note 3)
Senior Vice President	Ming-Chuan Chen (Discharged from the post on October 1, 2021)	0	0	(Note 3)	(Note 3)
Senior Vice President	Chang-Chao Liao (Discharged from the post on November 10, 2021)	(8,000)	0	(Note 3)	(Note 3)

Note 1: Any of the aforementioned personnel who fill up this Table if holding over 1% of the total shares of the financial holding corporation shall be remarked as a major shareholder and shall respectively enumerate such fact.

Note 2: In the event that the opposite party of share transfer or share pledge is a related party, please additionally fill up the following table.

Note 3: Not required to declare information of change in equity.

Note 4: In the event that the changes of shares occurring are preferred stocks, such shares are marked as (Preferred Share A) or (Preferred Share B), and those without a mark are ordinary shares.

Note 5: Since the preferred stocks issued by the Company do not contain voting rights, the changes in equity of the same person or the same concerned person in this Table do not include preferred stocks in accordance with the regulation that the calculation is made based on the total number of outstanding voting shares provided in Article 16 of Financial Holding Company Act.

Information of change in equity (II)

Name (Note 1)	Causes leading to transfer in equity (Note 2)	Date of transaction	Counterparts of transaction	The relationship between the transaction counterparts and the financial holding corporation's director, supervisor and shareholders over 10% in shareholding	Number of shares	Prices of transaction
None						

Note 1: Entries of the names of the financial holding corporation's directors and supervisors, managerial officers and those where the same person or the same related party holds the voting powers of the issued shares which exceed the ratios specified under Article 11 of the Managerial Regulations.

Note 2: Entries of acquirement or disposal.

Information of equity pledge (III)

Name (Note 1)	Causes leading to change in pledge (Note 2)	Date of change	Counterparts of transaction	The relationship between the transaction counterparts and the financial holding corporation's director, supervisor and shareholders over 10% in shareholding	Number of shares	Amount pledged (redeemed)
None						

Note 1: Entries of the names of the financial holding corporation's directors and supervisors, managerial officers and those where the same person or the same related party holds the voting powers of the issued shares which exceed the ratios specified under Article 11 of the Managerial Regulations.

Note 2: Entries of pledge or redemption.

IX. Information of Related Parties of the top ten shareholders (Table 4-1)

Name (Note 1)	Shares held by themselves		Shares held by spouses, minor children		Shareholding using other's name		Names and the relationship among the top ten shareholders in the relationship of related parties or spouses, blood relatives within the second degree of kinship. (Note 3)		Remarks
	Number of shares	Ratio of shareholding (Note 2)	Number of shares	Ratio of shareholding (Note 2)	Number of shares	Ratio of shareholding (Note 2)	Name	Relationship	
Wan Pao Development Co., Ltd. Representative: Weng-Chuan Lin	2,331,617,689	15.86%	0	0%	0	0%	Lin Yuan Investment Co., Ltd.	With the same person as the representative	—
							Wan Da Investment Co., Ltd.	With the same person as the representative	
							Pai Hsing Investment Co., Ltd.	Representative is the supervisor of the Company	—
Lin Yuan Investment Co., Ltd. Representative: Weng-Chuan Lin	2,061,210,103	14.02%	0	0%	0	0%	Wan Pao Development Co., Ltd.	With the same person as the representative	—
							Wan Da Investment Co., Ltd.	With the same person as the representative	
							Pai Hsing Investment Co., Ltd.	Representative is the supervisor of the Company	—
Labor Pension Fund	428,981,646	2.92%	0	0%	0	0%	None		—
Shin Kong Life Insurance Co., Ltd. Representative: Bo-Zheng Pan	291,477,422	1.98%	0	0%	0	0%	None		—
Labor Insurance Fund	189,519,412	1.29%	0	0%	0	0%	None		—
Trans Globe Life Insurance Inc. Representative: Teng-Te Peng	181,464,000	1.23%	0	0%	0	0%	None		—
Chang Gung Medical Foundation	157,861,594	1.07%	0	0%	0	0%	None		—
Citibank (Taiwan) as Directed Trustee For GIC-Government of Singapore	150,039,579	1.02%	0	0%	0	0%	None		—
Wan Da Investment Co., Ltd. Representative: Weng-Chuan Lin	147,399,670	1.00%	0	0%	0	0%	Wan Pao Development Co., Ltd.	With the same person as the representative	—
							Lin Yuan Investment Co., Ltd.	With the same person as the representative	—
Pai Hsing Investment Co., Ltd. Representative: Deng-Ke Ye	142,708,765	0.97%	0	0%	0	0%	None		—

Note 1: All top ten shareholders should be enumerated in full. In case of juristic (corporate) person shareholders, the names of all such juristic (corporate) person shareholders and their representatives should be enumerated respectively.

Note 2: The shareholding ratios should be calculated based on the own names, names of spouses, minor children respectively.

Note 3: On the aforementioned shareholders, including juristic (corporate) persons and natural persons (individuals), the relationship among them should be disclosed based on the rules for financial statements of the financial holding company.

Note 4: The calculation of the number of shares and shareholding ratio includes ordinary shares, Preferred Share A and Preferred Share B

X. Invested businesses jointly held between the financial holding company, its directors, supervisors, managers, and enterprises directly or indirectly controlled by the financial holding company; disclose shareholding in aggregate of the above parties (Table 5)

Date: March 30, 2022

Unit: thousand shares; %

Invested enterprise (Note)	Held by the Company		Held by Directors, Supervisors, Managers, and Directly/Indirectly Controlled Businesses		Total Investment	
	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding
Cathay Life Insurance Co., Ltd.	5,851,527	100%	0	0%	5,851,527	100%
Cathay United Bank Co., Ltd.	10,698,583	100%	0	0%	10,698,583	100%
Cathay Century Insurance Co., Ltd.	305,705	100%	0	0%	305,705	100%
Cathay Securities Corporation	730,000	100%	0	0%	730,000	100%
Cathay Securities Investment Trust Co., Ltd.	150,000	100%	0	0%	150,000	100%
Cathay Venture Inc.	388,630	75%	129,543	25%	518,173	100%
Cathay Conning Asset Management Co., Ltd.	46,800	17.15%	226,150	82.85%	272,950	100%
Taiwan Depository and Clearing Corporation	1,808	0.41%	739	0.17%	2,547	0.58%

Note: Investees of Cathay Financial Holding Co., Ltd. and the subsidiaries.

Four. Capital Overview

I. Capital and Shares

(I) Capital Source (Table 6)

Unit: thousand shares; NT\$ thousand

Date	Issue price	Registered Capital		Total Paid-in Capital		Remarks	
		Number of shares	Amount	Number of shares	Amount	Capital Source	Others
2001/12	None	12,000,000	120,000,000	5,838,615	58,386,157	Share swap with Cathay Life	None
2002/4	None	12,000,000	120,000,000	6,095,872	60,958,728	Share swap with Cathay Century Insurance and Cathay Bank	
2002/12	None	12,000,000	120,000,000	8,453,163	84,531,631	Share swap with United World Bank	
2003/1	None	12,000,000	120,000,000	8,307,489	83,074,891	De-capitalization due to cancellation of treasury stocks Tai-Cai-Bao-Zi No. 0920005950 (February 24, 2003)	
2005/2	54.15	12,000,000	120,000,000	8,318,644	83,186,447	Corporate bond conversion	
2005/4	54.15	12,000,000	120,000,000	8,474,933	84,749,335	Corporate bond conversion	
2005/8	51.94	12,000,000	120,000,000	8,482,094	84,820,937	Corporate bond conversion	
2005/10	51.94	12,000,000	120,000,000	8,524,223	85,242,234	Corporate bond conversion	
2006/4	51.94	12,000,000	120,000,000	8,526,886	85,268,865	Corporate bond conversion	
2006/8	50.84	12,000,000	120,000,000	9,072,936	90,729,366	Corporate bond conversion and capitalization of retained earnings FSC, Jin-Guan-Yin-(VI)-Zi No.09500406660 (September 21, 2006), Share swap with The Lucky Bank	
2006/10	48.43	12,000,000	120,000,000	9,092,588	90,925,878	Corporate bond conversion	
2007/2	48.43	12,000,000	120,000,000	9,224,080	92,240,796	Corporate bond conversion	
2007/4	48.43	12,000,000	120,000,000	9,277,019	92,770,192	Corporate bond conversion	
2008/8	None	12,000,000	120,000,000	9,737,537	97,375,372	Capitalization of retained earnings FSC, Jin-Guan-Yin-(VI)-Zi No.09700330020 (August 27, 2008)	
2009/10	None	12,000,000	120,000,000	9,670,877	96,708,774	De-capitalization through cancellation of treasury shares FSC, Jin-Guan-Yin-Kong-Zi No.09800513790 (October 28, 2009)	
2010/9	None	12,000,000	120,000,000	10,154,421	101,544,213	Capitalization of retained earnings FSC, Jin-Guan-Yin-Kong-Zi No.09900344130 (September 14, 2010)	
2011/8	None	12,000,000	120,000,000	10,357,510	103,575,097	Capitalization of retained earnings FSC, Jin-Guan-Yin-Kong-Zi No.10000293110 (August 25, 2011)	
2012/9	None	12,000,000	120,000,000	10,865,385	108,653,850	Capitalization of retained earnings FSC, Jin-Guan-Yin-Kong-Zi No.10100291270 (September 12, 2012)	
2013/9	36	12,000,000	120,000,000	11,218,385	112,183,850	Cash capital increase by issuance of common stock FSC, Jin-Guan-Yin-Kong-Zi No. 10200271410 (September 26, 2013)	
2013/11	None	12,000,000	120,000,000	11,964,962	119,649,620	Capitalization of retained earnings FSC, Jin-Guan-Yin-Kong-Zi No.10200327950 (November 29, 2013)	
2014/8	None	18,000,000	180,000,000	12,563,210	125,632,101	Capitalization of retained earnings FSC, Jin-Guan-Yin-Kong-Zi No.10300240490 (August 20, 2014)	

Date	Issue price	Registered Capital		Total Paid-in Capital		Remarks	
		Number of shares	Amount	Number of shares	Amount	Capital Source	Others
2016/12	60	18,000,000	180,000,000	13,396,510	133,965,101	Cash capital increase by issuance of Series A Preferred Share FSC, Jin-Guan-Zheng-Fa-Zi No.1050041628 (October 25, 2016)	
2018/6	60	18,000,000	180,000,000	14,096,510	140,965,101	Cash capital increase by issuance of Series B Preferred Share FSC, Jin-Guan-Zheng-Fa-Zi No.1070313814 (May 10, 2018)	
2019/12	35	18,000,000	180,000,000	14,702,510	147,025,101	Cash capital increase by issuance of common stock FSC, in-Guan-Zheng-Fa-Zi No. 1080331065 (September 24, 2019)	
Note: Data as of the publication date of annual report.							

Unit: thousand shares

Share Type	Registered Capital			Remarks Outstanding shares
	Outstanding shares	Un-issued shares	Total	
Common stock	13,169,210	3,297,490	18,000,000	Listed stocks
Series A Preferred Share	833,300			
Series B Preferred Share	700,000			

(II) Shareholder structure (Table 7)

1. Common stock

April 19, 2022

Shareholder structure Quantity	Government authorities	Financial institutions	Other juristic (corporate) persons	Individuals	Foreign institutions and juristic (corporate) persons	Total
Number of employees	19	213	1,798	442,127	2,092	446,249
Number of shares held	683,693,975	544,533,394	5,668,856,506	3,031,752,407	3,240,373,846	13,169,210,128
Ratio of shareholding (%)	5.19	4.13	43.05	23.02	24.61	100

2. Series A Preferred Share

April 19, 2022

Shareholder structure Quantity	Government authorities	Financial institutions	Other juristic (corporate) persons	Individuals	Foreign institutions and juristic (corporate) persons	Total
Number of employees	4	39	152	23,436	40	23,671
Number of shares held	58,656,000	600,492,424	132,502,989	41,489,219	159,368	833,300,000
Ratio of shareholding (%)	7.04	72.06	15.90	4.98	0.02	100

3. Series B Preferred Share

April 19, 2022

Shareholder structure Quantity	Government authorities	Financial institutions	Other juristic (corporate) persons	Individuals	Foreign institutions and juristic (corporate) persons	Total
Number of employees	6	35	162	24,675	40	24,918
Number of shares held	187,395,465	350,614,373	120,416,131	36,465,777	5,108,254	700,000,000
Ratio of shareholding (%)	26.77	50.09	17.20	5.21	0.73	100

(III) Fact of equity scattering (Table 8)

1. Common stock

At NT\$10 par value

April 19, 2022

Shareholding levels	Number of shareholders	Number of shares held	Ratio of shareholding (%)
1 to 999	168,407	37,888,259	0.29
1,000 to 5,000	190,967	400,563,948	3.04
5,001 to 10,000	39,540	288,933,591	2.19
10,001 to 15,000	15,735	193,014,429	1.46
15,001 to 20,000	7,832	139,333,918	1.06
20,001 to 30,000	8,185	201,292,574	1.53
30,001 to 40,000	3,911	135,983,012	1.03
40,001 to 50,000	2,485	112,373,067	0.85
50,001 to 100,000	4,737	330,083,181	2.51
100,001 to 200,000	2,090	286,589,011	2.18
200,001 to 400,000	995	273,845,705	2.08
400,001 to 600,000	328	162,757,264	1.23
600,001 to 800,000	189	131,225,313	1.00
800,001 to 1,000,000	132	117,947,846	0.90
Over 1,000,001	716	10,357,379,010	78.65
Total	446,249	13,169,210,128	100.00

2. Series A Preferred Share

At NT\$10 par value

April 19, 2022

Shareholding levels	Number of shareholders	Number of shares held	Ratio of shareholding (%)
1 to 999	17,150	2,981,076	0.36
1,000 to 5,000	5,329	9,786,567	1.17
5,001 to 10,000	566	4,227,623	0.51
10,001 to 15,000	157	2,014,915	0.24
15,001 to 20,000	110	1,982,748	0.24
20,001 to 30,000	113	2,789,978	0.33
30,001 to 40,000	37	1,309,834	0.16
40,001 to 50,000	27	1,288,786	0.15
50,001 to 100,000	51	3,869,542	0.46
100,001 to 200,000	28	3,940,216	0.47
200,001 to 400,000	27	8,133,000	0.98
400,001 to 600,000	10	5,151,582	0.62
600,001 to 800,000	6	4,094,000	0.49
800,001 to 1,000,000	8	7,230,000	0.87
Over 1,000,001	52	774,500,133	92.95
Total	23,671	833,300,000	100.00

3. Series B Preferred Share

At NT\$10 par value

April 19, 2022

Shareholding levels	Number of shareholders	Number of shares held	Ratio of shareholding (%)
1 to 999	17,751	2,712,543	0.39
1,000 to 5,000	6,479	9,794,610	1.40
5,001 to 10,000	305	2,237,182	0.32
10,001 to 15,000	111	1,417,354	0.20
15,001 to 20,000	50	894,437	0.13
20,001 to 30,000	48	1,217,593	0.17
30,001 to 40,000	28	969,952	0.14
40,001 to 50,000	13	601,994	0.09
50,001 to 100,000	36	2,725,208	0.39
100,001 to 200,000	15	2,499,437	0.36
200,001 to 400,000	20	5,583,133	0.80
400,001 to 600,000	10	4,825,992	0.69
600,001 to 800,000	2	1,366,672	0.19
800,001 to 1,000,000	6	5,090,984	0.73
Over 1,000,001	44	658,062,909	94.00
Total	24,918	700,000,000	100.00

(IV) List of major shareholders (Table 9)

April 19, 2022

Names of major shareholders	Shares	Number of shares held	Ratio of shareholding (%)
Wan Pao Development Co., Ltd.		2,331,617,689	15.86%
Lin Yuan Investment Co., Ltd.		2,061,210,103	14.02%
Labor Pension Fund		428,981,646	2.92%
Shin Kong Life Insurance Co., Ltd		291,477,422	1.98%
Labor Insurance Fund		189,519,412	1.29%
Trans Globe Life Insurance Inc.		181,464,000	1.23%
Chang Gung Medical Foundation		157,861,594	1.07%
Citibank (Taiwan) as Directed Trustee For GIC-Government of Singapore		150,039,579	1.02%
Wan Da Investment Co., Ltd.		147,399,670	1.00%
Pai Hsing Investment Co., Ltd.		142,708,765	0.97%

Note: Listing the names of top 10 shareholders (the calculation of shareholding ratio includes ordinary shares and preferred shares)

(V) Per share information (including market price, book value, earnings, share dividend) from 2020 to 2021 (Table 10)

Item			Year	2020	2021	As of March 30, 2022
Market Share Price (Note 1)	Highest			43.15	63.50	67.70
	Lowest			33.80	39.90	58.50
	Average			39.85	53.38	63.51
Share Book Value (Note 2)	Before payout			60.83	61.51	N/A
	After payout			58.07	(Note 8)	N/A
Earnings Per Share	Weighted Average No of Shares(thousand shares)			13,169,210	13,169,210	N/A
	Earnings Per Share (Note 3)	Before Adjustment		5.41	10.34	N/A
		After Adjustment		N/A	(Note 8)	N/A
Per Share Dividend	Cash Dividend			2.5	(Note 8)	N/A
	Stock Dividend	From Retained Earnings		0	(Note 8)	N/A
		From Special Reserve		0	(Note 8)	N/A
	Accumulated Unpaid Dividend (Note 4)			0	0	N/A
ROI Analysis	Price/Earnings Ratio (Note 5)			7.37	5.16	N/A
	Price/Dividend Ratio (Note 6)			15.94.	(Note 8)	N/A
	Cash Dividend Yield (Note 7)			6.27	(Note 8)	N/A

Note1: Please list the market share prices, including the highest, lowest and average for the year. Average market share price should be calculated by applying the turnover value and the total turnover volume for the year.

Note2: Please use the number of the issuing shares in the year end as the base with the distribution decision resolved at the shareholders' meeting held in the following year.

Note3: For retroactive adjustment made for stock dividends, both before and adjustments earnings per share should be disclosed.

Note4: For securities issued with terms that entitle the holder to accumulate the unpaid dividend during the current year, for receiving in an earning-generating fiscal year, the accumulated unpaid amount shall also be disclosed.

Note5: Price/Earnings Ratio = average share market price / earnings per share.

Note6: Price/Dividend Ratio = average share market price / cash dividends per share.

Note7: Cash Dividend Yield = cash dividends per share / average share market price.

Note8: Distribution for earnings in 2021 had not yet been resolved by the shareholder's meeting.

(VI) Dividend Policy and Implementation

1. Dividend policies set under the Articles of Incorporation

- (1) In order to continue the business expansion and to enhance the profit earning capability, as well as to reserve the capital needed based on the long-term financial planning for perpetual operation and stabilized development, the Company has adopted a residual dividend policy.
- (2) Surpluses concluded from a financial year are first subject to taxation and reimbursement of previous losses, followed by provision for legal reserve, provision/reversal of special reserve, and distribution of preferred dividends. The remaining balance (referred to as "Current Year Earnings" below) plus undistributed earnings carried from previous periods are available for distribution, for which the board of directors will present an earnings appropriation proposal based on the Company's operational plans and submit for approval during shareholder meeting. Dividends should be primarily paid in shares to preserve liquidity, whereas the remainder can be paid in cash; however, the sum of dividends paid shall not be less than 30% of Current Year Earnings, and the cash portion shall not be less than 10% of total dividends.

2. Distribution of dividend proposed in the current shareholders' meeting: At NT\$3.5 per share as cash dividend.

(VII) Impact to Business Performance and EPS Resulting from the Proposal of Stock Dividend Distribution Made at the Recent Shareholders' Meeting

Per the Letter of Tai-Cai-Zheng-(I)-Zi No. 00371 (February 1, 2000), the Company need not disclose the impact as no 2022 financial forecast was provided.

(VIII) Remuneration of Employees, Directors and Supervisors

1. The percentage or range of remuneration to the employees, directors and supervisors are delineated under the Articles of Incorporation:
0.01% to 0.05% of profit of the current year is distributable as employees' compensation and no higher than 0.05% of profit of the current year is distributable as remuneration to directors. However, the company's accumulated losses shall have been covered.
2. The basis for estimating the amount of employee and director remuneration, shall take into account the number of shares to be distributed as stock bonuses, and the accounting treatment of any discrepancy between the actual distributed amount and the estimated figure for the current period:
Employee remuneration was estimated based on the average amount paid in the last 3 years, the current year's profitability and the percentages outlined in the Articles of Incorporation, and accrued on a monthly basis. Meanwhile, director remuneration was estimated based on "Cathay Financial Holdings Co., Ltd., Regulations Governing Remuneration Paid to the Directors" (no provision is made in the case of after-tax loss). The estimated figure shall be accounted as an operation expense for the current fiscal year. Accounting treatment for any discrepancy between the final approved

figures from the shareholders' meeting and the estimated figures shall follow the principles under the Statements of Financial Accounting Standards.

3. Remuneration distribution approved by the Board:

- (1) The remuneration amount of employees and directors distributed in cash or shares. If there are any discrepancies between the recognized employee cash/stock bonuses and director/supervisor compensation and those approved by the board of directors, the discrepant value, its reasons, and its status shall be disclosed: As estimated for the current term, the cash remuneration to employees would come to NT\$14,057,307 (the Company had a total of 524 employees, with NT\$ 26,827 distributed to each and every employee) and NT\$2,700,000 as remuneration to directors.
- (2) The remuneration amount of employees distributed in shares and the ratio of such amount accounting for the combined number of individual finance report net income and the total remuneration amount of employees: no remuneration of employees will be distributed in shares this fiscal year.

4. The actual distribution of employee and director/supervisor remuneration for the previous fiscal year (with an indication of the number, value and stock price of the shares distributed) shall be declared. If there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor compensation, the discrepancy, its cause, and its status must also be listed:

- (1) Employee remuneration: NT\$7,712,810, which tallies with the original proposal from the board meeting.
- (2) Board remuneration: NT\$2,700,000, which tallies with the original proposal from the board meeting.

(IX) Share Buyback by the Financial Holdings Company

Our company did not buy back shares of our own company in recent years.

II. Issuance of Corporate Bonds

(I) Corporate bonds outstanding or pending issuance:

Corporate bond type (Note 2)		First unsecured corporate bond for term 2019-1 (Note 6)	Second unsecured corporate bond for term 2019-1 (Note 6)	Third unsecured corporate bond for term 2019-1 (Note 6)
Issuing (transaction) date		May 8, 2019		
Face value		NT\$1 million		
Place of issuance and exchange (Note 3)		R.O.C.		
Issue price		100% issuance by denomination		
Total		NT\$4 billion	NT\$4 billion	NT\$12 billion
Interest rate		Fixed interest rate per annum: 0.83%	Fixed interest rate per annum: 0.93%	Fixed interest rate per annum: 1.04%
Duration		5 years (Expiration date: May 8, 2024)	7 years (Expiration date: May 8, 2026)	10 years (Expiration date: May 8, 2029)
Priority of repayment		Senior		
Guaranteeing institution		None		
Trustee		Mega International Commercial Bank Co., Ltd.		
Underwriting institution		Cathay Securities Co., Ltd., Cathay United Bank Co., Ltd., Yuanta Securities		
Certifying attorney		Baker & McKenzie		
Certifying CPA (Note 4)		Ernst & Young		
Repayment method		Repayment of principal on due date		
Outstanding principal balance		NT\$4 billion	NT\$4 billion	NT\$12 billion
Terms for redemption or early repayment		None		
Restriction Clause (Note 5)		None		
Whether included in qualifying capital		No		
Name of credit rating organization, rating date, bond rating results		Taiwan Ratings, September 28, 2021, twAA		
Other rights of bond holders	Amount of common shares, global depository receipts, or other securities converted (exchanged or subscribed) up till the publication date of annual report	None		
	Issuance and conversion (traded or subscribed) regulations	None		
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion, or due to subscription or issuance terms		None		
Custodian of exchanged assets		None		

Corporate bond type (Note 2)		First unsecured corporate bond for term 2020-1 (Note 6)	Second unsecured corporate bond for term 2020-1 (Note 6)	Third unsecured corporate bond for term 2020-1 (Note 6)
Issuing (transaction) date		June 23, 2020		
Face value		NT\$1 million		
Place of issuance and exchange (Note 3)		R.O.C.		
Issue price		100% issuance by denomination		
Total		NT\$1.9 billion	NT\$6.5 billion	NT\$0.5 billion
Interest rate		Fixed interest rate per annum: 0.59%	Fixed interest rate per annum: 0.64%	Fixed interest rate per annum: 0.67%
Duration		5 years Expiration date: June 23, 2025	7 years Expiration date: June 23, 2027	10 years Expiration date: June 23, 2030
Priority of repayment		Senior		
Guaranteeing institution		None		
Trustee		Mega International Commercial Bank Co., Ltd.		
Underwriting institution		Cathay Securities Co., Ltd., Cathay United Bank Co., Ltd., KGI Securities Co., Ltd.		
Certifying attorney		Baker & Mckenzie		
Certifying CPA (Note 4)		Deloitte Taiwan		
Repayment method		Repayment of principal on due date		
Outstanding principal balance		NT\$1.9 billion	NT\$6.5 billion	NT\$0.5 billion
Terms for redemption or early repayment		None		
Restriction Clause (Note 5)		None		
Whether included in qualifying capital		No		
Name of credit rating organization, rating date, bond rating results		Taiwan Ratings, September 28, 2021, twAA		
Other rights of bond holders	Amount of common shares, global depository receipts, or other securities converted (exchanged or subscribed) up till the publication date of annual report	None		
	Issuance and conversion (traded or subscribed) regulations	None		
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion, or due to subscription or issuance terms		None		
Custodian of exchanged assets		None		

Corporate bond type (Note 2)		First unsecured corporate bond for term 2020-2 (Note 6)	Second unsecured corporate bond for term 2020-2 (Note 6)	Third unsecured corporate bond for term 2020-2 (Note 6)	Fourth unsecured corporate bond for term 2020-2 (Note 6)
Issuing (transaction) date		September 8, 2020			
Face value		NT\$1 million			
Place of issuance and exchange (Note 3)		R.O.C.			
Issue price		100% issuance by denomination			
Total		NT\$2.4 billion	NT\$7.8 billion	NT\$2.5 billion	NT\$8.4 billion
Interest rate		Fixed interest rate per annum: 0.61%	Fixed interest rate per annum: 0.64%	Fixed interest rate per annum: 0.66%	Fixed interest rate: 0.70%
Duration		5 years Expiration date: September 8, 2025	6 years Expiration date: September 8, 2026	7 years Expiration date: September 8, 2027	10 years Expiration date: September 8, 2030
Priority of repayment		Senior			
Guaranteeing institution		None			
Trustee		Mega International Commercial Bank Co., Ltd.			
Underwriting institution		Cathay Securities Co., Ltd., Cathay United Bank Co., Ltd., KGI Securities Co., Ltd.			
Certifying attorney		Baker & McKenzie			
Certifying CPA (Note 4)		Deloitte Taiwan			
Repayment method		Repayment of principal on due date			
Outstanding principal balance		NT\$2.4 billion	NT\$7.8 billion	NT\$2.5 billion	NT\$8.4 billion
Terms for redemption or early repayment		None			
Restriction Clause (Note 5)		None			
Whether included in qualifying capital		No			
Name of credit rating organization, rating date, bond rating results		Taiwan Ratings, September 28, 2021, twAA			
Other rights of bond holders	Amount of common shares, global depository receipts, or other securities converted (exchanged or subscribed) up till the publication date of annual report	None			
	Issuance and conversion (traded or subscribed) regulations	None			
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion, or due to subscription or issuance terms		None			
Custodian of exchanged assets		None			

Note1: Corporate bond handling includes publicly offered and privately raised corporate bonds. Publicly offered corporate bonds undertaken refers to those already taken effect (approved by the board); privately raised corporate bond refer to those that have passed a board resolution.

Note2: The number of columns are subject to adjustment based on the number of actual undertakings or applications for approval.

Note3: To be filled for those falling under overseas corporate bonds.

Note4: Refers to the corporate bond issuance in accordance with the relevant laws and regulations and verification by a CPA that there are no CPAs involved in events listed in related regulations.

Note5: Such as restrictions on the distribution of cash dividends, external investments, or requirement to maintain a specific asset ratio.

Note6: If a private offering, please indicate prominently.

Note7: Those falling under conversion of corporate bonds, exchange of corporate bonds, general declaration of corporate bond issuance, or bonds with attached warrant shall disclose in tabulated form conversion corporate bond data, exchange corporate bond data, general declaration of corporate bond issuance, and bonds with attached warrant.

Note8: The balance of the corporate bonds outstanding period (terms) shall be summarized in accordance with the same approval number of the competent authority.

(II) Corporate bonds maturing within one year: None.

(III) Issuance of convertible bonds, exchangeable bonds or bonds with warrant that are convertible/exchangeable into common shares, global depository receipts or other securities: None.

(IV) Offering and issuance of ordinary corporate bonds subject to aggregate reporting: None.

(V) Private placement of corporate bonds in the last 3 years: None.

III. Issuance of Preferred Shares (Table 13)

Item		Issuing (transaction) date	January 17, 2017 (Publicly Offered Series A Preferred Share) (Note 3)
Face value			NT\$10
Issue price			At NT\$60 par value
Number of shares			833,300 thousand shares
Total			NT\$49,998,000,000
Rights and obligations	Distribution of dividends and bonuses		Annual Interest rate of 3.8% (7-year IRS rate 1.06%+2.74%, non-accumulated)
	Distribution of the residual property		Preferred shareholders are entitled to a more senior claim over the Company's residual property than common shareholders, up to the issuance amount. All series of preferred shares issued by the Company carry the same level of seniority, which is subordinate to general creditors.
	Exercise of voting rights		Shareholders of preferred shares do not have the right to vote and to be elected, but they have the right to vote in the shareholders' meeting for preferred shares or in the shareholders' meeting that involves with the rights and obligations of shareholders of preferred shares.
	Others		- The Company has discretion over the dividend distribution of preferred shares. The Company may decide not to distribute dividends of preferred shares if there are no earnings in the annual accounts or the earnings are insufficient to distribute dividends of preferred shares, or the distribution of dividends of preferred shares will cause the capital adequacy ratio to be lower than the minimum requirement by laws or competent authority or other necessary consideration. The shareholders of preferred shares may not object to the decision. 7-year IRS interest rate will be reset on the next day of maturity and in every seven years. The interest rate reset pricing base date is the business day of Taipei financial industry two days prior to the reset date. The interest rate index for 7-year IRS is the arithmetic mean of the 7-year interest rate exchange pricing provided by "PYTWDFIX" and "COSMOS3" of Reuter at 11:00 a.m. of the Taipei financial industry business day of the interest rate pricing base date. If the said pricing is not available on the pricing base date, the issuance institutions may determine the pricing based of the principles of good faith and reasonable market price. - Where the Company issues new shares for cash, shareholders of preferred stocks and common shares enjoy equal pre-emptive rights.
Outstanding preferred shares	The number recovered or converted shares		0
	The balance of not recovered or not converted shares		NT\$49,998,000,000
	Terms for recovery or conversion		The Company may recover all or some preferred shares with the original issuance price on the date after the date of seven full years of issuance.
Market Share Price	2021	Highest	NT\$ 63.10
		Lowest	NT\$ 60.30
		Average	NT\$ 62.10
Market Share Price	As of March 30, 2022 (Note 4)	Highest	NT\$ 63.30
		Lowest	NT\$ 62.60
		Average	NT\$ 63.00
Other rights of bondholders	Converted or optioned amount as of the publishing date of the annual report		Not applicable
	Regulations Governing Issuance, Conversion or Option of Shares		Please refer to the Articles of Incorporation of the Company.
The impact of issuance terms on the equities of shareholders of preferred shares, the possible dilution of equities, and the impact on the equities of current shareholders			None

Issuing (transaction) date		August 8, 2018 (Publicly Offered Series A Preferred Share) (Note 3)	
Face value		NT\$10	
Issue price		At NT\$60 par value	
Number of shares		700,000 thousand shares	
Total		NT\$42,000,000,000	
Rights and obligations	Distribution of dividends and bonuses	Annual Interest rate of 3.55% (7-year IRS rate 1.1675%+2.3825%, non-accumulated)	
	Distribution of the residual property	Preferred shareholders are entitled to a more senior claim over the Company's residual property than common shareholders, up to the issuance amount. All series of preferred shares issued by the Company carry the same level of seniority, which is subordinate to general creditors.	
	Exercise of voting rights	Shareholders of preferred shares do not have the right to vote and to be elected, but they have the right to vote in the shareholders' meeting for preferred shares or in the shareholders' meeting that involves with the rights and obligations of shareholders of preferred shares.	
	Others	1. The Company has discretion over the dividend distribution of preferred shares. The Company may decide not to distribute dividends of preferred shares if there are no earnings in the annual accounts or the earnings are insufficient to distribute dividends of preferred shares, or the distribution of dividends of preferred shares will cause the capital adequacy ratio to be lower than the minimum requirement by laws or competent authority or other necessary consideration. The shareholders of preferred shares may not object to the decision. Series B Preferred Share is non-cumulative, which means that undeclared or under-declared dividends are not accumulated and will not be deferred until the year the Company makes profit. 2. 7-year IRS interest rate will be reset on the next day of maturity and in every seven years. The interest rate reset pricing base date is the business day of Taipei financial industry two days prior to the reset date. The interest rate index for 7-year IRS is the arithmetic mean of the 7-year interest rate exchange pricing provided by "TAIFXIRS" and "COSMOS3" of Reuter at 11:00 a.m. of the Taipei financial industry business day of the interest rate pricing base date. If the said pricing is not available on the pricing base date, the issuance institutions may determine the pricing based of the principles of good faith and reasonable market price. 3. Where the Company issues new shares for cash, shareholders of preferred stocks and common shares enjoy equal pre-emptive rights.	
Outstanding preferred shares	The number recovered or converted shares	0	
	The balance of not recovered or not converted shares	NT\$42,000,000,000	
	Terms for recovery or conversion	The Company may recover all or some preferred shares with the original issuance price on the date after the date of seven full years of issuance.	
Market Share Price	2021	Highest	NT\$ 63.50
		Lowest	NT\$ 60.70
		Average	NT\$ 62.27
Market Share Price	As of March 30, 2022 (Note 4)	Highest	NT\$ 63.30
		Lowest	NT\$ 62.80
		Average	NT\$ 63.01
Other rights of bondholders	Converted or optioned amount as of the publishing date of the annual report	Not applicable	
	Regulations Governing Issuance, Conversion or Option of Shares	Please refer to the Articles of Incorporation of the Company.	
The impact of issuance terms on the equities of shareholders of preferred shares, the possible dilution of equities, and the impact on the equities of current shareholders		None	

Note 1: Status of corporate bonds, including undergoing public offering and private placement of preferred shares. The publicly offered preferred shares are those entered into effect (approved) by Financial Supervisory Commission; the privately offered preferred shares are those approved by the Board.

Note 2: The number of columns is adjusted by the number of issuances or application approvals.

Note 3: If a private offering, please indicate prominently.

Note 4: Data as of the publication date of annual report.

IV. Issuance of Global Depositary Receipts (Table 14)

Issuing (transaction) date Item		July 29, 2003 (Initial Issuance) (Note 3)	November 9, 2004 (Seasonal Issuance) (Note 3)	Year 2005 to April 30, 2009 (Through ECB conversion) (Note 3)
Place of issuance and exchange		Issuance: Europe, Asia, and the U.S.A. Listing: Luxembourg Stock Exchange		
Total Amount		US\$521,605,500	US\$494,528,116	The calculation of the number of units is based on the conversion price, ECB exchange rate, and the GDR unit converted from the ECB
Issue Price Per GDR		US\$11.63	US\$19.4	Based on the conversion price and exchange rate of the ECB
Units Issued		44,850,000 units	25,491,140 units	3,216,324 units
Underlying Securities		Common and treasury shares held by Cathay Life Insurance	Treasury shares of the Company	New common shares issued by the Company
Common Shares Represented		448,500,000 shares	254,911,400 shares	32,163,240 shares
Rights & Obligations of GDR Holders		Same as those of the common shareholders		
Trustee		The Bank of New York Mellon		
Depositary Bank		The Bank of New York Mellon		
Custodian Bank		Trust Department, Mega International Commercial Bank		
Outstanding Balance (Note 4)		4,117,416 units		
Apportionment of Expenses for Issuance & Maintenance		Issuing expenses are paid by Cathay Life Insurance and the Company. Expenses (including the listing fee, information disclosure and other fees) occurred during the listing period are covered by the Company in general.	Borne by the Company	
Terms and Conditions in the Deposit Agreement & Custody Agreement		Based on the relevant laws and regulations of the R.O.C., the GDR holders have the rights and responsibilities that are stipulated in the Deposit Agreement. The rights and responsibilities of the depository and custodian agencies are stipulated under the custody agreement.		
Closing Price Per GDR (Note 2)	2021	Highest	US \$22.80	
		Lowest	US \$14.25	
		Average	US \$19.01	
	As of March 30, 2022	Highest	US \$24.60	
		Lowest	US \$20.61	
		Average	US \$22.64	

Note 1: Corporate bonds include both public and private offerings. The publicly offered bonds are those approved by the Board. The privately offered bonds are those approved by the Board.

Note 2: Those who have issued Global Depositary Receipts, the market closing prices for the security in the current year and before the printout date of this Report should be listed. If listed in multiple exchanges, all bourses should be shown.

Note 3: If a private offering, please indicate prominently.

Note 4: Outstanding balance as of March 30, 2022.

V. Issuance of Employee Stock Option Plan

None.

VI. Issuance of New Restricted Employee Shares

None.

VII. Merger and Acquisitions or Transfers of other Financial Institutions

(I) Financial institutions merged or acquired in the last year:

None.

(II) Mergers or acquisitions of other financial institutions in the last five years:

None.

(III) Issuance of new shares for merger or acquisition of other financial institutions that the board of directors has approved in the last year, up to publication date of annual report:

None.

VIII. Implementation of the Capital Utilization Plans

(I) The Plan

■ Issuance of Common Shares in 2019:

1. Planned use of capital: To invest into the 100%-owned subsidiary - Cathay Life and Cathay United Bank Private Equity.
2. Approval date and document: Jin-Guan-Zheng-Fa-Zi No. 1080331065 (September 24, 2019).
3. Total capital needed for the plan: NT\$20,000,000,000.
4. Source of capital: 606,000,000 new shares with face value of NT\$10 each were issued domestically for cash at the issuance price of NT\$35 per share, which raised NT\$21,210,000,000 of capital in total. Subsidiaries Cathay Life and Cathay United Bank were each allocated NT\$10,000,000,000 of new capital, whereas the remaining NT\$1,210,000,000 were retained as working capital. This capital utilization plan was completed in the fourth quarter of 2019.
5. Planned uses of capital and the planned schedule:

Unit: NT\$ thousand

Plan Item	Planned Completed Date	Total Capital Needed	Planned use of Capital
			2019 fourth quarter
To invest into common shares privately placed by 100%-owned subsidiary - Cathay Life	2019 fourth quarter	10,000,000	10,000,000
To invest into common shares privately placed by 100%-owned subsidiary - Cathay United Bank	2019 fourth quarter	10,000,000	10,000,000
Working capital (Note 2)	2019 fourth quarter	1,210,000	1,210,000
Total		21,210,000	21,210,000

Note 1: The new capital was intended to be used to subscribe to the issuance of common shares for cash capital increase executed by Cathay Life and Cathay United Bank.

Note 2: The extra NT\$1,210,000,000 from over subscription will be retained as working capital.

6. Effects:

- (1) The issuance of common shares for NT\$21,210,000,000 is expected to strengthen the Company's capital and financial position upon completion. Based on the Company's financial figures at 2019 Q2, the additional capital, once received in 2019 Q4, should increase group capital adequacy ratio from 129.45% to 133.46%, while at the same time lower the double leverage ratio from 110.97% to 110.64% and debt-to-equity ratio from 13.55% to 13.14%.
- (2) The additional capital will be entirely used to subscribe to the issuance of common shares for capital increase executed by 100% owned subsidiaries Cathay Life and Cathay United Bank (referred to as Private Common Share Placement below), which has the benefit of increasing eligible capital and capital adequacy ratio for both Cathay Life and Cathay United Bank. Based on Cathay Life's and Cathay United Bank's capital adequacy ratios of 332.67% and 14.32% in 2019 Q2, injection of additional capital amounting to NT\$10,000,000,000 in each of the two companies should increase capital adequacy ratios to 338.89% and 14.90%, respectively. The extra NT\$1,210,000,000 from over subscription will be retained for working capital, and based on the company's current average borrowing rate of 0.68%, the additional capital is expected to save NT\$686,000 in interest expense in 2019, and NT\$8,228,000 per year starting from 2020.

(II) Implementation Status

The NT\$21.21 billion of the issuance of common shares for capital increase of the Company was completed on November 29, 2019, the capital had been used to subscribe to the common shares of private placement of subsidiaries Cathay Life and Cathay United Bank totaling NT\$10 billion each, whereas the remaining NT\$1.21 billion was retained as working capital. Execution of the capital plan is explained below:

Plan Item	Implementation Status		As of February 29, 2020	Remarks
Subscription to private placement of common shares of Cathay Life	Amount used (NT\$ thousand)	Planned	10,000,000	The NT\$10-billion common share private placement by Cathay Life has been fully subscribed as planned, representing a 100.00% completion rate.
		Actual	10,000,000	
	Implementation Status	Planned	100.00%	
		Actual	100.00%	
Subscription to private placement of common shares of Cathay United Bank	Amount used (NT\$ thousand)	Planned	10,000,000	The NT\$10-billion common share private placement by Cathay United Bank has been fully subscribed as planned, representing a 100.00% completion rate.
		Actual	10,000,000	
	Implementation Status	Planned	100.00%	
		Actual	100.00%	
Working capital	Amount used (NT\$ thousand)	Planned	1,210,000	NT\$1.21 billion of working capital was retained as planned, representing a 100.00% completion rate.
		Actual	1,210,000	
	Implementation Status	Planned	100.00%	
		Actual	100.00%	

Five. Overview of Operations

I. The content of business

(I) The scope of business

■ Cathay Financial Holding Co., Ltd.

1. The content of principal business:

The Company is a financial holding company and the scope of its business is limited to investment in and management of enterprises in which it has invested under the Financial Holdings Company Act. Financial holding companies may invest in the following business:

- (1) Financial holdings company
- (2) Banking
- (3) Bills finance
- (4) Credit cards
- (5) Trust
- (6) Insurance
- (7) Securities
- (8) Futures
- (9) Venture capital investment
- (10) Investment in foreign financial institutions at the approval of the competent authority
- (11) Other banking related business as recognized by the competent authority

2. Proportion:

Revenues in 2021		Amount (NT\$ thousands)	Proportion (%)
Return on investment recognized under equity method	Cathay Life Insurance	112,279,833	79
	Cathay United Bank	23,352,312	16
	Cathay Century Insurance	2,175,094	2
	Cathay Securities Corporation	2,200,616	2
	Cathay Venture	326,719	—
	Cathay Securities Investment Trust	1,402,270	1
	Conning Asia Pacific Limited	23,957	—
	Subtotal	141,760,801	100
Other revenues		1,298,450	—
Other expenses and loss		(736,471)	—
Total net revenues		142,322,780	100

3. New financial products and services under planning:

The main business of the Company is investment and management of investees. For information of the development of new financial products and services, please refer to the following parts of the subsidiaries.

■ **Cathay Life Insurance Co., Ltd.**

1. The content of principal business:

Cathay Life Insurance Co., Ltd. is a life insurer and is engaged in the sales of life insurance policies and related products.

2. Proportion:

Business type	Proportion (%)
Life insurance	57
Accidental injury insurance	2
Health insurance	15
Investment-linked insurance and etc	26
Total	100

3. New financial products and services under planning:

- (1) Product innovation: Under the trend of aging society, the life expectancy of the general public is prolonged, and the unhealthy life expectancy also increases. In 2022, the Company will focus on the development of senior-friendly products in order to compensate the guarantee for customers of senior group. In addition, we will also actively encourage self-motivated health management of the general public, continuously optimize the health promotion ecosystem by providing rich health promotion incentives and diverse health promotion spillover products, thereby increasing the incentive promoting the general public to improve health condition. In addition, the Company also provides diverse products and adaptive services to different customer groups, in order to comprehensively construct a complete protection web based on the model of “Service x Product.”
- (2) Customer Group Management: Strengthen data driven marketing applications, establish three main action plans of “Key Information,” “Marketing Model” and “Resource Allocation,” expand and integrate customer information, refine demassification management, integrate Group resources, establish diverse marketing scenarios, and develop adaptive products, thereby establishing the most suitable channels to continuously optimize customer experience and achieving the unique brand and service value of Cathay Group.
- (3) Digital Development: Link and connect Group resources and cross-industry scenarios in order to expand the three main core businesses of health ecosystem, tourism ecosystem and finance ecosystem, and also expand the opening and strengthen interactive management, thereby providing new products integrated into the living scenarios and achieving deep-rooted customer development. Furthermore, the Company will strengthen the pre-sale interactive guidance and after-sale customer management, in order to assist customers to understand their individual needs for customization. Accordingly, through intelligent recommendations, the most suitable products and service channels can be provided to customers. Moreover, through the virtual and physical environment integration model, seamless insurance services are provided to customers.

■ Cathay United Bank Co., Ltd.

1. The content of principal business:

- (1) Consumer banking
- (2) Corporate banking
- (3) Wealth management
- (4) Trust
- (5) Credit card
- (6) Automatic Channel Business
- (7) Digital banking services
- (8) International banking
- (9) Overseas operations
- (10) Investment and treasury marketing

2. Proportion:

Business type	Proportion (%)
Corporate banking	14
Consumer banking	51
Wealth management	18
Investment and other	17
Total	100

3. New financial products and services under planning:

- (1) Provide customers with more convenient mobile payment tools and services through the optimization of digital product features. Attract potential customers through the use of digital marketing tools, and introduce cross-selling products and projects with enhanced product features for optimal customer experience.
- (2) Develop complete range of trade financing and cash management products from customers' perspective. Promote transaction-based banking services, continue the deep-rooted business development in the Greater China Region and Southeast Asia, and provide cross-border cash flow services to the needs of customers local and abroad.
- (3) Implement digital data empowerment for customers, focus on the development of CUBE customer groups, achieve the goal of allowing customers to enjoy autonomous and diverse experience in terms of financial services, thereby providing greater own choices, new financial service experience and exploring greater possibilities.
- (4) Establish the first and most comprehensive intelligent investment platform in the industry: Reduce investment barrier, optimize guided purchase process, increase product diversity and integrate online and offline investment experience.
- (5) Coordinate branches throughout the Greater China Region and ASEAN to secure the foundation for overseas development. Extend service through overseas branches and create service platforms through collaboration with local strategic partners. Offer greater product diversity to increase customer management

benefits, and provide professional, quality and complete financial services to customers.

■ **Cathay Century Insurance Co., Ltd.**

1. The content of principal business:

Cathay Century Insurance is a property insurer that sells different types of insurance policies (including injury and health) and related products.

2. Proportion:

Business type	Proportion (%)
Automobile insurance	57
Fire insurance	17
Flood insurance	4
Injury health insurance	9
Casualty insurance	13
Total	100

3. New financial products and services under planning:

- (1) Personal insurance
- (2) Commercial insurance
- (3) Comprehensive insurance
- (4) Special channel insurance

■ **Cathay Securities Corporation**

1. The content of principal business:

- (1) Securities underwriting
- (2) Dealing of securities on central exchange
- (3) Brokerage trading of securities on central exchange
- (4) Dealing of over-the-counter securities
- (5) Brokerage trading of over-the-counter securities
- (6) Margin financing and stock lending
- (7) Registrar and transfer services
- (8) Securities lending (except for book-entry central government bonds)
- (9) Wealth management - financial products advisory or sales services
- (10) Wealth management - conduct asset allocation for customers with trust method
- (11) Brokerage trading of foreign securities – sub-broker, high net worth customers
- (12) Introducing futures brokering
- (13) Futures business
- (14) Securities-backed lending
- (15) Unrestricted purpose loans
- (16) Full fiduciary discretionary investment service through mandate
- (17) International securities service
- (18) Money trust, securities trust, non-discretionary money trust management, and special-purpose non-discretionary money trust management

(19) Other securities-related business approved by the regulator

2. Proportion:

Business type	Proportion (%)
Brokerage	87
Proprietary trade	12
Underwriting	1
Total	100

3. New financial products and services under planning:

- (1) Optimize current structure of institutional customers; provide foreign investors with reliable multi-product strategies and transaction services to strengthen the loyalty of institutional customers and establish the company's stature as leading researcher of certain industries.
- (2) Enhance online service experience through development of mobile App and digital branch.
- (3) The Company aims to provide customers with broader diversity of products and services from unrestricted purpose loan, bilateral securities lending, asset management trust to structured instruments. Efforts will be committed to developing new financial products and services for broadened revenue source.
- (4) Launch customer service improvement measures in line with the group's service quality enhancement plan, and hence raise customers' satisfaction.

■ **Cathay Securities Investment Trust Co., Ltd.**

1. The content of principal business:

- (1) Securities Investment Trust
- (2) Discretionary investment
- (3) Securities investment consulting
- (4) Futures trust
- (5) Other business approved by Financial Supervisory Commission

2. Proportion:

Business type	Proportion (%)
Management fee income – mutual funds	63
Management fee income – private placement funds	1
Management fee income – private equity funds	1
Management fee income – discretionary investment	32
Sales commission incomes	2
Service fee incomes – discretion consulting contracts	1
Total	100

3. New financial products and services under planning:

- (1) Continue to expand ETF product line and focus on studying market trends and meeting customers' expectations for trendy investments, such as products related to

sustainability issues, digital technology innovation, and products of high dividend payments, or high price volatility.

- (2) Cathay Securities Investment Trust expects to become No. 1 in Taiwan and leading investment professional in Asia. Through the research and development of active management type of products, Cathay Securities Investment Trust offers fund and investment type of insurance policy linked products in parallel, and also provides products focusing on the Asian region, and the interest collection type, asset allocation type and new generation innovative type of theme products according to the channel and customer demands.
- (3) The Cathay Retirement Platform will be continually optimized to provide users with more information on retirement planning and investment; furthermore, online and offline campaigns will be organized to integrate Group resources into creating an all-purpose retirement platform.
- (4) Increase digital channel cooperating partners, expand diverse services to reach the digital customer group, optimize electronic transaction platform user experience, develop personal and intelligent services, in order to increase the fund sales and ETF cross-selling opportunities, thereby increasing the number of active customers and overall asset management scale.

■ Cathay Venture Inc.

1. The content of principal business:

Cathay Venture is a venture capital investment firm that focuses on investing in unlisted companies with growth potential and works with its portfolio companies to help them realize their highest potential and value.

2. Proportion:

Business type	Proportion (%)
Securities sales and investment income	99
Interest and other income	1
Total	100

(II) Business plan of the year

■ Cathay Financial Holding Co., Ltd.

With the advent of the post-pandemic era, the global economy is evidently recovering although there are still risks such as the uncertainty brought on by the pandemic, looming inflation, and the gradual tightening of fiscal and monetary policies in various countries. Nevertheless, we will continue to prudently embrace new opportunities and challenges in 2022. In the coming year, Cathay FHC will continue to closely monitor global political and economic trends, as well as the pandemic. We will stay committed to maximizing value for our shareholders, customers and employees and upholding our core values of “Integrity, Accountability, and Innovation.” Our business strategy will continue to respond to rapidly changing market conditions. Going forward, Cathay FHC will continue to improve our regional expansion, accelerate digital transformation and business innovation, and leverage our financial competencies to achieve sustainable finance while accounting for robust business development and risk management. Our 2022 business plan is outlined below:

1. Continue to Expand Regional Operations and Achieve the Goal of Becoming a “Leading Financial Institution in the Asia-Pacific Region”:

Consistent with our vision of being a leading financial institution in the Asia-Pacific, Cathay FHC will continue to connect regional offices to develop business networks in Greater China and ASEAN markets and provide financial services and products that meet the needs of both domestic and overseas Taiwan corporates and local customers. We will continue to create business opportunities that increase profits for our shareholders and create more business value for the group by capitalizing on our experience in financial services in Taiwan and the resources supported by our local strategic partners in order to deepen local operations.

In addition, we will continue to strengthen our asset management business as the third pillar of development, expand investment product lines and enhance managerial capabilities, and accelerate the group’s third engine of business growth by extending the reach of our asset management business from a global perspective.

2. Continue to Drive Digital Transformation and Focus on Building an Ecosystem of Digital Financial Services:

With an aim to become a “technology company that provides financial services” with Cathay-as-a-Service (CaaS) as the core, Cathay FHC continues to drive digital transforming by focusing on digital, data, and technology. We seek to build a data-driven culture transform digital development processes and use cross-industry integration to create excellent digital experiences, respond to market changes, enhance the stability of financial services, and improve services, all of which in turn increase product capacity, enhance customer experience, and improve operational efficiency.

Cathay FHC has successfully transformed our product-centric business model into one that is customer-centric by building a complete, technology-based ecosystem of financial services. In the future, we will continue to expand our data infrastructure and optimize the seamless connection to our data ecosystem of cross-industry business partners, and integrate online and offline channels to embed financial services into the daily life of our customers. In this way, financial services, technology, and touchpoints can be combined into a digital data-driven ecosystem that shapes the future of financial services.

3. Leverage Financial Competencies to Achieve Sustainable Finance and Lay a Foundation for Sustainable Operations:

As we face business risks arising from increasingly stringent financial regulations, post-pandemic era challenges, and climate change, Cathay FHC will steadily and cautiously respond to the impact that global political, economic, and market changes have on financial markets, and continue to optimize our asset/liability allocation and management to strengthen the group's overall capital structure. To lay a firm foundation for the sustainable operations of Cathay FHC and guide the sustainable development for the industry, Cathay FHC will leverage our diverse financial competencies and sustainable operations, and by integrating international sustainability frameworks into our three engines of growth "Insurance + Banking + Asset Management," to fulfill green finance practices and uphold our spirit of "Sustainable Cathay; Contributing to the Community."

■ Cathay Life Insurance Co., Ltd.

Cathay Life Insurance upholds the mission of providing "Cathay Life, Sunshine in Your Life" and integrates the core functions of insurance with the trend of ESG (Environment, Society, Corporate Governance), thereby enhancing the brand value and influence in order to become one of the international sustainability benchmarks. Furthermore, through solid foundation establishment with enhanced data, IT and business supports, and based on the notion of digital innovation, we are able to create comprehensive insurance technologies, thereby achieving the development vision of "Smart, Simple, and Safe through InsurTech."

1. Digital development

- (1) New Business Platform: The new business platform links and connects to digital tools of various business scenario applications, in order to establish complete end-to-end solutions. In addition, CRM2.0 insurance policy health examination and proposal revision are also enhanced in order to optimize the interface operation (UX/UI), to enhance the protection calculation performance, and to implement new technology in order to expand marketing/service customer application scenarios.
- (2) Online Self-Service: Cathay Life APP is developed based on the customer-oriented design, and four main customer experience sections continue to be optimized, including marketing interaction, service interaction, self-query, and self-application, allowing customers to individually handle insurance related matters on their own. In addition, the trend of epidemic control also accelerates the promotion of the customer online digital self-service application.
- (3) Innovation and Intelligence Implementation: For new business models, we also seek to implement business trial operation and supervision sandbox project. In addition, intelligent investment engine is also implemented for investment products, and new product and service models are released continuously, in order to effectively overcome problems faced by customers and to improve user experience.

2. Business development

- (1) Organization Development Diversification:
 - A. Continue the campus business operation, expand young customer group, and encourage regional/department to self-organize activities in order to increase adhesion and interaction with customers.
 - B. Continue to expand peripheral organization (CA project comprehensive promotion), in order to increase mobilization atmosphere, and to improve CA quality through role model learning.

C. Improve supervisors' functions through education, team study and hands-on practice methods, in order to guide job rank promotion and to assist expansion of the organization.

(2) Virtual and Physical Environment Fusion for Comprehensive Development:

A. Through comprehensive remote operation model, remote work on Tuesday continues to be implemented in order to allow all departments to become familiar with the remote operation and to continuously improve the remote service platform, thereby enhancing the operation experience of sales specialists.

B. Through extensive course program, diverse learning channels are provided in order to establish the joint learning atmosphere for sales specialists.

3. Customer service

(1) Through insurance account management activities, in conjunction with health promotion elements, relevant service information is integrated, in order to increase customer loyalty.

(2) With the use of innovative technologies, infringement or damage of customers' interests and rights can be detected and prevented in advance, along with the sales and marketing specialist service quality evaluation mechanism, the service quality of relevant personnel can be ensured, thereby maintaining the leading position of the Company in fair customer treatment.

4. Talent development

(1) Enhance organization communication capability, establish an open and faithful communication environment, in order to increase department cooperation efficiency, and to establish a trusting workplace with high physiological security for all employees.

(2) Uphold the "People-Oriented" training principle, integrate data-driven talent development training strategy, establish customized training development path according to career development needs. Emphasize "Equal Importance of Function and Skill" to cultivate cross-field professional talents and to overcome challenges in future working models.

(3) Improve supervisors' quick management response and thinking, in conjunction with agile seed operation mechanism, in order to assist all departments to develop the culture of quick and agile response and to promote agile working model, in order to effectively cope with changes in the post-pandemic era.

5. Internal control

(1) Enhance legal compliance, strengthen effective risk management, focus on information security and implement the internal audit/control system, continue to promote contract quality and strengthen abnormality control, and rigorously comply with regulations and maintain customers' rights and interests, thereby establishing foundation for corporate governance and sustainability.

(2) Actions will be taken to fine-tune corporate risk management practices and incorporate environmental, social, and governance (ESG) values into the risk management process. Technologies such as automation and AI will be developed, adopted, and incorporated to further improve internal control, and thereby support effective risk management and business growth.

■ Cathay United Bank Co., Ltd.

1. Consumer banking

The Bank continues to improve fundamental services to customers by adopting a needs-driven approach. With a comprehensive network of physical and digital channels available at disposal, the Bank is able to introduce integrated financial services and the ultimate one-stop shopping experience for customers of various profiles. The spread of COVID-19 has subsided in Taiwan in the second half of 2021, and under the positive impact of the factors of low-interest environment and the return of Taiwanese enterprises, real estate trading volume and price are increasing and the overall consumer financial market demand is strong. We will continue to improve the transaction service process and experience for the online loan application customer group.

2. Wholesale banking

The wholesale banking business continues to develop stably. To implement industrial business operation responsibility, and to cope with special demands of different customer groups, a dedicated wholesale banking business team is established to provide one-stop shop type of financial service. Meanwhile, support of group resources helped improve efficiency of business expansion efforts and maintain proper balance between profit and risk.

3. Wealth management

- (1) To handle diverse and complicated financial market information, the Bank integrates the market analysis and investment strategies in order to provide professional financial management consultation and asset allocation plans. In addition, the Bank also strengthens the control of customers' investment risks, thereby promoting customer financial management position health.
- (2) Differentiated products were offered to the investment needs of high net worth customers, and a team of professionals was assembled to provide tax and wealth transfer plans. Furthermore, the Bank also continues to develop online financial management services in order to improve the digital channel product transaction process.

4. Trust

AUM of real estate trusts totaled NT\$73.6 billion in 2021, up 20% from 2020, whereas AUM of personal and corporate trusts amounted to NT\$59.7 billion. Total assets under custody amounted to NT\$1,026 billion.

5. Foreign currency service

The Bank has been active in the establishment of correspondence banking relations in ASEAN and the Greater China region as a means to support international businesses and facilitate more efficient transfer of capital in Asia. In the presence of a strong correspondence banking network, the Bank is able to appeal to a larger number of customers by introducing competitive remittance solutions and trade financing products, and thereby secure the foundation of success in the foreign currency market.

6. Credit card

- (1) Continue working closely with industry leaders to develop innovative payment scenarios for mutual customer acquisition, and adopt differentiated marketing combined with shared membership points to increase cardholders' revenue contribution. In August, new type of credit card, CUBE card, has been released to integrate innovative self-selection of benefits with online banking APP switch solution, in

order to satisfy various demands with one single card. Furthermore, with the point collection loyalty program and basic Cathay point collection ecosystem, it is able to achieve simple but diverse financial products to increase consumer experience, thereby satisfying living consumption needs and increasing enrollment of customers.

- (2) Due to the impact of continuous global pandemic, in addition to active promotion of business process digitalization, the Bank also utilizes the power of data to drive marketing in order to precisely understand change of customer demands, thereby further understanding the channel preference of individual customers, contact point and various needs, in order to construct the most optimal loyal customer cultivation program, to understand various decision models of customers and to achieve most optimal customer experience.
- (3) To face the contactless digital transformation of the post-pandemic era, the Bank has established the digital finance ecosystem early in order to provide precise consumer preference Big Data analysis to business operators, to attract cross-industry alliance, to engage in differential marketing collaboration and to conduct analysis based on the focus of membership management, such that the Bank is able to seize business opportunities for collaboration with business operators and to improve diverse collaboration with business operators outside the traditional thinking model, thereby reaching new customers and expanding the business penetration rate.

7. Automatic Channel Business

- (1) Transaction acquisition service: In 2021, the Bank joined important channels of New Focus Auto, Lavender Cottage Group, KW2 tender project (contract renewal), etc. In addition, the Bank also increased the overseas card transaction acquisition service charge rate during the first half of the year, to increase the service fee collection. In addition, the transaction acquisition automation construction has also been completed. As of December 2021, the Bank had contracted with 88,929 merchants.
- (2) With regard to the new payment service, in 2021, the Company has additionally implemented the credit card digital card application service in the 7-Eleven and FamilyMart APP, allowing channel members to use their daily use APP to apply for bank credit cards intuitively and conveniently. In addition, after the effective approval of the card application, users can then use virtual card number to bind with the channel wallet for transactions directly, thereby achieving cross-field collaborative financial ecosphere.
- (3) In addition to continuous maintaining the Bank's advantage in stationing at Taipei Metro lines as the sole business operator, the Bank also actively expands quality channel points at Hi-Life, PX Mart and FamilyMart and collaboratively offers innovative services, in order to expand the scope of convenient financial services to customers.

8. Digital banking services

- (1) The Bank's website is used as the digital gate to attract new customers, to establish the Cathay brand image, to provide light, mobile and cross-channel contents, in order to increase sales and guidance. Furthermore, the company's website and online banking are highly integrated in order to provide smooth and seamless services to users.
- (2) Online Banking APP
 - A. The users of the online banking APP has reached 4 million users, and the single-day maximum number of login users also reaches 1 million users.
 - B. The Bank collaborates with Cathay Securities to launch online securities account opening service and Taiwan stock systematic investment plan, U.S. stock systematic investment plan order placement functions, providing comprehensive investment experience to users.

- C. The Bank also provides the new sub-account and target saving setting functions, in order to satisfy the demands of personal fund application planners.
 - D. The video conference service applications are also expanded with the addition of authorized transfer setting, personal information modification and account opening verification function.
 - E. For card users, the Bank further upgrades the services to release the CUBE card, such that online application, card activation, program change services can be completed in a one-stop shop method.
- (3) KOKO APP: Through investigation of young customer group's living habits and financial product needs, to enhance the account and credit card service functions, the Bank launches the functions of bill payment in installments, credit card information query and mobile phone withdrawal online activation, providing improved digital experience to users. The Bank also integrates the online banking APP and KOKO APP code passwords, such that KOKO users can perform settings through simple steps to use the identical set of code and password to log into the dual platform and to enjoy greater cross-platform services and functions. Furthermore, the Bank also continues to optimize existing function experience, in order to achieve smooth and convenient digital experience.

9. Overseas operations

- (1) The Bank places significant emphasis on the Greater China Region and Southeast Asia markets, and invests actively to capitalize on growth and opportunities within Asia Pacific. In the Greater China market, the Bank's mainland subsidiary continued to enforce a localized business strategy and support top-performing Taiwanese enterprises. Through customized offerings, professional services, and cross-selling efforts, the Bank actively promotes RMB-denominated financial products as a means to strengthen attachment with bank's target customers.
- (2) The Hong Kong Branch remains focused on growing wholesale banking, treasury, and private banking services through cross-border collaboration. In Southeast Asia, the Bank currently has branch establishments in 9 countries including Vietnam, Cambodia, Singapore, Malaysia, the Philippines, Laos, Thailand, Myanmar, and Indonesia, making it the most widely established Taiwanese bank in Southeast Asia. The Yangon Office in Myanmar also received approval to convert into Yangon Branch in 2020, and opened for business on January 8, 2021.
- (3) Up to the end of 2021, the Bank as established 67 business locations in the Greater China region and member states of the Association of Southeast Asian Nations (ASEAN), including two wholly owned subsidiary banks, one joint venture bank, seven branches, and four representative offices overseas. By creating a cross-border financial platform and banking network that spans across Taiwan, the Greater China Region, and ASEAN, the Bank is able to integrate group resources toward serving local customers and providing them with a more diverse, better quality, and more comprehensive range of financial services.

10. Treasury service

Under the impacts of economic influential factors of global pandemic, inflation and QE reduction, along with the financial product and market price fluctuation with increasing exchange rate, interest rate in the financial market, the corporate customer transaction operations are also affected. In terms of the financial management business field, due to the stock market under the bull market stage, investors tend to be increasing the equity product allocation, such that the price difference income in 2021 has increased by 10% from last year.

■ Cathay Century Insurance Co., Ltd.

1. Business policy

- (1) Enhance product research and development, increase protection scope to satisfy protection demands of customers, improve insurance protection concept and promote personal insurance process digitalization and service individualization, in order to increase the new business enrollment driving force. In addition, expand the promotion of business system commercial insurance auxiliary sales process, in order to increase the commercial insurance business proportion, thereby strengthening the organization performance and promoting balance development of insurances.
- (2) Make ongoing enhancements to the digital insurance platform, devise appropriate marketing strategies for specific channels, and develop scenario-based products that meet customers' needs and reach potential customers at greater precision.
- (3) Improve professional capacity of claims personnel, select profitable insurance products, and manage combined ratio for increased profitability of underwritten coverage.

2. Risk management and financial investment policy

- (1) Actively improve various business fundamental constructions, optimize internal control and legal compliance system. Continue to improve risk quantification technology, enhance company risk management system, in order to strength the risk monitoring function for all operation processes.
- (2) Maintain most appropriate RBC standard, improve the Company's financial risk structure, maintain excellent solvency level, and make appropriate reinsurance arrangements in order to achieve business solicitation and risk diversification at the same time.
- (3) Make reasonable adjustments to premium rates according to risk tolerance and market changes; maintain and stabilize underwriting profit while cater for competitiveness and solvency.

3. Insurance service policy

- (1) Adhere to the customer protection and fair customer treatment philosophy, refine operating procedures and enforce self-discipline and self-correction principles, plan business strategies in line with customers' needs, and utilize financial technology for service quality improvements and better protection for financial consumers.
- (2) Promote "damage prevention" as the main concept and continue promotion of all-age damage prevention and corporate damage prevention services as part of corporate social responsibilities, thereby gaining customers' recognition for the brand. Incorporate environmental, social, and governance (ESG) values into the Company's operational plans, and achieve corporate sustainability (CS).
- (3) Implement technology service to link with the insurance value chain, in order to achieve innovative and convenient digital insurance application experience, and to strengthen the development of the digital customer group.

4. International operations policy

- (1) Continue to develop the channel strategies for the market in Vietnam, continue to manage operation and business stably and expand the business organization, implement digital transformation plan thoroughly, and manage individual customers through digital process, thereby improving the overall competitiveness and profitability of the enterprise.

- (2) Cooperate with Ant Group for entry into the Mainland insurance market, and continue to expand online insurance service in the Mainland.
- (3) Expand services of the offshore insurance unit (OIU), develop opportunities in international risk management, cultivate international management talents, and expand the business scale of non-life insurance and reinsurance.

■ Cathay Securities Corporation

1. Undergo digital transformation and reach potential customers through precision marketing using digital tools; redirect customers to the Cathay Securities platform in order to provide the most suitable financial products.
2. Improve the existing service platform and introduce better quality products for institutional and natural-person investors local and abroad.
3. Expand cross-border investments through the sub-brokerage service, and provide local and foreign customers with a more user-friendly and complete service platform.
4. Optimize core trading strategies and models for improved investment performance; develop multi-product, multi-market, and modularized trading strategies.
5. Integrate the international financial consultation and underwriting services, in order to satisfy fund demands of corporate customers during different stages of business.
6. Implement law compliance, fair customer treatment principle, and strengthen the risk management mechanism.
7. Implement inclusive financing, promote responsible investment, dedication in green business operation and promotion of sustainable development.

■ Cathay Securities Investment Trust Co., Ltd.

1. Aim to maintain a lead over investment trust peers in terms of total assets under management, and strive to claim 1st place in terms of mutual funds and ETF under management.
2. Increase the size and performance of mutual fund, ETF, discretionary investment, and private equity fund.
3. Become Taiwan's industry leader and the best asset management expert in Asia Pacific.
4. Integrate the group's global asset management resources and expand service on an international scale.
5. Adopt innovative financial technologies and applications for improved customer experience and satisfaction.
6. Develop and make improvements to retirement products and services, and educate customers on pension investments.

■ Cathay Venture Inc.

1. Pursue investment gains
2. Cope with market trend to adjust investment planning
3. Implement investment professional background diversity and strategic cooperation in depth
4. Optimize internal procedures

(III) Industry Overview

At the beginning of 2021, several COVID-19 vaccinations were granted with the emergency use authorization consecutively, and the pandemic started to show signs of mitigation worldwide. Nevertheless, variants, such as Delta, emerged to cause the resurgence of global pandemic, which leads to the economic recovery pace varies in different countries and the global economic recovery has been far weaker than expected. In addition, due to the increasing raw material prices, including oil price, and shortage of labor/materials and port jammed situation by pandemic, the inflation in numerous countries is obviously increasing, such that the central bank is also implementing policies to fight inflation. Looking ahead to the year of 2022, with the continuous increase of vaccination rate and administration of oral drugs, the pandemic is expected to be further mitigated, thereby driving the global economic recovery conditions in the same direction and pace. Accordingly, the supply chain bottleneck and high inflation concern are also expected to be mitigated. Review and outlook of the domestic life insurance and banking industries are presented as follows:

With regard to the life insurance business operation environment, despite the COVID-19 vaccination research and development having been successful and the current economy still being under a growth state, the epidemic control and insufficient confidence of corporates and consumers are nevertheless still the main factors causing high uncertainty in the economic growth. In addition, as the conflict between the U.S. and China continues, along with the uncertainty of the pandemic development and other geopolitics risk, the trade, investment and financial market development in our nation are affected by such critical factors. Furthermore, FinTech also accelerates the progress of overall industrial innovation, such that the insurance industry continues to promote digital transformation. The Financial Supervisory Commission (FSC) has also allowed the remote service in 2021 to accelerate the industrial sales model reform. In the future, the Group will continue to develop comprehensive insurance technologies, and will also respond by monitoring market changes and directing attention toward asset quality, security, balance sheet management, and risk control.

With regard to the banking industry business operation environment, the domestic and foreign markets are still affected by the pandemic, and the public behaviors and bank operations are also affected, including customers' behavior shift towards online channel rapidly, and branches must consider epidemic control and customer service at the same time. In addition, the interest rate continues to be maintained at a low level, causing pressure on operation. To cope with such tough challenges, business operators in the banking industry mostly focus on strengthening of asset structure, risk management and improvement of operation efficiency, in order to demonstrate high operational flexibility and resilience. In 2021, the domestic bank return on assets is 0.59%, return on net worth is 8.03%, overall non-performing loans ratio is 0.17%, such that the operation performance is still stable. Looking to the future, the main economies are expected to move toward rate hike cycle, and the Bank's operation pressure is expected to be relieved. However, due to the pandemic development in different countries and competent authority policy adjustment, the financial supervisory system will become more rigorous, and the geopolitics and environmental changes will become the main challenges to the future business operation planning.

(IV) Research and Development

■ Cathay Life Insurance Co., Ltd.

1. Research and development spending in the last two years and the results:

- (1) The budgets on research and development in the last two years are shown in the table below:

Unit: NT\$ thousand

Year	2022 (Estimate)	2021	2020
Amount	450,647	287,742	277,498
Growth rate (%)	56.6%	3.7%	11.6%

- (2) Results of research and development:

- A. Product innovation: The Company has been actively reacting to changes in social trends and market needs with innovative products and protections to meet the needs of different consumers. The Company's "True Care for Cancer Prevention Life Insurance (In-kind Benefit Insurance)" introduced in 2021 has been the industry's first attempt at providing protection for cancer concerned by the general public. The policy provides post-cancer genetic testing service, achieving higher precision and effectiveness for cancer treatment. In addition, the Company is also the first in the industry to include cancer screening, cancer vaccination and smoking cessation treatment as part of the preventive health promotion measures. Cathay Life continues to secure its position as the market's leading brand with its ongoing innovation, and is the only insurance company to win the "Excellence Award for Product Innovation" in "Taiwan Insurance Excellence Awards" for nine consecutive years.
- B. Customer Group Management: To cope with the market demand change and digital development trend, the Company adopts the three-stage marketing approach of "Understand Customer," "Customer Cultivation" and "Customer Transfer." Accordingly, through data model construction, precise name list recommendation, marketing resource interaction and development of suitable products, the Company is able to continue to increase the customer loyalty and transfer rate.
- C. Digital Development: Despite the impact of COVID-19 pandemic, to protect customers and to continue our services to customers, the Company has launched the remote service experience and has established the CVX remote platform (Cathay Vision Experience), integrating the "Cathay FinTouch" electronic signature technology, achieving the first insurance business operator in the industry to provide remote insurance services of "Zero Contact, Zero Landing, Zero Paper." Since the launch of the service, the Company has received positive feedback with customer satisfaction level achieving 95%, and has also received numerous domestic and foreign digital innovation related awards with great recognition.

2. Research and development plan in the future

- (1) Product innovation: Under the trend of aging society, the life expectancy of the general public is prolonged, and the unhealthy life expectancy also increases. In 2022, the Company will focus on the development of senior-friendly products in order to compensate the guarantee for customers of senior group. In addition, we will also actively encourage self-motivated health management of the general

public, continuously optimize the health promotion ecosystem by providing rich health promotion incentives and diverse health promotion spillover products, thereby increasing the incentive promoting the general public to improve health condition. In addition, the Company also provides diverse products and adaptive services to different customer groups, in order to comprehensively construct a complete protection web based on the model of “Service x Product.”

- (2) Customer Group Management: Strength data driven marketing applications, establish three main action plans of “Key Information,” “Marketing Model” and “Resource Allocation,” expand and integrate customer information, refine demassification management, integrate Group resources, establish diverse marketing scenarios, and develop adaptive products, thereby establishing the most suitable channels to continuously optimize customer experience and achieving the unique brand and service value of Cathay Group.
- (3) Digital Development: Link and connect Group resources and cross-industry scenarios in order to expand the three main core businesses of health ecosystem, tourism ecosystem and finance ecosystem, and also expand the opening and strength interactive management, thereby providing new products integrated into the living scenarios and achieving deep-rooted customer development. Furthermore, the Company will strengthen the pre-sale interactive guidance and after-sale customer management, in order to assist customers to understand their individual needs for customization. Accordingly, through intelligent recommendations, the most suitable products and service channels can be provided to customers. Moreover, through the virtual and physical environment integration model, seamless insurance services are provided to customers.

■ Cathay United Bank Co., Ltd.

1. Research and development spending in the last two years and the results:

- (1) The budgets on research and development in the last two years are shown in the table below:

Unit: NT\$ thousand

Year	2022 (Estimate)	2021	2020
Amount	972,685	571,981	547,265
Growth rate (%)	70.06%	4.52%	19.17%

- (2) Research and development outcomes completed in 2021:

Unit: NT\$ thousand

Name of major project	Investment
Introduction and implementation of cloud platform/structure	44,760
Introduction of group cloud banking application	15,000
A-A implementation of front-end banking platform	60,640
Market risk assessment calculation system construction	21,038
Intelligent finance voice assistant	10,840

2. Research and development plan in the future

Plan/project in the most recent year	Progress	Additional budget required (NT\$ thousands)	Estimated time of completion	Factors critical to the success of research and development
Video Customer Service	Complete	17,890	2022/01	System integration and optimization
Credit card order receipt core simplification	In progress (10% incomplete)	6,732	2022/04	System integration and optimization
Group Market Risk Management System (ALGO) upgrade	In progress (50% incomplete)	4,245	2022/06	Effective communication with the departments in need
Private banking-Headquarter, Hong Kong	In progress (50% incomplete)	181,022	2022/09	Effective communication with the departments in need
Smart workstation	In progress (100% incomplete)	3,510	2022/10	Effective communication with the departments in need
Credit and loan integration platform construction (BPM)	In progress (30% incomplete)	14,612	2022/11	Effective communication with the departments in need
New seal platform	In progress (30% incomplete)	7,950	2022/12	Effective communication with the departments in need
A-A implementation of NTD core banking system (Bancs)	In progress (50% incomplete)	69,560	2022/12	System integration and optimization
EAI implementation of the intermediary platform (TR)	In progress (70% incomplete)	2,760	2022/12	System integration and optimization
Whole-bank voice recording system replacement and retrieval platform development	In progress (100% incomplete)	63,250	2022/12	Effective communication with the departments in need
Application and transaction fraud detection system construction	In progress (45% incomplete)	70,790	2023/02	Effective communication with the departments in need

■ **Cathay Century Insurance Co., Ltd.**

1. Research and development spending in the last two years and the results:

(1) Research and development spending in the last two years:

Unit: NT\$ thousand

Year	2022 (Estimate)	2021	2020
Amount	3,835	2,289	2,612
Growth rate (%)	67.53%	(12.36%)	(19.47%)

(2) Results of research and development:

A. Digital aspect:

Cathay Century Insurance has been actively developing digital channels and seeking collaborative opportunities with participants from different industries in recent years. The Company has engaged KLOOK, Costco, and Avis Car Rental to bring insurance services to consumers. This “one-stop shopping/service solution” has not only reduced customer acquisition costs, but also improved customers’ service experience overall. In addition, An online insurance platform called “BeSafe” has also been introduced in December 2020; being the market’s first online insurance platform, BeSafe breaks down existing insurance packages into fragments that customers can choose and combine to structure insurance solutions according to their needs.

B. Damage prevention aspect:

Cathay Century Insurance is dedicated to providing risk control and damage prevention, the two main purposes of an insurance company. Backed by a professional damage prevention team and an extensive database of past claims, the Company is able to conduct in-depth analysis to identify risks of different groups, and offer suitable recommendations and training to help improve the situation. To achieve this purpose, Cathay Century Insurance introduced a “Cathay Safety Program” and adopted a “Full Identification, All Age, and Total Prevention” strategy, taking action plans such as Damage Prevention Conference, Accident-free Campus, Accident-free Rider, and Accident-free Cycling to raise the public’s risk awareness, reduce severity and frequency of accidents, and exert long-term influence.

C. Product aspect:

To cope with the digital era development trend, the Company provides new type of fragmented insurance products to consumers. By introducing diverse and differentiated products in line with current affairs, the Company is able to market, package, and design accessory products (e.g. 6-in-1 automobile insurance, 2-in-one motorcycle insurance, household protection umbrella, employer protection insurance) to great success, and satisfy the needs of the public while creating marketing advantages.

D. Credit ratings and awards:

Cathay Century Insurance continues to earn strong praise and recognition from various sectors for its outstanding performance, ranking top 20% company in FSC’s “Fair Customer Treatment Evaluation” for two consecutive years while claiming “Insurance Excellence Awards – Three Golds and Five Silver Medals,” “Faith, Hope & Love Awards of Insurance – Five Special Awards,” and “Best Product” in the 18th “National Brand Yushan Award” – “Best Product National First Award.” Furthermore, the robust financial structure of Cathay Century Insurance has been awarded with strong credit ratings of “A-” from S&P, “twAA+”

from Taiwan Ratings, “A2” from Moody’s and AM Best rated “A” Excellence evaluation level.

2. Research and development plan in the future

- (1) Introduce data analysis as a means to transform into an insurance technology-oriented sales team, continue development of data infrastructures and implement digitalized processes for enhancement of the non-life insurance value chain, raise operating efficiency and optimize service quality to customers, and build up the Company’s image as an innovative leader and a compassionate service provider.
- (2) Recruit data analysis and financial technology talents, focus on developing employees’ abilities to plan and execute sales, and improve business capacity of the organization.

■ Cathay Securities Corporation

1. Research and development spending in the last two years and the results:

- (1) Research and development spending in the last two years:

Unit: NT\$ thousand

Year	2022 (Estimate)	2021	2020
Amount	22,545	19,962	17,595
Growth rate (%)	13%	13%	34%

- (2) Results of research and development:

- A. Cooperate with the TWSE’s new trading system: intraday and fractional trading, new version of strategy, and construction of innovative panel system
- B. Network order login with two-factor authentication and certificate application with one-time password authentication
- C. Implementation of new electronic order placement APP software
- D. Establishment of securities and futures account mid-office and sub-brokerage mid-office
- E. Implementation of automatic subscription process to improve operation efficiency
- F. Implementation of new core system for futures
- G. Addition of corporate customer order placement system
- H. Development and performance enhancement of the regular fixed-sum system
- I. Central securities depository system code conversion
- J. Construction of financial and accounting platform
- K. Online operation for current stock day trading difference handling process
- L. Credit and loan service maturity automatic notification
- M. Optimization of margin pay process
- N. Completion of OTC strategy version marketing system
- O. Addition of futures leverage business foreign currency deposit trading
- P. Warrant account system and risk control system function enhancement and performance improvement
- Q. Securities brokerage trading database expansion and upgrade
- R. Completion of “Qualified Intermediary” (QI) system integration optimization to raise competitiveness in sub-brokerage service
- S. New tree wizard desktop software with integrated features of other products

- T. Mobile webpage authentication technology will be introduced and used with online services and new business activities
- U. Futures online account opening service
- V. Implementation of multi-factor authentication for electronic transaction platform
- W. Implementation of intelligent text message customer service
- X. Implementation of intelligent voice dial-out service
- Y. Sub-brokerage and small bond transaction APP electronic order placement service
- Z. Completion of securities online account opening with bank collaboration
- AA. Trading platform with support of intraday and fractional trading

2. Research and development plan in the future

- (1) Development of futures online account opening service in line with business growth.
- (2) Continuous development and application of securities and futures account mid-office
- (3) Automation of bidding and auction process
- (4) Securities lending platform development
- (5) Profit/loss platform development
- (6) Optimization of new version of the Company's website
- (7) Upgrade of message push platform
- (8) The ChatBot will be optimized further to cover a broader range of service.
- (9) Expansion of intelligent voice new application
- (10) Implementation of securities self-specified criteria order placement service
- (11) Financial information sharing and innovative collaboration application

■ Cathay Securities Investment Trust Co., Ltd.

1. Research and development spending in the last two years and the results:

- (1) Research and development spending in the last two years:

Unit: NT\$ thousand

Year	2022 (Estimate)	2021	2020
Amount	24,880	20,420	20,930
Growth rate (%)	21.8%	(2.4%)	25.4%

- (2) Results of research and development:

- A. Construction of investment research report search system
- B. Expansion of intelligent customer service function and user experience optimization
- C. Enhancement of overall information security protection
- D. Company website and electronic transaction platform user interface and experience optimization
- E. Construction of application program interface (APP) platform

2. Research and development plan in the future

Plan/project in the most recent year	Progress	Additional budget required (NT\$ thousands)	Estimated time of completion	Factors critical to the success of research and development
Implementation of fund accounting system	In progress (20% completed)	2,120	2022/12	Construction of new fund accounting system and new investment management system seamless integration, enhancement of automatic accounting process, allowing accounting personnel to accurately and swiftly complete net value settlement operation
Implementation of investment management system	In progress (95% completed)	4,680	2022/4	Construction of new investment management system with new technologies to achieve integrated and automated architecture simultaneously, in order to replace current obsolete system, thereby increasing investment management operation efficiency and increasing system security and development maintainability
Annual information security strengthening program	In progress (50% completed)	9,110	2022/12	Implementation of information security enhancement measures of international information security standard third party verification, DDos drill, white-hat hacker, SOC information security monitoring and information security governance maturity evaluation
Enhancement of digital customer group management	In progress (50% completed)	6,800	2022/8	Redesign of electronic transaction platform user interface and process, in order to improve user operation experience, and to increase customer utilization rate and satisfaction. Development of intelligent customer service diverse application scenarios, and development of investment financial management innovative services
AI investment model research and development	In progress (30% completed)	1,900	2022/6	Research and development of automatic investment consulting model, and development of AI intelligent stock selection model
Digital and automated process operation	In progress (20% completed)	270	2022/12	Development of online electronic form approval and automated process operation

(V) Long and Short-term business development plan

■ Cathay Life Insurance Co., Ltd.

1. Short-term business development plan

The insurance business environment currently faces a number of challenges including the continuous impact of the COVID-19 pandemic, changes in accounting standards, regulatory environment, insurance technology, and demographics, for which the Company has responded with the following short-term business plans:

- (1) Enforce data governance; enhance preemptive internal control and asset & liability management (ALM) for strengthening of corporate health.
- (2) Adopt international standards (e.g. IFRS17, ICS2.0) and make ongoing adjustments to product structure and asset allocation for improved profits and financial structure.
- (3) Maintain corporate flexibility, develop innovative business models, integrate talents, and implement flexible work model to accommodate drastic environment changes.
- (4) Utilize group resources to create a value-adding channel that supports the Group's growth in size and quality.

- (5) Provide innovative and diverse products to satisfy customer financial protection and retirement financial management demands, in order to cope with the continuous pandemic and global low interest rate environment.
- (6) Activate remote service, open the new era of digital insurance service, and seamlessly transfer services from offline to online operation, providing smooth customer experience, and diverse services in addition to insurance application.

2. Long-term business development plan

Cathay Life embraces its mission of providing “security in life,” and enforces its vision of “Smart, Simple, and Safe through InsurTech.” The four main strategies below have been proposed as a means to accomplish the above:

(1) Creation of an insurance ecosystem

Coordinate resources across group affiliates and participants of different industries for collective customer management. By integrating resources and service scenarios throughout the Group, the Company will offer extended insurance solutions to facilitate interaction with customers and promote policyholders’ health.

(2) Segmentation and precision marketing

Using statistical data, the company aims to gain insight into customers' needs for more efficient customer segmentation, product recommendation and overall business management.

(3) Consistent customer experience across channels

Integrate online and offline channels and enhance service process from customers’ perspective, use data as the foundation and strive to deliver experience/service beyond customers’ expectation.

(4) Smart Working

Create a work environment characterized by open communication, energy, flexibility, and competitiveness for improved work quality and productivity.

■ Cathay United Bank Co., Ltd.

1. Short-term business development plan

(1) Consumer banking:

- A. Optimize the mortgage and personal credit process to support efficient services and digitalization.
- B. Apply big data analysis to identify target customers and trends for precision marketing.
- C. Continue coordinating joint marketing efforts between group subsidiaries and expand customer base. Utilize the cash flow network to provide integrated financial products and services and optimize synergy.
- D. Aim to expand customer base and revenue contribution particularly from high net worth individuals; introduce integrated solutions aimed at enhancing product attachment.
- E. Optimize service interface and deliver good customer experience for enhanced relationship and performance.
- F. Continue to promote the value-oriented management principle with Cathay Life, return to the essence of insurance, and enhance the promotion of the guarantee type of products, in order to improve the insurance awareness of the general public. Develop and provide new guarantee type of products and investment type of products according to the needs of different customer groups, in order to satisfy diverse demands of customers.

(2) Corporate banking:

Complete infrastructure construction based on the principle of sustainable operation and via the methods of talent planning and adjustment of business structure. In addition, through data mining, seek target customer groups and management value in order to increase the transaction volume and revenue contribution. Furthermore, make use of SME credit guarantee and financial assets for risk mitigation and introduce refine capital management mechanism in order to overall improve the capital efficiency for the wholesale banking segment. Moreover, develop high-frequency product modules and integrate resources in order to reduce customer acquisition cost, to seize cross-selling business opportunities, and to maintain profitability and growth.

(3) Trust:

Develop employee shareholding trust in line with upcoming deregulations and policy incentives; cooperate with Cathay Life on the promotion of insurance trust in order to assist the general public's planning of retirement life and to guarantee the property security.

(4) Credit card:

- A. Continue integration and management benefit planning and control for credit card products, develop original innovative combinations of product privilege and structure along with swift marketing activities, construct diverse benefit structure, develop quick reward points ecosystem active management, thereby achieving cross-selling opportunities and improving overall synergies for the Bank.
- B. Create a financial service ecosystem through sharing and exchange of resources with merchant, development of business operator multi-point application business model with simplified operation process. Continue to implement small test projects and expand collaborative scenarios; develop a mutually beneficial ecosystem through realization of data, technology and marketing resources as well as cross-industry sharing, in order to satisfy customers' diverse financial needs and autonomous financial experience.
- C. Through the use of intelligent data tools, explore customers' consumer preferences in depth, access channels and different field scenarios, in order to seek customers of high operation value. In addition, classify customer groups according to the customer attributes. Through integration of marketing and channel resources of subsidiaries of the financial holding, provide the most suitable credit card products and services to different customer groups, such that customers can be developed and expanded via credit card products, in order to introduce diverse customer groups.

(5) Automatic Channel Business:

- A. Transaction acquisition service: Cooperate with a diverse range of payment service providers on the introduction of transaction acquisition service and payment tools; acquire customers through profit sharing in order to expand the transaction acquisition service scope.
- B. New payment service: Strengthen collaboration with business operators, continue to expand payment ecosystem, thereby allowing the Bank to introduce broader financial applications into its channels.
- C. Automated channels: Cooperate with channel partners to provide customers with more comprehensive and convenient financial services.

(6) Digital banking services:

Continue to strengthen online and offline service integration, and provide high personalization flexibility for user experience from the customer's perspective, in order to enhance the business relationship with the customer.

(7) International banking:

- A. Coordinate with offices in the Greater China Region and Southeast Asian regions for the development of localized services; expand product and service offerings (such as treasury marketing, corporate Internet banking, global transactions, project financing, digital banking, private banking etc.) to maximize yields from customer relationship.
- B. Raise productivity and financial health of overseas subsidiaries, and have Mainland subsidiaries participate actively in the local capital market and grow local businesses; continue performance enhancement and digital transformation across all branches under the Cambodia subsidiary.
- C. The Bank will aim to strengthen its financial position through ongoing balance sheet optimization and risk management, and increase the intensity of cross-selling efforts while maintaining proper balance between risk and profitability.

(8) Investment and treasury marketing:

- A. Strengthen the cooperation with employer financial management in order to enhance the business relationship with corporate customers and to develop solid customer foundation.
- B. Optimize online transaction platform operation based on the simple and straightforward principle.
- C. Implement the OJT (On the Job Training) principle to integrate education training and business development, in order to increase service quality.
- D. Continue to improve and optimize business process, in order to improve business operation efficiency and reduce operating cost.

2. Long-term business development plan

(1) Consumer banking:

- A. Adhere to a customer-centric business approach and offer diverse financial services to accommodate customers' distinctive characteristics. Actively develop digital cash flow service, and optimize customer digital channel personal loan service experience for increased account utilization, thereby allowing the Bank's financial service to be integrated with the daily lives and operation scenarios of customers in order to become the primary bank for customers.
- B. Utilize group resources and integrate marketing manpower, sales channels and product lines for synergy in business development.
- C. Adopt the optimal asset/liability structure for improved capital efficiency and profitability.
- D. Take initiative in growing wealth management relationship with the high asset customer group, enhance customer business operation, offer a diverse range of customized products and services and strive to offer robust asset allocation plans to satisfy the investment, financing and inheritance needs of the high asset customer group, thereby creating valued services and strengthening the competitiveness of the Bank.
- E. Implement FinTech application, refine the analysis of financial management needs and preferences of each target customer group through Big Data, and plan appropriate corresponding financial management products, in order to expand the digital financial management customer group and to increase the service coverage.
- F. Based on the consideration of risk control and customer experience, design new financial management transaction process, and continue to strengthen the internal process and risk control.

(2) Corporate banking:

Adhere to the corporate sustainability strategy and provide sustainable banking services by enforcing ESG; enhance operating efficiency and create synergy through hardware/software implementation, use of digital tools, optimization of customer experience across channels, strategy and process streamline, and increasing product breadth and depth; adopt a flattened and lightened management structure to achieve medium- and long-term goals of the corporate banking segment.

(3) Trust:

Respond to social trends, and continue to establish comprehensive trust platform, in order to satisfy various demands of the general public.

(4) Credit card:

- A. Based on the CUBE principle, offer digital services to customers while allowing customers to make self-selection with digital experience and access of various use scenarios. Product/service overall design shall be based on the Consumer Single View aspect in the future. One Customer, One Card, One Account, and starting with card and account, links to other products/services can be achieved through financial demand integration and interest design.
- B. Risk control mechanism shall break through the current condition of independent development of products, and the concept of One Customer One Limit shall be adopted as the goal for rethinking and the establishment of risk control mechanisms.
- C. Expand high contribution customer groups with operational values. The customer demand is used as the core for data integration, in order to create a digital map to guide the journey of customers and to satisfy demands of customers throughout the journey. Provide customized and suitable profile of high return products and recommendations, in order to increase customer loyalty and to establish long-term stable profit plan.

(5) Automatic Channel Business:

- A. Transaction acquisition service: Aim to increase market share, gain control over business operators' cash flow, and assist to develop suitable financial products for profit.
- B. New payment: Combine resources from channels and the Bank to create a mutually beneficial financial ecosystem.
- C. Automated channels: Develop a robust financial service ecosystem featuring an innovative business model, and establish automated channels as the ideal frontline to offline services.

(6) Digital banking services:

Digital empowerment refers to implementation of the CUBE innovative concept in connections and experience design of cross-field products, in order to establish autonomous and diverse personalized financial experience, and to further become the gate to advanced products for customers.

(7) International banking:

- A. Connect branches and partner platforms local and abroad to grow trade financing and cash management services within the boundaries permitted by law. Offer convenient financial services to customers' needs while at the same time improve accessibility of capital in ways that make the Bank the preferred bank to maintain a cross-border operations account.
- B. Develop a fully featured digital channel for deposit service and optimize customers' experience in virtual and physical channels; strengthen banking relationship with customers for increased volume of foreign currency deposits and currency exchange.

- C. Leverage Cathay Group's local and overseas offices and business partners into creating an integrated worldwide service platform; grow cross-border banking services in the Greater China Region and Southeast Asia through financial hubs such as Hong Kong and Singapore.
 - D. Continue integration of local and overseas systems in ways that support the Bank's vision of becoming "the best financial institution in Asia Pacific"; help customers improve efficiency and availability of capital, and provide a more comprehensive range of financial services in line with needs.
 - E. Monitor digital banking trends; explore and adopt innovative financial service models; enforce risk management and sustainable practices while pursuing service innovation and financial/business growth.
- (8) Investments and financial products:
- A. Promote user-end product quotation system for enhanced service quality and efficiency.
 - B. Provide diverse product consultation and design service, increase terminal sales and promote business relationship with high asset customers.
 - C. Improve risk management platform, monitor product sale risk appetite.
 - D. Provide niche products, increase transaction limit utilization and service charge income.

■ Cathay Century Insurance Co., Ltd.

1. Short-term business development plan

(1) Product strategies - Personal insurance:

- A. Continue to increase project product promotion, establish fragmented products to improve sales topics and marketing strategies. In addition, cooperate with the epidemic control demands to develop insurance products of epidemic control elements related to statutory infectious diseases.
- B. Optimize the three personal insurance mobile insurance application tools of car insurance, bodily injury insurance and travel comprehensive insurance, in order to accelerate administrative operation efficiency and to have greater time for providing professional commercial insurance consultation services to customers.

(2) Product strategies - Commercial insurance:

- A. Actively promote the Group's channel commercial insurance business, integrate commercial insurance auxiliary sales process, continue to expand large, medium and small commercial insurance bases, and strengthen the cooperation with large professional insurance operators in large commercial insurances, thereby gaining greater large business underwriting percentage and promoting balanced development of insurances.
- B. Continue to optimize commercial insurance quotation system process, in order to increase overall commercial insurance application administrative efficiency. In addition, actively develop approval and compensation professional occupational certificates and guidance training.

(3) Distribution strategies - Physical channel:

- A. Cathay Life channel: To promote the concept of asset value increase and asset impairment, property insurance products are used as the starting point for the promotion of the three pillars of property insurance, thereby demonstrating the property insurance cumulative characteristic and constructing stable foundation for premium.
- B. Bank channel: Establish an exclusive fast access point platform in order to provide simple products and quick quotation/approval services. In addition, a bank communication office is established, in order to provide professional guidance for Cathay banking services, to interface with systems and to expand counter and corporate customer business.

C. Self-developed channel: Implement channel business quality management, list out observation name list for screening, and optimize relevant services and products. In addition, cooperate with government industrial development policies, strengthen international insurance and economy collaboration, in order to actively seize business opportunity, to increase quality large business joint insurance ratio and successful new case deals.

(4) Distribution strategies - Digital channel:

A. Invest in marketing resources: Use marketing media to stably attract customers (including Google, Yahoo, Facebook, Line), and strengthen the reputation management. Furthermore, promote BeSafe e-commerce platform in order to create marketing topics with characteristic products.

B. Develop digital channels: Through scenario marketing, expand business opportunities outward, and expand potential customer contacts, in order to establish diverse sales channels.

C. Member/customer group management: Promote digital members, increase customer digital penetration level, and analyze customer behaviors through data analysis; actively discover and improve to establish best experience website for customers.

2. Long-term business development plan

(1) Grow existing markets in depth and breadth, and provide diverse service channels to satisfy insurance needs of all types of consumers.

(2) Undertake transformations of the digital era and incorporate technology and data into improving organization efficiency and customer experience; apply precision marketing that targets customers' needs and realize Cathay Century Insurance's vision of becoming "the non-life insurance company that best understands customers' needs."

(3) Expand businesses in line with government policies and group strategies, and take pragmatic steps toward becoming the best non-life insurance company in Asia Pacific.

■ **Cathay Securities Corporation**

1. Short-term business development plan

(1) Implement the Group's business philosophy of "What If We Could" and collaborate with Cathay Financial Holding to head toward the vision of "Best Financial Institution in Asia Pacific Region."

(2) Promote digital financial services and improve customer experience with a customer-centric focus.

(3) Grow products/services in broader variety such as sub-brokerage, OSU, unrestricted purpose loan, regular fixed-sum equity investment, and structured instruments for more diversified revenue source.

(4) Expand business to domestic and foreign institutional investors, provide integrated services of quality products, platform and activities to domestic and foreign investors to increase orders placed by institutional investors.

(5) Exercise higher level of discretion when issuing options and aim to maximize profit under controlled risk. In terms of proprietary futures trading, the Company will improve arbitrage techniques to incorporate more markets, more instruments and promote product modularization for better returns.

(6) In terms of sub-brokerage, the Company will escalate its intra-group cross-selling efforts and coordinate with other subsidiaries of the group to bring comprehensive services to institutional and high net worth customers.

- (7) The company will be working with group affiliates to promote underwriting of securities for listed companies, and gradually expand international underwriting with the support of group resources.

2. Long-term business development plan

- (1) Leverage group resources for cross-selling of securities, and achieve higher penetration rate among customers.
- (2) Search for niche business opportunities to secure diverse revenue sources; make enhancements to securities financing service and the product platform.
- (3) Explore overseas business opportunities, and expand operations into Asian markets.

■ Cathay Securities Investment Trust Co., Ltd.

1. Short-term business development plan

- (1) Deepen distribution channels maintenance and offer suitable funds based on customers' risk attribute and market trend.
- (2) Continue promotion of retirement financial management education, regular savings plan(RSP) and buy-low investment strategies in order to expand the customer group and deduction amount.
- (3) Enhance service to corporate customers; promote ETF subscription among institutional and natural-person customers for market growth.
- (4) Continue making refinements to the digital marketing platform, and apply it to channels and customer service.

2. Long-term business development plan

- (1) Leverage group resources and Cathay's investment management team to deliver consistent long-term returns in line with customers' expectation, and hence improve business performance.
- (2) Expand internal and external distribution channels, and create synergy by making efficient use of group resources.
- (3) Grow customer base and promote customer classification management; classify customers by level of contribution and offer differentiated services to increase purchases from high net worth customers.
- (4) Continually market full fiduciary discretionary investment services to government funds and corporations.
- (5) Optimize the digital user interface and improve customers' experience and satisfaction across all product/service categories.

■ Cathay Venture Inc.

1. Short-term business development plan

- (1) The company aims to establish relationship with customers and identify potential prospects at an early stage, and actively support investees with their growth by referring businesses from other investees and group customers. The company will also draw from the group's exceptional financial service capabilities to assist investees in their financial and business competitiveness.
- (2) Other than Taiwan, the Company will also direct attention to locations of advance financial technology, such as USA, Singapore, China, Hong Kong etc., for the latest trends and business opportunities.
- (3) Leverage group resources and connections of the venture capital subsidiary to explore and invest into financial technology companies in overseas regions.

- (4) Strengthen investment development and assessment team continuously, and work with top-performing VC/PE funds on sharing investment prospects and overseas investment opportunities.

2. Long-term business development plan

- (1) Work alongside business partners (groups and companies) that the Company can form business alliance with on joint venture investments to the benefit of both parties. Actions will be taken to enhance investment assessment capabilities of the venture capital team, and thereby enabling the Company to acquire investment prospects from a broader number of sources.
- (2) Further explore opportunities in overseas regions where there is strong presence of Taiwanese enterprises.
- (3) Strengthen investment teams in terms of research capacity and efficiency across different industries and regions.

II. Cross-business & Cross-selling Benefits

Cathay Financial Holdings has been actively consolidating resources across subsidiaries to reduce operating costs, raise capital efficiency, and enhance cross-selling efforts. In doing so, subsidiaries are able to share resources with each other, while the Company substantially enhances customer satisfaction and maximizes shareholder value. Cathay Financial Holdings and subsidiaries regard cross-selling as an important performance indicator. Take 2021 results as an example, 34% of Cathay Life Insurance's first-year-premium was generated from the sale of insurance products through Cathay United Bank. For credit card business, 24% of new cards issued by Cathay United Bank had come from applications submitted through Cathay Life Insurance. Moreover, Cathay Life Insurance and Cathay United Bank together contributed to 61% of Cathay Century Insurance's overall business for the period.

Cathay Financial Holdings will continuously lie in the business foundation of customer value and aim for seamless integration between channels and products to fulfill customers' personalized needs. In terms of product development, by observing and adopting changes in the financial industry and regulatory environment around the world, we develop and introduce suitable products to our customers. In terms of distribution, we strive to create a more gratifying one-stop shopping experience for our customers through integration of marketing information and optimization of service processes. Given the trend of financial service toward scenario patterns, the company will continue working with partners of different industries to explore third-party applications and develop everyday banking. By offering brand new service experience, we hope to tighten our long-term relationship with customers.

In summary, Cathay Financial Holdings will continuously base on customer orientation mindset to raise customer value by delivering the right product/service through the right channel at the right time depending on customers' needs and preferences. Through systematic and efficient cross-selling mechanism, we expect to make better use of group resources and create higher synergy.

III. Industry and Market Overview

(I) Locations where products (services) are mainly sold (provided)

Main financial products (services)	Regional base/office
Life Insurance (including life, endowment, health/medical, annuity, accident, group, etc.)	Taiwan, Mainland China and Vietnam
Banking (deposits, loans, credit cards, foreign exchange, trusts, etc.)	Taiwan, Hong Kong, Mainland China, Singapore, Vietnam, Cambodia, Laos, Malaysia and Philippines, Myanmar
Non-Life Insurance (automobile, fire, flood, engineering, health, casualty and others etc.)	Taiwan and Vietnam
Securities (brokerage, proprietary trading, underwriting, financial instrument)	Taiwan and Hong Kong
Securities Investment Trust and Consulting /Asset Management	Taiwan, Hong Kong, Mainland China, Europe, United States and Japan

(II) Future market supply and demand

■ Life Insurance

1. Supply

- (1) After the Insurance Bureau announced the epidemic control supportive measures, Cathay Life is the first in the industry to launch the “CVX Remote Service Platform (Cathay Vision Experience)” and is also the only insurance company in the industry to provide one-stop shop remote services including insurance application, insurance policy change and compensation, such that the protection planning and service procedures of policyholders are not affected or interrupted due to the pandemic or other accidental events. In the future, in addition to continuous improvement of remote services, the four main customer experiences – marketing interaction, service interaction, self-query and self-application – of Cathay Life APP will also be optimized in order to assist customers to self-manage their various insurance demands, and to be ready for the trend of common remote services.
- (2) In terms of the product development, the Company will continue to focus on senior-friendly products in order to provide thorough protection for senior customers, and links to Group’s resources and cross-industry fields will also be established in order to strengthen the product spillover mechanism and integrate with the health ecosystem, thereby comprehensively establishing protection web and encouraging the general public to cultivate the habit of self-health management at the same time, to enhance the insurance concept of “guidance from post-event compensation to early prevention,” and to continuously plan senior-friendly services and measures.

2. Demand

- (1) Due to the increasing impact of the COVID-19 pandemic, the general public’s awareness of insurance coverage is also increased, and people are starting to pay attention to individual insurance appropriateness and seek consultation with sales specialists, and the demand for insurance products is also increasing. To consider the health safety of the

general public and insurance practitioners as well as regulatory requirements, the Insurance Bureau has announced that remote video conference recording may be used to replace field visits in person. In addition, through pilot scheme, such remote method has become the official business model, providing diverse and flexible channels to people and satisfying customer demands.

- (2) Under the trend of the aging society, the average life expectancy of citizens also increases along with the improvement of medical standard; however, the unhealthy survival years also increases by nearly 9 years. In view of the difficulty of poor health and living quality of the elderly, the demand for physical health maintenance, senior protection reinforcement and senior service also increases.

3. Future prospects

Cathay Life embraces its business philosophy of providing “Security in Life,” and enforces its vision of “InsureTech, happiness get. - Smart, Simple, and Safe.” The four main strategies below have been proposed as a means to accomplish the above:

(1) Building an insurance ecosystem

Coordinate resources across group affiliates and participants of different industries for collective customer management. By integrating resources and service scenarios throughout the Group, the Company will offer extended insurance solutions to facilitate interaction with customers and promote policyholders’ health.

(2) Segmentation of customer management and precision marketing

Perform risk classification through big data models, to screen quality customer groups and to recommend appropriate products, in order to improve operation efficiency.

(3) Consistent customer experience across channels

Integrate online and offline channels and enhance service process from customers’ perspective, use data as the foundation and strive to deliver experience/service beyond customers’ expectation.

(4) Smart Working

Create a work environment characterized by open communication, energy, flexibility, and competitiveness for improved work quality and productivity.

■ Banking

1. Supply

With regard to the domestic wealth management, the financial digital transformation has been accelerated due to the impact of the pandemic, and business operators in the industry are strengthening the role of digital banking. Cathay United Bank has not only further established numerous digital channels for customer communication but also actively enhanced the end-to-end transaction experience for customers, in order to understand the demands and preference of customers and to provide suitable financial wealth management and insurance products and services. Coupled with the fact that the domestic insurance market is intensively competitive with an oversupply of highly homogeneous products, the Company will place greater emphasis on delivering professional services in line with customers’ needs.

2. Demand

As the vaccination rate increases, the city lockdown policy has also been relaxed such that the economy has started to recover. Accordingly, the economic recovery is beneficial to support the risk assist performance and to increase the demand of the general public in investments and wealth management, such that development of the financial management business is also benefits.

Due to restrictions of prevailing laws and the investment environment, the Company will focus on promoting the protective features of insurance. Meanwhile, customers' needs will have to be analyzed in more detail and addressed with comprehensive asset allocation solutions in order to increase customer stickiness and to strengthen customer relationship management.

3. Future prospects

To cope with the domestic and foreign market changes as well as consumer behavior changes, Cathay United Bank will actively enhance the operational resilience, and through the development of digital core competitiveness, customers are able to acquire financial services more conveniently. In addition, in terms of the branch office operation, the Company will provide more high value-added services in order to satisfy customer demands. In addition, to cope with continuous innovation of business models, Cathay United Bank will adopt high standard for implementation of various supervisory regulations in order to achieve the goal of ethical management culture and implementation of sustainable development.

■ Non-life insurance

1. Supply

- (1) In light of how digital channels of non-life insurance have flourished in recent years, the Company will be cooperating with partners from different industries to develop scenario-based insurance services, expand business reach, address customers' needs with greater precision, and maximize exposure to potential customers. Internally, the Company aims to integrate into an all-in-one digital platform for improved customer experience, and introduce automated procedures as well as full service features that increase brand identification, customer experience, product utilization, and conversion rate.
- (2) Cathay Century Insurance is an active advocate of preventive measures, and has been applying innovation and the latest technologies to develop a broad range of damage prevention services in line with current trends, including "Damage Prevention Conference," "Accident-free Workshop," "Accident-free Campus" and "Accident-free Rider." The Company offers various innovated loss control services to reduce the frequency and severity of potential accidents, and delivers mutual benefit for both the insurance applicant and the beneficiary.

2. Demand

The authority's active promotion of six main core strategic industrial development policy has increased demand for commercial insurance in the green energy industry and national defense industry. Meanwhile, social changes(such as pandemic insurance and pet insurance) and

progression into a digital era give rise to new risks and needs for insurance coverage (such as mobile device insurance and information security insurance).

3. Future prospects

Looking to the year of 2022, in terms of the personal insurance, as the COVID-19 pandemic mitigates, tourism related business originally affected by the pandemic will recover stably and is expected to bring a certain level of business opportunities in the market. In addition, regarding car insurance, as the ratio of imported cars increases and there is an increasing trend of hybrid cars and electric cars associated with the environmental sustainability issue, the overall car insurance market premium income is also expected to increase.

In terms of commercial insurance, the six main core strategic industrial development policies of the government reveal great business opportunities in the energy market. In addition to the offshore wind power business being beneficial to the insurance market, the green energy industry and wind power maintenance boats also promote the insurance demands. Accordingly, it is expected to drive the commercial insurance market, and the business of the overall market in 2022 will continue to show stable and continuous growth.

■ Securities Business

1. Supply

Due to the rise of digital service channels, the number of securities branches has fallen continuously from 1,086 (peak) in 2011 to only 871 in 2021. Due to impacts of the pandemic, activities in Taiwan's primary equity market lessened, causing companies to postpone share offerings. A total of 28 IPO cases were completed in 2021, raising NT\$28.2 billion of capital; this represented a 10-year low both in terms of case count and amount. The authority is currently encouraging businesses with critical technology and innovative capabilities to raise capital as a means to support the capital market.

2. Demand

Digital finance and various investments needs have emerged as trends of the future. In 2021, Taiwan's equity market saw TAIEX reach another record-high level after the remarkable record in 2020, while the average daily trade volume rose from NT\$252.4 billion in 2020 to NT\$476.3 billion, and natural-person traders accounted for a higher percentage of total trade volume at 69.4%. Sub-brokerage trade volume grew from NT\$3.8 trillion in 2020 to NT\$4.3 trillion in 2021; ETF transactions decreased from NT\$2.8 trillion in 2020 to NT\$2.5 trillion in 2021; and options trade volume also increased from NT\$215.4 billion in 2020 to NT\$228.4 billion in 2021. With respect to regulations, the authority announced six major action plans in 2021 to support its four goals toward financial resilience, financial innovation, sustainable finance, and financial inclusion. Accordingly, based on the policy objectives, Cathay Securities will continue to comprehensively improve financial service experience through innovation of digital services.

3. Future prospects

For the post-pandemic era, digital finance has become the development focus of all major securities firms, and Cathay Securities will introduce new digital services to drive transaction activities and improve overall operating performance. In addition, the importance of ESG in the

investment market continues to increase, and publicly listed companies start to include ESG in the business management strategy one after another. As part of Cathay Financial Holding, Cathay Securities will follow the blueprint of sustainable operation development of the Group for implementation of ESG in the services. Through the implementation of three main aspects of paperless service with carbon reduction, digital APP with implementation of inclusive financing, and strengthening of customer information security, the Company aims to develop sustainable finance.

■ Investment Trust

1. Supply

Founded over 20 years ago, Cathay Securities Investment Trust has grown to become the largest asset management company in Taiwan for 11 consecutive years. Its exceptional performance has been well-recognized time and time again by domestic and foreign institutions; by the end of December 2021, the Company had won a total of 134 awards in regard to fund offering, investment research, asset management, and risk management. The diversity of our achievements is representative of our persistence in innovative research and development. Owing to the contribution of a professional and experienced team, Cathay Securities Investment Trust has been able to identify future trends correctly and develop and improve its products ahead of peers, bringing creative energy to what many would consider a matured industry to the satisfaction of institutional and individual investors alike.

2. Demand

ETF will be the main product that drives growth of investment trust businesses, combined with the fact that deregulations are underway for related services, Cathay SITC will continue to expand its ETF product line and place emphasis on studying market trends and meeting customers' expectations for trendy investments, sustainability issues, high dividend payments, or high price volatility, thereby providing customers with greater investment selections. Furthermore, given the public's rising awareness towards retirement planning, the Company will continue introducing related services and products to help investors save for retirement early in life.

3. Future prospects

Given the increasing diversity and intensifying competition of ETFs in the market, the Company will continue paying close attention to industry trends and capitalize on investment opportunities for the benefit of investors. Efforts will also be made to enhance services to corporate customers and promote ETF subscription among institutional and natural-person investors for market growth. Furthermore, overwhelming demand for retirement products reflects the fact that retirement investment has emerged as a prominent issue nationwide. In response, the Company will be hosting long-term education programs on the topic of retirement planning and continually improve its Cathay Retirement Platform to provide users with more information on retirement planning and investment; furthermore, online and offline campaigns will be organized to integrate Group resources into creating an all-purpose retirement platform. Furthermore, as a response to an era of new technologies, the company will be adopting new financial technologies for the

launch of simple and easy-to-understand digital services targeted at addressing the pain points of young customers, which in turn improves satisfaction and loyalty.

In addition, digital channel partners will be added in the future to expand digital customer base with diversified services, optimize user experience of online trading platforms, develop personalized and intelligent services, increase both fund sales and ETF cross-selling opportunities, and raise the number of active customers and overall asset under management size.

(III) The Business Objectives of Cathay Financial Holdings

The Company remains committed to its sustainability principles and its goal to maximize values for shareholders, customers and employees. Its future strategies will still revolve around three main focuses: **1. Expand the profit contribution of asset management and make it as the third profit engine; 2. Continue Expansion in Asia Pacific; and 3. Strengthen applications of innovative Fintech.** In doing so, we hope to improve our market competitiveness and become one of the best financial institutions in Asia Pacific. The Company's future operational targets are as follows:

1. Expand the profit contribution of asset management and make it as the third profit engine:

Under the stable development of banking and insurance businesses, the asset management has been actively completed to become the third profit engine of the Company. Through links to the resources of Cathay Securities Investment Trust (Taiwan), Conning (USA), Octagon (USA) and Global Evolution (Denmark), a global asset management platform is established. The Company upholds the core of customer-oriented service and provides one-stop shop value service through the Group, including banking, insurance and asset management, in order to satisfy customer demands in different stages of their lives and various financial service needs in the changing financial market. By the end of 2021, the asset management platform had accumulated over US\$200 billion of assets under management. In the future, the Company will continue to establish prospective and comprehensive asset allocation strategy for customers, in order to improve financial performance and enhance profit contribution.

2. Continue expansion in Asia Pacific:

The Company will gradually link to the Greater China and ASEAN market in order to provide financial services satisfying the demands of foreign and domestic Taiwanese business operators and local customers. For the market in China, through the existing subsidiaries and life/non-life insurance joint ventures, the local business will be enhanced to jointly expand the local market. Meanwhile, the Company has been making progressive expansions into Southeast Asia in recent years through a combination approach of branch establishment, shareholding and business acquisition. It currently has branches in nine ASEAN countries and continues to enhance cooperation with strategic partners such as RCBC in the Philippines to grow distribution channels. With the extensive years of experience deep rooted in the financial industry, the Group will continue to expand channels and local management team, in order to develop business opportunities in the Southeast Asian market.

3. Strengthen FinTech innovative applications:

Based on the three major fields of digital, data and technology, the Company actively invests in the construction of big data infrastructure and continues to recruit cross-field talents in order to integrate data within the Group, and assemble a solid data analysis team that is capable of implementing

financial technologies in real applications. Services such as “Fa” – the ChatBot, “Tree Swift Loan” – a digital lending service, “Shopee Loan” – a big data-assisted loan, “Cathay Smart Investment” – an AI-assisted investment service, “Groupins+” – a one-stop service platform of corporate group insurance products, “CVX Insurance” – a remote insurance application platform and “BeSafe” – an e-commerce property insurance application platform, are all creative examples of what conventional financial institutions may offer with the help of financial technology. In the future, the Company will continue to listen to market demands, implement digital empowerment with active and continuous innovation, in order to support various scenarios and needs within the Group with FinTech capabilities accumulated for a long period of time, and to collaborate with partners from different industries to introduce competitive business models. It is our ultimate goal to build an ecosystem around the idea of “Cathay as a Service” (CaaS), in which customers may have access to more convenient and distinctive financial service experiences.

(IV) Future threats and opportunities

■ Life Insurance

1. Opportunities

- (1) Under the impact of the global pandemic and the threats associated with the inflation in the U.S. and supply chain interception, new risks are introduced to the global economy. Nevertheless, the U.S. Federal Reserve has announced that interest rates may be gradually increased in March of this year, which is beneficial to the life insurance market.
- (2) In the last five years, the global insurance technologies continued to grow, promoting the digital transformation of insurance companies in our nation. As the FSC in Taiwan gradually relaxes insurance technology related regulations, under the empowerment of new technologies, Cathay Life actively strengthens digital technology application, and it is expected that the industry will continue to implement technologies to the insurance value chain in the future, thereby improving the financial service efficiency and promptly satisfying customer demands with new emerging technologies and financial services.
- (3) The pandemic has driven the public awareness in health management, and the Company aims to expand health promotion advocacy and link diverse services in order to construct a health ecosystem. In addition, the Company will also continue to develop a new health spillover mechanism and integrate the membership system to develop exclusive products. Furthermore, the Company will design and promote its products by focusing on the protective features of insurance, advocating a value-oriented approach to ensure sustainable business growth.
- (4) Taiwan is expected to become a hyper-aged society in 2025, and an aging population combined with low fertility will increase demand for nursing and retirement planning. Insurance companies are expected to continue developing products and services that are targeted toward senior individuals with a focus on wealth accumulation and retirement needs. It is foreseeable for future commercial insurance to be designed closely in connection with social insurance.

2. Threats

- (1) The conflict between China and the U.S. is forcing businesses to relocate and adjust production capacity, whereas economic and geopolitical risks continue to disturb stability of

the global economy and financial markets, which in turn reduces spread and investment returns of life insurance companies. The company will respond by monitoring market changes and directing attention toward asset quality, security, balance sheet management, and risk control.

- (2) As digital services increase in popularity, the insurance industry will be gathering and making use of data at increasing volume for a number of purposes from risk management to the design of new products and services. Uses of new technology and increased level of cross-industry collaboration give rise to information security risks, and Cathay Life will enhance security protection not only for compliance with FSC policies, but also to ensure continuity of business activities.
- (3) International standards such as International Financial Reporting Standards (IFRS) No. 17 and International Capital Standard (ICS) 2.0 will affect net worth calculation of the life insurance industry causing substantial variation to reported profits while increasing compliance and administrative costs. The FSC continues to supervise the Taiwan Insurance Institute to properly handle promotion affairs and to urge operators to perform relevant preparation operations according to the work objectives and to enhance insurance industry financial structure through relevant enhancement of supervisory measures, and thereby improve capital and reduce the impact of the international system. Cathay Life has actively implemented an information system complying with IFRS17 and ICS standards, and will continue to adjust the overall business strategy and cooperate with a high level of retraining in order to complete preparation works in advance.

■ Banking

1. Opportunities

- (1) Cathay United Bank has the advantages of access to resources of the Group in order to gather internal and external professional market analysis and diverse financial product resources of the Group, thereby providing new wealth management products and investment strategy direction. In addition, Cathay United Bank is the exclusive bank for insurance policies of Cathay Life and Cathay Century Insurance, such that the product design and adjustment responsive speed are relatively faster than the other business operators in the same industry, thereby effectively achieving the competition advantage of the financial holding platform.
- (2) In recent years, the Bank has actively utilized digital technology to develop the digital platform in order to provide complete digital financial services to customers. Cathay United Bank will continue to optimize product transaction process of digital channel, and the online service scope will be expanded through the digital platform, along with the integration of the data model in order to explore the wealth management demands of customers, and to improve the excellent transaction experience of customers with Cathay United Bank.
- (3) With the continuous growth of the credit card market, consumers have become familiar with the plastic currency payment habit. In addition, with the increasing stay-at-home economy driven by the pandemic, all sectors and industries are eager to transform to the zero-contact electronic payment and online channel in order to seize business opportunities in the delivery and take-out consumer market. Meanwhile, large chain stores are also developing their own

brand wallet and membership APP, such that the utilization rate of mobile payment is expected to increase, and customers' acceptance toward digital services is also accelerated. Accordingly, the bonding between bank, store and consumers is becoming closer. Furthermore, the rich and vast consumer database will be beneficial to the analysis of customers' demands for the increase of cross-field sale and cross-industry alliance opportunities.

- (4) Cathay United Bank operates a broad network of automated equipment with extensive customer coverage, facilitating the expansion of financial service and business.
- (5) Looking to the year of 2022, most of the investigation institutions are of the opinion that the global economy will continue to recover, the balance issue between supply and demand will be solved, and the international inflation pressure will also be mitigated. However, the challenges due to the factors of advanced economy currency policy normalization, change in the relationship between the U.S. and China, global supply chain bottleneck and unpredictable pandemic development, the economic growth is still affected. With regard to the domestic market, the domestic consumer demand improved in the second half of last year, the export volume of electronics and semi-conductor products was high, and the marine shipping industry also benefited from the global logistics demand, such that the business performance is outstanding. Moreover, recently, the board of the Central Bank also indicates that the inflation is expected to reduce this year, and the economy will show gentle growth; accordingly, the interest rate policy will remain unchanged; however, the epidemic control status will continue to be monitored to facilitate the market recovery. Cathay United Bank continues to monitor credit risks and industry changes, and offers diverse financial services without compromising asset quality as a means to improve business performance.

2. Threats

- (1) To maintain the market share, the top five credit card issuing banks have launched high return credit card benefit events and loyal customer management plan consecutively. As the business environment competition becomes more severe, credit card product returns to its primary function of consumer payment tool, and its loan function becomes weaker. As a result, the profit is reduced. In addition, business operators in the same industry continue to emphasize the credit card promotional return, such that the marketing cost increases, and the profit margin is also significantly reduced.
- (2) Payment solutions are diverse and change rapidly. However, the equipment upgrade cost is high and under the intense competition of physical channels and e-commerce operators, it is expected that common expansion of non-cash market scale benefit cannot be achieved in a short period of time. Accordingly, business operators will have to compete for limited customer base and consumption touchpoint; therefore, the payment market is expected to be still highly competitive in 2022.
- (3) Financial market information is diverse and complicated, and the business and region overlapping among financial institutions is high. In addition, as the impact of the pandemic accelerates the financial digital transformation, financial institutions emphasize the role of

digital banking. Accordingly, all of these factors have increased the challenges to the wealth management business.

- (4) The authorities have tightened supervision over investment-linked products with reduction of the guaranteed payment products, and forced an increased in premiums that may adversely affect the business development. It would be more challenging to develop new investment-linked products that meet customers' needs.
- (5) The financial supervision also becomes more rigorous, and frequent amendments and adjustments of regulations and laws also occur. Accordingly, how to expand profit under the premise of consideration of risk and legal compliance will become a challenge to the financial industry.
- (6) It is difficult for banks to enjoy excess profit margin due to saturation of the domestic financial market and the prevailing low-interest environment. Furthermore, given the rapid changes in financial products and the banking environment, banks have to constantly adjust and adapt, which presents major challenge to future operations.

■ Non-life insurance

1. Opportunities

- (1) Cathay Century Insurance has abundant support from the Group including strong brand image, nationwide network, and extensive sales force. To improve marketing, it has the advantage to leverage the Group's highly integrated marketing strategies as well as promoting the concept of asset impairment and demand analysis.
- (2) Cathay Century Insurance has been actively promoting digital transformation in recent years, taking actions to optimize online channels and service processes as a means to increase sale of personal insurance products. Meanwhile, more attention is being paid to acquire and manage relationship with customers, and therefore improve service quality and customer experience at the same time.
- (3) The green energy industry and online insurance present enormous market potentials following the government's new policies (e.g. offshore wind power, product fragmentation). These opportunities can be capitalized with the introduction of new commercial insurance policies and expansion of digital channels.

2. Threats

- (1) Auto manufacturing/sales business operators continue to engage in the auto insurance business, and due to their advantages in the industry chain, their presence has disrupted the auto insurance market for restructuring and has intensified competition particularly with regard to auto insurance and bulk commercial insurance.
- (2) Peers have been active in the consolidation of marketing resources, and their cross-selling promotions have achieved certain performance outcome. All of such factors may close in on Cathay Century Insurance's current cross-selling advantage.

■ Securities Business

1. Opportunities

- (1) The impact of the pandemic drives the investment behavior to digitalization, thereby promoting the growth of the digital account opening in multiple folds. Cathay Securities is a

pioneer in digital service and fully supports the government's policies on FinTech and financial inclusion, both of which have emerged as trends of the future. In addition, given the fact that the digital pipeline has been effective, the scope of products and services offered on the digital platform will be broadened to meet the needs of different customers.

- (2) The sub-brokerage market continues to expand rapidly, and Cathay Securities is currently ranked as No. 1 in the sub-brokerage market. With the scale advantage, the Company continues to improve the customer experience and expands the overall sub-brokerage business scale, in order to satisfy the demands of domestic customers in foreign and domestic financial products.
- (3) Cathay Securities is able to integrate resources of other group subsidiaries to provide one-stop shop financial services to both individual and institutional customers, in order to establish the product service ecosystem and to enhance the customer attachment.

2. Threats

- (1) Cross-industry collaboration has emerged as a new competitive practice. Competition from non-financial institutions in the financial service industry has been made possible by new business models and innovative technologies, which further intensifies competition within the industry.
- (2) Digital financial service forms a significant part of Cathay Securities' development strategy, which puts the Company in high demand for FinTech talents (the same can be said about financial peers), and competition for critical digital talents has intensified as a result.
- (3) As the news on securities firms being attacked by hackers becomes more frequent, under the premise of maintaining market order and protecting investors' interests for the development of digital finance, dynamic strengthening of information security control has become the common subject for all securities firms.

■ Investment Trust

1. Opportunities:

- (1) The market is seeing an increasingly diverse range of investment products and intensifying competition from peers. However, Cathay Securities Investment Trust has the advantage to leverage group resources and Cathay's asset management platform and investment management team to deliver consistent long-term returns. It currently has a strong reputation and is highly trusted among investors.
- (2) "Retirement planning" has gained significance as an investment goal due to increased average lifespan in Taiwan. Cathay Securities Investment Trust has been following this trend for extended periods of time and responded with offerings such as "Cathay Retirement Series – Cathay Target Date 2029/2039/2049 Fund of Funds," an optimized digital platform, comprehensive information and services, education on retirement planning, and innovative debiting strategies. The Company places great emphasis on regular fixed-sum investment plans as a way of increasing investor commitment and market share, and has established its reputation as a retirement planning expert among investors.
- (3) Investors have become increasingly dependent upon digital services due to rapid technology development. A digital, AI-driven mobile investment platform has been created specifically

for young customers and people approaching retirement, and ongoing improvements are being made to digital marketing to raise customers' satisfaction toward the products and services offered.

2. Threats:

- (1) Digital finance now accounts for such a significant percentage of total transactions that the Company is constantly in need of optimizing and refining both the desktop and mobile versions of its investment system, and enhancing security protections in order to provide investors with more secure digital environment and services.
- (2) The market is currently overwhelmed with ETF offerings; products are being developed and launched at such a fast speed that issuers are starting to experience increasing market-making costs, competitive pressure and difficulty in product development.
- (3) Markets may have stabilized but are still susceptible to the development of the pandemic situation.

IV. Employee Profile

■ Cathay Financial Holding Co., Ltd.

1. Employee profile (population, years of service, age and highest educational attainment) for the last two years and before the printing date of the Report.

Year		2020	2021	As of 3/30/2022
Employees	Managers	71	66	67
	General Staff	453	458	454
	Total	524	524	521
Avg. Age		35.82	35.43	35.24
Average years of services		5.58	6.20	6.30
Education	Doctorate	1.15%	0.76%	0.77%
	Master	57.44%	57.06%	57.01%
	Bachelor	40.84%	41.79%	41.84%
	High School	0.38%	0.19%	0.19%
	Below High School	0.19%	0.19%	0.19%
Professional Certifications or Qualifications Received by Employees		See chart below		

2. Certifications and Qualifications Received by Employees

Certifications and Qualifications	Exam Administrator	Number of employees
Chartered Financial Analyst (CFA)	CFA Institute (AIMR)	3
Financial Risk Manager (FRM)	GARP	3
Certified Public Accountant	The Examination Yuan of R.O.C.	3
Taiwan Bar Exam	Legal Affairs Dept	4
Certified Anti-Money Laundering Specialist (CAMS)	Association of Certified Money Laundering Specialists (ACAMS)	2
Associate of Society of Actuaries (ASA)	Society of Actuaries	6
U.S. actuary exam	Society of Actuaries	1
Claim Adjuster for Life Insurance	Life Insurance Management Institute of the R.O.C.	6
Fellow of Insurance Assessor for Life Insurance	Life Insurance Management Institute of the R.O.C.	7
Claim Adjuster for Life Insurance Management	Life Insurance Management Institute of the R.O.C.	14
Fellow of Life Management Institute (FLMI) certification	Life Office Management Association (LOMA)	24
Certified Internal Auditors (CIA)	Institute of Internal Auditors (IIA)	2
Project Management Professional (PMP)	Project Management Institute	5

Certifications and Qualifications	Exam Administrator	Number of employees
Professional Scrum Master(PSM)	Scrum.org.	2
A member of Royal Institution of Chartered Surveyors (RICS)	RICS	1
SAS basic programming designer	SAS	2
SAS forecast model establishment designer	SAS	3
OCPJWCD	ORACLE	2
CISM, Certified Information Security Manager-International Information Security Manager	ISACA	2
Qualification Exam for Stock Affair Specialist	Securities and Futures Institute	6
Qualification Exam for Personal Insurance Representative	The Life Insurance Association of the R.O.C.	102
Qualification Exam for Non-Investment Foreign Currency Insurance Products	The Life Insurance Association of the R.O.C.	21
Basic exam for Corporate Internal Control	Securities and Futures Institute	1
Test for Internal Control and Internal Audit of Banks	Taiwan Academy of Banking and Finance	29
Securities investment analyst	Securities Investment Trust & Consulting Association of The R.O.C (SITCA)	7
Securities investment trust and consulting laws (including self-governance rules)	Securities Investment Trust & Consulting Association of The R.O.C (SITCA)	6
Securities investment trust and consulting professional	Securities Investment Trust & Consulting Association of The R.O.C (SITCA)	8
Qualification Exam for Investment-orientated Insurance Product Representative	Insurance Institute of the Republic of China	19
Basic Proficiency Test for Foreign Exchange Personnel	Taiwan Academy of Banking and Finance	7
Basic Proficiency Test for Junior Credit Personnel	Taiwan Academy of Banking and Finance	13
Trust representative	Trust Association of R.O.C.	47
Qualification Exam for Non-Life Insurance Representative	The Non-Life Insurance Association of the Republic of China	38
Non-life insurance underwriter/claims adjuster exam	The Non-Life Underwriters Society of The Republic of China	5
Proficiency Test for Financial Planning Personnel	Taiwan Academy of Banking and Finance	15
Qualification Exam for Bill Finance Specialists	Securities and Futures Institute	2
Sales Personnel of Futures Trust	Securities and Futures Institute	1

Certifications and Qualifications	Exam Administrator	Number of employees
Fund Distributor		
Qualification Test for Sales Personnel of Structured Products	Taiwan Academy of Banking and Finance	5
AML and CTF Specialist Exam	Taiwan Academy of Banking and Finance	1
Professional capacity test for debt collector	Taiwan Academy of Banking and Finance	1
Qualification Exam for Securities Specialist	Taiwan Securities Association	9
Qualification Exam for Senior Securities Specialist	Taiwan Securities Association	11

3. Continuing Professional Training Received by Employees

Item	Number of Training Received by Employees
General Management	8,370
Professional Courses	1,562
Auditor Continuing Training	79
2021 Total Training Expense	NTD\$ 4,104,727

■ Cathay Life Insurance Co., Ltd.

1. Employee profile (population, years of service, age and highest educational attainment) for the last two years and before the printing date of the Report.

Year		2020	2021	As of 3/30/2022
Employees	Back-Office Personnel	4,948	4,949	4,855
	Front-Office Personnel	28,435	27,451	27,085
	Total	33,383	32,400	31,940
Avg. Age		43.78	44.33	45.25
Average years of services		12.05	12.50	12.63
Education	Doctorate	0.04%	0.05%	0.05%
	Master	7.94%	8.37%	8.46%
	Bachelor	52.79%	53.62%	53.71%
	High School	36.63%	35.56%	35.41%
	Below High School	2.60%	2.40%	2.36%
Professional Certifications or Qualifications Received by Employees		See chart below		

2. Certifications and Qualifications Received by Employees

Certifications and Qualifications	Exam Administrator	Number of employees
Qualification Exam for Securities Investment Analyst	Securities and Futures Institute	61
Qualification Exam for Securities Specialist	Securities and Futures Institute	158
Qualification Exam for Senior Securities Specialist	Securities and Futures Institute	134
Qualification Exam for Futures Specialist	Securities and Futures Institute	156
Futures Trading Analyst	Securities and Futures Institute	2
Qualification Exam for Securities Investment Trust and Consulting Professional	Securities and Futures Institute	209
Qualification Exam for Securities Investment Trust and Consulting Regulations	Securities and Futures Institute	3,151
Qualification Exam for Stock Affair Specialist	Securities and Futures Institute	5
Professional Capacity of Bonds Specialist	Securities and Futures Institute	9
Sales Personnel of Futures Trust Fund Distributor	Securities and Futures Institute	1,071
Basic exam for Corporate Internal Control	Securities and Futures Institute	26
Proficiency Test for Asset Securitization	Securities and Futures Institute	5
Proficiency Test for Financial Planning Personnel	Taiwan Academy of Banking and Finance	258

Certifications and Qualifications	Exam Administrator	Number of employees
Basic Proficiency Test for Junior Credit Personnel	Taiwan Academy of Banking and Finance	100
Proficiency Test for Advanced Operation Personnel	Taiwan Academy of Banking and Finance	2
Professional Competency Test on Trust Collateral Appraisal of Financial Personnel	Taiwan Academy of Banking and Finance	20
Professional Competency Test on Risk Management of Financial Personnel	Taiwan Academy of Banking and Finance	3
Basic Proficiency Test for Foreign Exchange Personnel	Taiwan Academy of Banking and Finance	20
Qualification Test for Sales Personnel of Structured Products	Taiwan Academy of Banking and Finance	36
Test for Internal Control and Internal Audit of Banks	Taiwan Academy of Banking and Finance	573
Qualification Exam for Personal Insurance Representative	The Life Insurance Association of the R.O.C.	23,968
Qualification Exam for Non-Investment Foreign Currency Insurance Products	The Life Insurance Association of the R.O.C.	26,792
Insurance Assessor for Life Insurance	Life Insurance Management Institute of the R.O.C.	753
Claim Adjuster for Life Insurance	Life Insurance Management Institute of the R.O.C.	790
Qualification Exam for Non-Life Insurance Representative	The Non-Life Insurance Association of the R.O.C.	8730
Proficiency Test for Trust Operations Personnel	Trust Association of R.O.C.	4530
Qualification Exam for Bill Finance Specialists	R.O.C. Bills Finance Association	2
Qualification Exam for Investment-orientated Insurance Product Representative	Insurance Institute of the Republic of China	19,774
Insured service certification - life insurance	Insurance Institute of the Republic of China	1,669
Insured service certification - property insurance	Insurance Institute of the Republic of China	1
Certified Public Accountant	The Examination Yuan of R.O.C.	15
Architect	The Examination Yuan of R.O.C.	2
Fire Protection Engineer	The Examination Yuan of R.O.C.	1
Real Estate Appraiser	The Examination Yuan of R.O.C.	6
Taiwan Bar Exam	The Examination Yuan of R.O.C.	10
Scrivener	The Examination Yuan of R.O.C.	2
Intangible Asset Valuator	Ministry of Economic Affairs, R.O.C.	1
Fellow, Life Management Institute (FLMI)	Life Office Management Association (LOMA)	122
Associate, Reinsurance Administration Program (ARA)	Life Office Management Association (LOMA)	1
Chartered Financial Analyst (CFA)	CFA Institute	25
Financial Risk Manager (FRM)	GARP	16

Certifications and Qualifications	Exam Administrator	Number of employees
The Associate, Life and Health Claims (ALHC)	International Claim Association	6
The Academy of Life Underwriting (ALU)	Life Office Management Association	1
Fellow of The Institute of Actuaries of Japan	The Institute of Actuaries of Japan	1
Fellow of the Society of Actuaries	Society of Actuaries	5
Associate of the Society of Actuaries	Society of Actuaries	34
Administration Personnel for Life Insurance	Life Insurance Management Institute R.O.C.	53
Fellow of The Actuarial Institute of R.O.C.	The Actuarial Institute of the R.O.C.	7
Associate of The Actuarial Institute of R.O.C.	The Actuarial Institute of the R.O.C.	23
Certified Internal Auditors (CIA)	Institute of Internal Auditors (IIA)	11
Certified Information Systems Auditor (CISA)	Information Systems Audit and Control Association (ISACA)	7
Certified Financial Planner (CFP)	Financial Planning Association of Taiwan (FPAT)	406
A member of Royal Institution of Chartered Surveyors (RICS)	RICS	17
Project Management Professional (PMP)	Project management institute	27
Certified Public Accountant (CPA)	American Institute of Certified Public Accountants	0
Certified Anti-Money Laundering Specialist (CAMS)	ACAMS	3
SAS basic programming designer	SAS Institute	4
SAS Certified Advanced Programmer	SAS Institute	2
Certified Commercial Investment Member (CCIM)	CCIM INSTITUTE	2
Red Hat Certified Engineer (RHCE)	RED HAT	1
Oracle Certified Master, Java SE 6 Developer(OCMJD)	ORACLE	71
Certified Information System Security Professional (ISC) 2 (CISSP)	CISCO	2
IBM Certified System Administrator – AIX6.1 series and above (CSA)	IBM	12
IBM Certified Application Developer–DB2 Universal Database V8.1 series and above (CAD)	IBM	4
IBM Certified Advanced Database Administrator –DB2 Universal Database V8.1 series and above for Linux, Unix and Windows (CADA)	IBM	3
CompTIA Security+ Certified Information Security Course	CompTIA, Computing Technology Industry Association	1
Professional Scrum Master(PSM)	Scrum.org	81

Certifications and Qualifications	Exam Administrator	Number of employees
CISM, Certified Information Security Manager	ISACA	2
Professional capacity test for debt collector	Taiwan Academy of Banking and Finance	9
Proficiency test for digital finance knowledge	Taiwan Academy of Banking and Finance	2
AML and CTF Specialist Exam	Taiwan Academy of Banking and Finance	605
PMI-ACP (Agile Certified Practitioner)	Scrum.org	3
Derivative sales personnel exam	Taiwan Academy of Banking and Finance	3

3. Continuing Professional Training Received by Employees

Item	Number of Training Received by Employees
General Management	83,341
Professional Courses	563,543
Auditor Continuing Training	195
2021 Total Training Expense	NTD\$ 486,555,930

■ Cathay United Bank Co., Ltd.

1. Employee profile (population, years of service, age and highest educational attainment) for the last two years and before the printing date of the Report.

Year		2020	2021	As of 3/30/2022
Employees	Managers	779	762	775
	General Staff	9,737	9,694	9,765
	Total	10,516	10,456	10,540
Avg. Age		37.98	38.94	39
Average years of services		9.24	10	10
Education	Doctorate	0.14%	0.12%	0.12%
	Master	20.20%	20.84%	20.71%
	Bachelor	75.56%	74.37%	75.04%
	High School	4.09%	4.14%	4.13%
	Below High School	0.01%	0.01%	0%
Professional Certifications or Qualifications Received by Employees		See chart below		

Note: Includes domestic permanent personnel, marketing specialists and locally hired overseas employees.

2. Certifications and Qualifications Received by Employees

Certifications and Qualifications	Exam Administrator	Number of employees
Proficiency Test for Financial Planning Personnel	Taiwan Academy of Banking and Finance \ The Life Insurance Association of the R.O.C. \ Insurance Institute of the Republic of China \ Others	1,625
Basic Proficiency Test for Junior Credit Personnel	Taiwan Academy of Banking and Finance \ The Life Insurance Association of the R.O.C. \ Taiwan Securities Association \ Securities and Futures Institute \ Others	3,482
Basic Proficiency Test for Bank Internal Controls	Taiwan Academy of Banking and Finance \ The Life Insurance Association of the R.O.C. \ Trust Association of R.O.C. \ Taiwan Securities Association \ Securities and Futures Institute \ Insurance Institute of the Republic of China \ Others	6,874
Basic Proficiency Test for Foreign Exchange Personnel	Taiwan Academy of Banking and Finance \ The Life Insurance	2,891

Certifications and Qualifications	Exam Administrator	Number of employees
	Association of the R.O.C. \ Others	
Qualification Exam for Personal Insurance Representative	The Life Insurance Association of the R.O.C. \ Trust Association of R.O.C. \ The Non-Life Insurance Association of the R.O.C \ Securities and Futures Institute \ Taiwan Academy of Banking and Finance \ Insurance Institute of the Republic of China \ Others	6,373
Qualification Exam for Non-Life Insurance Representative	The Life Insurance Association of the R.O.C. \ The Non-Life Insurance Association of the R.O.C. \ Taiwan Academy of Banking and Finance \ Insurance Institute of the Republic of China \ Others	6,382
Proficiency Test for Trust Operations Personnel	Taiwan Academy of Banking and Finance \ The Life Insurance Association of the R.O.C. \ Chinese National Futures Association (CNFA) \ Trust Association of R.O.C. \ Taiwan Securities Association \ Securities Investment Trust & Consulting Association of The R.O.C \ Others	6,269
Qualification Exam for Investment-orientated Insurance Product Representative	Taiwan Academy of Banking and Finance \ The Life Insurance Association of the R.O.C \ The Non-Life Insurance Association of the R.O.C. \ Trust Association of R.O.C. \ Taiwan Securities Association \ Securities Investment Trust & Consulting Association of The R.O.C \ Insurance Institute of the Republic of China \ Others	3,282
Real Estate Appraiser	Ministry of the Interior (MOI) \ Others	2
Taiwan Bar Exam	Ministry of Justice \ Examination Yuan \ Others	3
Certified Public Accountant	Financial Supervisory Commission, Executive Yuan \ American Institute	8

Certifications and Qualifications	Exam Administrator	Number of employees
	of Certified Public Accountants \ Ministry of Examination \ Others	
Certified Internal Auditors (CIA)	Institute of Internal Auditors (IIA) \ Others	14
Financial Risk Manager (FRM)	Operational Risk, Culture & Governance Community \ Others	24
Chartered Financial Analyst (CFA)	Association for Investment Management and Research (AIMR) \ Others	22
Certified Anti-Money Laundering Specialist (CAMS)	Association of Certified Money Laundering Specialists\Others	44
Certified Financial Service Auditor(CFSA)	The Institute of Internal Auditors\ Others	7
Project Management Professional (PMP)	Project Management Institute \ Others	65
Certified Financial Planner (CFP)	Financial Planning Association of Taiwan (FPAT) \ Others	283
Certified Information Systems Auditor (CISA)	Information Systems Audit and Control Association (ISACA) \ Others	4

3. Continuing Professional Training Received by Employees

Item	Number of Training Received by Employees
General Management	333
Professional Courses	19,933
Auditor Continuing Training	106
2021 Total Training Expense	NTD\$ 48,020,691

■ Cathay Century Insurance Co., Ltd.

1. Employee profile (population, years of service, age and highest educational attainment) for the last two years and before the printing date of the Report.

Year		2020	2021	As of 3/30/2022
Employees	Back-Office Personnel	1,843	1,884	1,875
	Front-Office Personnel	342	342	342
	Total	2,185	2,226	2,217
Avg. Age		39.50	39.75	39.96
Average years of services		10.30	10.59	10.76
Education	Doctorate	0.05%	0.00%	0.00%
	Master	14.55%	14.82%	14.70%
	Bachelor	77.30%	77.73%	77.72%
	High School	7.96%	7.32%	7.44%
	Below High School	0.14%	0.13%	0.14%
Professional Certifications or Qualifications Received by Employees		See chart below		

2. Certifications and Qualifications Received by Employees

Certifications and Qualifications	Exam Administrator	Number of employees
Chartered Financial Analyst (CFA)	CFA Institute	2
Financial Risk Manager (FRM)	GARP	1
Investment-linked product exam	Insurance Institute of the Republic of China	55
Insured service certification - life insurance	Insurance Institute of the Republic of China	2
Insured service certification - property insurance	Insurance Institute of the Republic of China	148
Proficiency Test for Trust Operations Personnel	Trust Association of R.O.C.	110
Associate of The Actuarial Institute of R.O.C.	The Actuarial Institute of the R.O.C.	6
Fellow of The Actuarial Institute of R.O.C.	The Actuarial Institute of the R.O.C.	5
Non-life actuaries of China	China Association of Actuaries	0
Associate actuary of casualty insurance in the US	Society of Actuaries	4
Associate actuary of life insurance in the US	Society of Actuaries	3
Fellow of Life Management Institute (FLMI) exam	Life Office Management Association (LOMA)	3
Project Management Professional (PMP)	Project management institute	10

Certifications and Qualifications	Exam Administrator	Number of employees
Certified Anti-Money Laundering Specialist (CAMS)	Association of Certified Money Laundering Specialists (ACAMS)	2
Administration personnel for life assurance of R.O.C.	Life Insurance Management Institute of the R.O.C.	1
Insurance Assessor for Life Insurance	Life Insurance Management Institute of the R.O.C.	32
Claim Adjuster for Life Insurance	Life Insurance Management Institute of the R.O.C.	29
Non-life insurance underwriter/claims adjuster exam	The Non-Life Underwriters Society of The Republic of China	198
Chartered Property & Casualty Underwriters (CPCU)	CPCU Taiwan	2
Basic Proficiency Test for Foreign Exchange Personnel	Taiwan Academy of Banking and Finance	4
Basic Proficiency Test for Junior Credit Personnel	Taiwan Academy of Banking and Finance	22
Proficiency Test for Financial Planning Personnel	Taiwan Academy of Banking and Finance	34
Qualification Test for Sales Personnel of Structured Products	Taiwan Academy of Banking and Finance	7
Qualification Exam for Non-Life Insurance Representative	The Life Insurance Association of the R.O.C.	2,143
Qualification Exam for Personal Insurance Representative	The Life Insurance Association of the R.O.C.	1,708
Basic exam for Corporate Internal Control	Securities and Futures Institute	2
Sales Personnel of Futures Trust Fund Distributor	Securities and Futures Institute	2
Structural Engineer	The Examination Yuan of R.O.C.	1
Hydraulic Engineer	The Examination Yuan of R.O.C.	1
Civil Engineer	The Examination Yuan of R.O.C.	2
Certified Public Accountant	The Examination Yuan of R.O.C.	1
Taiwan Bar Exam	Legal Affairs Dept	2

3. Continuing Professional Training Received by Employees

Item	Number of Training Received by Employees
General Management	290
Professional Courses	28,053
Auditor Continuing Training	46
2021 Total Training Expense	NTD\$1,565,780

■ Cathay Securities Corporation

1. Employee profile (population, years of service, age and highest educational attainment) for the last two years and before the printing date of the Report

Year		2020	2021	As of 3/30/2022
Employees	Managers	50	52	62
	General Staff	715	710	813
	Total	765	762	875
Avg. Age		40.92	40.93	40.57
Average years of services		5.16	5.21	5.07
Education	Doctorate	0.13%	0.13%	0.12%
	Master	26.14%	26.38%	26.41%
	Bachelor	70.07%	69.82%	70.24%
	High School	3.66%	3.67%	3.23%
	Below High School	0.00%	0.00%	0.00%
Professional Certifications or Qualifications Received by Employees		See chart below		

2. Certifications and Qualifications Received by Employees

Certifications and Qualifications	Exam Administrator	Number of employees
Qualification Exam for Securities Specialist	Securities and Futures Institute	216
Qualification Exam for Senior Securities Specialist	Securities and Futures Institute	485
Qualification Exam for Futures Specialist	Securities and Futures Institute	339

3. Continuing Professional Training Received by Employees

Item	Number of Training Received by Employees
General Management	52
Professional Courses	1,579
Auditor Continuing Training	66
2021 Total Training Expense	NTD\$ 6,472,429

■ Cathay Securities Investment Trust Co., Ltd.

1. Employee profile (population, years of service, age and highest educational attainment) for the last two years and before the printing date of the Report.

Year		2020	2021	As of 3/30/2022
Employee s	Managers	46	46	46
	General Staff	261	268	272
	Total	307	314	318
Avg. Age		42.18	42.3	42.4
Average years of services		8.05	8.2	8.3
Education	Doctorate	0.32%	0.31%	0%
	Master	52.26%	50.94%	50.31%
	Bachelor	46.37%	47.8%	48.74%
	High School	1.05%	0.95%	0.95%
	Below High School	0.00%	0.00%	0.00%
Professional Certifications or Qualifications Received by Employees		See chart below		

2. Certifications and Qualifications Received by Employees

Certifications and Qualifications	Exam Administrator	Number of employees
Qualification Exam for Senior Securities Specialist	Securities and Futures Institute	178
Qualification Exam for Securities Specialist	Securities and Futures Institute	66
Qualification Exam for Securities Investment Trust and Consulting Professional	Securities and Futures Institute	159
Qualification Exam for Securities Investment Trust and Consulting Regulations	Securities and Futures Institute	88
Proficiency Test for Trust Operations Personnel	Taiwan Academy of Banking and Finance	165
Qualification Exam for Futures Specialist	Securities and Futures Institute	156
Futures Trading Analyst	Securities and Futures Institute	5
Securities investment analyst	Securities and Futures Institute	19
Chartered Financial Analyst (CFA)	Association for Investment Management and Research (AIMR)	10
Certified Financial Planner (CFP)	Taiwan Academy of Banking and Finance	1
Certified Internal Auditor, R.O.C.	The Institute of Internal Auditors-	0

Certifications and Qualifications	Exam Administrator	Number of employees
(CIA)	Chinese Taiwan	
Financial Risk Manager (FRM)	Global Association Of Risk Professionals (GARP)	3
Financial Knowledge and Ethics Exam	Securities and Futures Institute	213
Certified Public Accountant	American Institute of Certified Public Accountants	1

3. Continuing Professional Training Received by Employees

Item	Number of Training Received by Employees
General Management	173
Professional Courses	1,332
Auditor Continuing Training	32
2021 Total Training Expense	NTD\$2,022,462

■ Cathay Venture Inc.

1. Employee profile (population, years of service, age and highest educational attainment) for the last two years and before the printing date of the Report.

Year		2020	2021	As of 3/30/2022
Employees	Managers	5	6	6
	General Staff	14	16	16
	Total	19	22	22
Avg. Age		41.62	40.64	40.88
Average years of services		5.91	5.38	5.63
Education	Doctorate	0.00%	4.54%	4.54%
	Master	84.22%	72.73%	72.73%
	Bachelor	15.78%	22.73%	22.73%
	High School	0.00%	0.00%	0.00%
	Below High School	0.00%	0.00%	0.00%
Professional Certifications or Qualifications Received by Employees		See chart below		

2. Certifications and Qualifications Received by Employees

Certifications and Qualifications	Exam Administrator	Number of employees
Certified Public Accountant	The Examination Yuan of R.O.C.	1
Certified Valuation Analyst(CVA)	Chinese Association of Business and Intangible Assets Valuation	1
Certified Internal Auditors (CIA)	Institute of Internal Auditors (IIA) \ Others	1

Certifications and Qualifications	Exam Administrator	Number of employees
Securities investment analyst	Securities and Futures Institute	1
Securities Specialist	Securities and Futures Institute	4
Senior Securities Specialist	Securities and Futures Institute	8
Securities Investment Trust and Consulting Professional	Securities and Futures Institute	6
Qualification Exam for Securities Investment Trust and Consulting Regulations	Securities and Futures Institute	5
Basic exam for Corporate Internal Control	Securities and Futures Institute	1
Professional Capacity of Bonds Specialist	Securities and Futures Institute	1
Qualification Exam for Futures Specialist	Securities and Futures Institute	5
Proficiency Test for Trust Operations Personnel	Trust Association of R.O.C.	3
Administration Personnel for Non-Life Insurance	Non-Life Insurance Management Institute of the R.O.C.	1
Administration Personnel for Life Insurance	Life Insurance Management Institute of the R.O.C.	1
Personal Insurance Representative	The Life Insurance Association of the R.O.C.	2
Financial Planning Personnel	Taiwan Academy of Banking and Finance	2
Sales Personnel of Structured Products	Taiwan Academy of Banking and Finance	1
Fellow, Life Management Institute (FLMI)	Life Office Management Association (LOMA)	2
Level B of Occupational Safety and Health Affairs Managers	Industrial Safety and Health Association of the R.O.C.	1
Level C of Occupational Safety and Health Affairs Managers	Industrial Safety and Health Association of the R.O.C.	1

3. Continuing Professional Training Received by Employees

Item	Number of Training Received by Employees
General Management	122
Auditor Continuing Training	2
2021 Total Training Expense	NTD\$ 2,469

V. Corporate responsibility and moral conduct

■ Cathay Life Insurance Co., Ltd.

Cathay Life encourages employees to apply their “People-Oriented” not only to provide insurance service, but resolve social and environmental problems as well. The Company fulfills its social responsibilities by envisioning itself as the force that stabilizes and protects society:

(I) Arts and culture:

1. The Company has been sponsoring Cloudgate performances for 26 years for a total of 64 outdoor public performances, 212 campus/community performances, and 115 performances in the Mainland. More than 2.731 million people have participated to date.
2. The Company organized a series of events titled “Lin Yuan Life Plaza” with five online sessions and one physical seminar, with a total of 47,644 people session.
3. Organizing “Nation-wide Children’s Drawing Contest”, which received nearly 74,000 entries.

(II) Sports promotion:

1. To actively promote the sports of basketball, the Company collaborated with NBA and sponsored basketball courts at four tertiary institutions, and sponsored twelve school campuses in organizing basketball games in addition to the improvement of fields and equipment. In addition the Company also organized the Cathay College 3X3 basketball tournament with six sessions of regional games and one session of final game, and the annual participants reached 11,000 people.
2. The Company sponsored the Cathay baseball elite program and organized a total of three events with more than 250 people participating the events in the field.

(III) Care and Response to the COVID-19 Pandemic:

1. “Food Raising and Care Delivery” charity event: Through the method of employee donation and insurance customers’ subscription via Cathay discount APP, a total of 1,460 charity meal sets were raised and provided to Andrew Charity Association for management and use. In addition, a total of 700 food boxes each at a value of N\$1,000 were purchased with the employee donation and were donated to the Social Affairs Bureau of Hualien County, Taitung County and New Taipei City, in order to support disadvantaged families severely affected by the pandemic.
2. To support the operation of the Sheltered Workshop, the Company assisted the Taiwan Foundation for the Blind in jointly launching thousand charity gift boxes for online purchase and fundraising event, and a total of 1,000 gift boxes were donated. In addition, the income gained was provided to the Bornanew Youth Caring Association.
3. Cathay Life and Cathay United Bank jointly participated in the fight against the “Pandemic” and jointly donated an amount of NT\$172 million to help the citizens to overcome the difficult situation due to the pandemic.
4. Summer blood donation event (medical treatment behavior): The Company collaborated with the Taiwan Blood Services Foundation to organize blood donation events in order to mitigate the summer blood inventory shortage. A total of 582 blood donation events were organized throughout Taiwan. In addition, due

to the pandemic in the nation, the number of participants in each blood donation session was decreased such that 100 events were further added. Accordingly, there were a total of 41,522 people participating in the event, and a total of 62,721 bags of blood were collected. Over the past 22 years, a total of 489 thousand bags of blood has been collected.

5. The Company collaborated with K-12 Education Administration, Ministry of Education, to launch a “Sustainable Campus Program” where members of the student group insurance service team were assigned to elementary and junior high schools nationwide for anti-drug propaganda through the methods of online games and physical activities. In addition, the national anti-drug competition was changed to online event, allowing students to continue to learn the anti-drug knowledge at home. Since the start of the project, up to the present day, more than 1 million students have participated in the event.
6. The Company collaborated with the social enterprise “City Wanderer” to organize the “Hundred Work Diary” event for the fourth consecutive year. Nevertheless, due to the pandemic in 2021, physical events were changed to online events. Accordingly, through numerous online missions and seminars, participants were still able to experience the working style of different businesses. Since the start of the program to the present day, it has assisted a total of 865 young people in career exploration, thereby helping them to find the most suitable career plan.

(IV) Student Education Development:

1. The Company organized the 8th term of Student Dream Come True Program, and total of 19 schools were selected for the program. The dream come true themes were diverse, including sports, music, science, drama and environmental protection, and the total dream come true fund reached NT\$3.7 million. The Company also continued to organize the Dream Come True Record Award, in order to encourage the dream come true project team to video the process of realizing one’s dream. A total of five elementary schools were selected, and the total prize reached NT\$150 thousand.
2. Cathay Charity Group continued to collaborate with TFT to jointly support the “Teach For Taiwan Foundation” with its three foundations in order to recruit and train remote teachers for the TFT program, thereby encouraging young talents to become teachers and to contribute efforts in establishing a fair and quality education environment for children of remote areas and to improve the education quality of remote areas.
3. Tutoring Class: To care for children of remote areas, Cathay respectively established the Share Love and Care Tutoring Class in Kuohu Township of Yunlin County (45 students) and Xiulin Township of Hualien County (30 students), Sanxia Grass Book House (30 students) in order to assist the after-school care class for disadvantaged students, and to provide care to the learning and living of children of remote areas, allowing children to learn and grow in a great environment, such that disadvantaged children are able to learn in a secure learning environment, to increase the learning confidence of children, to develop positive personality and active philosophy as well as having hopes and dreams.
4. DFC Nationwide Teachers Enhancement Program: This program gives teachers in remote areas adequate access to complimentary and creative teaching resources,

and eliminates some of their locational disadvantages. Through organization of 5 local workshops, teachers were taught on the 4-step teaching approach of DFC, which they can apply to teach and lead students to greater effect and develop more localized, suitable, and relevant courses and materials to arouse students' interest in learning.

(V) Care for young students:

1. Cathay Youth Excellence Scholarship: The purpose of the program is to provide rewards to Type 2 outstanding students, Type 1 "Specific Accomplishment Group" and to encourage individuals or teams in terms of the aspects of "Education and Community Development," "Environment Sustainable Action" and "New Emerging Topics," in order to propose "Characteristic Research" or "Public Welfare Proposal" with innovative vision and to be beneficial to positive change of the society. A total of 26 teams received the award. For the Type 2 "Academic Group," to encourage senior high school and vocational students from disadvantaged families with outstanding performances, a total of 65 teams received the award.
2. Winter Warmth Delivery Event: Employee donations were transferred into materials for delivery to 110 elementary schools at remote areas in 2021, including Wanli in New Taipei City, Jianshi in Hsinchu, Laiyi in Pingtung, Baisha in Penghu, and Taimali in Taitung, reaching 15 counties and cities and 39 townships and districts, with more than 9,000 children benefiting from the event.

(VI) New Immigrant Second Generation Care:

With the growth of new immigrant second generation students, since 2010, the Company and Eden Social Welfare Foundation have jointly organized the "New Immigrant Second Generation Diverse Intelligence Cultivation Course" and the purpose of the course is to assist the new immigrant second generation to expand their vision, cultivate diverse culture and language skills through long-term companionship. Over the past 12 years, the course has assisted 16,840 people in long-term companionship for continuous growth.

(VII) Care for the Elderly:

With social inclusion as the main development focus, through local effort along with corporate volunteers, a proper interactive relationship is established with the community residents to participate in the non-toxic organic production works. In addition, the corporate core function is also implemented at the same time, such that financial fraud prevention is promoted through board games, in order to assist seniors in their asset protection and management. In addition, the Company also collaborated with Taichung Municipal Taichung Girls' Senior High School in the organization of "Teacher Once More – Life-giving spring breeze and rain, green cultivation" to encourage seniors to continue to pursue their dreams. The event aimed to promote physical and mental health of the elderly as well as excellent interpersonal relationship, allowing seniors to age locally and to have great local care. A total of 74 care events were organized and the number of people benefiting from the event reached nearly 2,400 people.

(VIII) Promotion of micro-insurance:

Cathay Life has been active in the promotion of micro-insurance. By the end of 2021, Cathay Life had underwritten micro-insurance and provided basic coverage to more

than 190,000 disadvantaged people.

(IX) Other charity activities:

1. The Company organized a series of “Cathay Charity Coach” events, which brought magic performance to remote towns throughout Taiwan. In 2021, anti-fraud and disaster prevention knowledge promotion event was also held for the first time for elderlies. A total of three sessions were held throughout the year, and approximately 1,500 people participated in the events.
2. Tree Planting Event: Cathay volunteers collaborated with local community and non-profit seeking organization in tree planting event. However, due to the impact of pandemic, only one session of tree planting event was organized in Yilan, and a total of 150 people participated in the event. During the event, approximately 390kg of mile-a-minute weeds were removed. The event aimed to establish sustainable living style for corporates and society, such that environment protection is implemented with contribution to society at the same time.
3. Welfare for Disabled: The Company sponsored the disabled performance group “Mixed Disabled Arts Group” and a total of six sessions of public welfare performance were organized at school campuses and prisons. In addition to providing a performance stage for disabled to perform talent shows, the group also aims to convey the event philosophy of treasure life and value to teenagers of senior high schools and vocational schools as well as prison inmates through storytelling of group member’s personal stories. The event has inspired more than 2,700 people.
4. Low-income Household and Medical Subsidy: Cathay volunteers visited 208 disadvantaged cases and after internal review and meeting, the Company provided a subsidy of approximately NT\$2.151 million to assist case households to overcome living difficulties. In addition, the Company also collaborated with the village offices and local volunteer groups in order to continue to promote micro-insurance for medium- and low-income households and the disabled, or provide subsidies for emergency medical care for disadvantaged children.

■ **Cathay United Bank Co., Ltd.**

- (I) The Bank was the first in the industry to contribute to the field of art, starting with the establishment of Cathay United Bank Foundation in 1980 followed by the founding of Cathay United Art Center in 2000. Driven by its mission to “give back to society,” the Bank actively promotes education and public welfare enterprises through the foundation, including youth education, charity and public welfare, art and cultural events and various sponsored events, in order to fulfill corporate social responsibility with best effort. The main events of the foundation are summarized in the following:

1. Youth education:

(1) Elevated Tree Program — Grow A Big Tree From A Shoot:

Continue to promote the “Elevated Tree Program” to establish solid education foundation and to assist the secure learning of students, to cultivate self-confidence and to explore the future. The “Elevated Tree Program Scholarship” in 2021 assisted a total of 6,784 disadvantaged students to pay tuition fees, handling fees and after-school tutoring fees.

To Extend the philosophy of Elevated Tree Program — Grow A Big Tree

From A Shoot, in 2021, the Company also encouraged students to participate in sports activities, and the “Elevated Tree Program – Sports Donation” supported the elementary and junior high schools to promote sports education in order to cultivate self-discipline and team spirit of students. In addition, through participation in large sports contests, students were able to understand their potentials during the contests.

In 2021, the Company sponsored 10 sports teams, including Shuili Elementary School in Nantou County to participate in sports contests, and also provided a training budget and purchased equipment. In addition, the Company also sponsored the organization of the “Xu Cun Cup” National Youth Soccer Game for a total of three contests.

(2) Cathay Charity Group jointly organized events:

Participated in the “Cathay Outstanding Subsidy Program,” “Teacher For Taiwan Education Improvement Collaboration Program,” “Cathay Student Dream Come True Program,” “Remote Area After-School Care Plan” and “Winter Warmth Delivery Event,” etc., and prepared and issued the Cathay Charity Group Annual Report.

2. Art and cultural events:

To support local arts and to promote art education core concept, the Cathay Art Center periodically organizes art exhibition and art seminars, in order to provide a stage for Taiwanese artists to exhibit their works and to allow the general public to have the opportunity to learn arts and to visit exhibitions free of charge. In 2021, due to the impact of the pandemic, a total of five sessions of art exhibitions and five sessions of art seminars were organized. In addition, to cooperate with the Cathay’s Art Festival, new era potential painting awarded works were also displayed. In addition, the Cathay Financial Group’s annual art desk calendar was also designed based on the theme of “Chase Light, Explore Rich Color” in order to demonstrate the beauty of good social morals and ethics.

3. Charity and sponsored events:

To care for the indigenous tribes and social development, in 2021, the Company purchased self-made products from the “Down Syndrome Foundation,” “Yu-Cheng Social Welfare Foundation” and “Pingtung Christian Bethany Home” in order to provide support through the physical purchase of goods and to contribute income to the social welfare institutions. The Company also sponsored the “Taitung Bunun Cultural and Education Foundation” to maintain the operation of the campus and to promote tourism in order to allow the people of the tribe to achieve self-sufficiency. The Company sponsored and supported the “Pingtung Christian Bethany Home” intellectual care center, such that through a diverse service model, service subjects are able to develop their own skills and to find self-confidence and value. The Company also sponsored the Taiyang Art Association for its “84th Term of Taiyang Art Exhibition.” In addition, the Company sponsored the Oil Painting Association of R.O.C. for its “45th Term National Oil Painting contest and National Oil Painting Exhibition,” among others.

- (II) Cathay Financial Group's three main sustainability aspects are "Climate, Health, Empowerment." Cathay United Bank of the Group continues to implement the workplace cultivation, and through promotion of diverse and inclusive corporate culture, Cathay United Bank provides a friendly workplace while providing various cultivation channels for employment empowerment, thereby cultivating various new skills, and ensuring the common growth of employees and the company under the digital trend. Cathay believes that youth development is the cornerstone for society's improvement. To reduce the difference between learning and knowledge application in practice of students, and to cultivate workplace soft/hard skills at the workplace, the Bank has collaborated with all major colleges and universities in Taiwan to provide numerous industry-academia collaboration programs and internship programs, in order to improve the future competitiveness of young people at the workplace. The bank is the first in the industry to organize the "Southeast Asia Industry-Academia Collaboration Master's Degree Program" and "International CMA," such that local students in Southeast Asia can receive professional training in the financial sector through the industry-academia collaboration program, in order to establish a stable source of professional talents and to also offer career opportunities and reduce any unfairness with respect to career and youth development.
- (III) The Bank continually encourages credit card holders to receive statements and terms and conditions in electronic form as part of the Bank's movement toward paperless process for the protection of the environment. The Bank also organizes donation campaigns as a way to fulfill its social responsibilities. The following is a summary of main credit card campaigns organized in 2021:
1. The Bank actively promotes electronic bills in order to respond to the environmental protection trend and to reduce waste of paper, thereby establishing the ESG sustainable development foundation.
 2. Expand card issuance and transaction acquisition service online application, in order to reduce carbon emission due to printing of application forms and transaction processes.
 3. Provide channel cloud bill signing and online (internet) transaction functions, in order to significantly reduce the printing quantity of bills and forms.
 4. Through promotion and advertisement, guide customers to understand green consumption and change of transportation vehicles, and to take public transit instead of motorcycles or cars, thereby reducing carbon emission. Examples of relevant activities are: collaborate with organic food/dining, high speed rail, Kaohsiung Metro and other channels in credit card feedback activities.
 5. Establish financial service station, provide the services of digital finance, automated equipment teaching and digital account application consultation to community residents of remote areas, in order to lower the barrier for consumers to use FinTech products and to accelerate the development of digital finance.
- (IV) Continue to promote inclusive finance education. In addition to periodic publication of the latest news and topics on the Company's website, such as research reports and investment perspective articles, the Company also accelerates the digital applications, and has created diverse contents according to the age and attributes of different customer groups, such as online forums, seminars, and multimedia programs, and has also invited well-known domestic and foreign investors to share their viewpoints, and

such events are also opened to the general public for online subscription and viewing free of charge. Furthermore, the Company also coordinates with well-known external financial bloggers to provide talk-show types of programs in order to convey the correct financial management concept and common financial knowledge, thereby improving the financial quality of all citizens and reducing financial disadvantages.

- (V) In terms of the consumer banking business, since 2017, the Company has started to promote the full digital loan financing online service, and its applicable scope continues to expand year after year in order to provide diverse and comprehensive online financial services. In April 2021, for the item of “Personal Unsecured Loan Service,” the Bank was the first in the industry to acquire the “Carbon Footprint Label” from the Environmental Protection Administration of Executive Yuan, and also achieved the target of reduction of carbon emission by 3% early within one year while receiving the “Carbon Reduction Label” at the same time, demonstrating its contribution and dedication to the carbon reduction and climate change mitigation.
- (VI) Cathay Financial Holdings also actively responds to the “Trust 2.0” plan promoted by the FSC, by implementing the trust inclusive finance value. For customers of age above 55 years old that are approaching the senior group, in July 2021, the Bank has launched the “Micro Elder Care Trust” equipped with the three main characteristics of pre-application accepted, no minimum barrier and contract signing up front of NT\$999 only, in order to provide elder care services of greater convenience to the general public. Furthermore, the Bank also continues to integrate trust services through community education or new media exposure to encourage the general public to schedule their trust plan early, in order to prevent financial exploit of elderly fraud, thereby achieving the goal of secure finance for elderlies.

■ **Cathay Century Insurance Co., Ltd.**

- (I) The company works with Cathay Financial Group to organise charity events, and making donations as part of its corporate community responsibility. Its efforts included:
 1. Arts and culture: Cloud Gate Dance Theatre and Dance with Cloud Gate, Nation-wide children’s drawing contest and New Century Potential Painting Exhibition, Taiwan Yale Ensemble, KKBOX Music Awards, etc.
 2. Sport events: Jeremy Lin Basketball Camp, Anti-drug PaGamO Tournament, welcoming of Tzu-Wei Lin, welcoming of Taiwanese professional baseball stars playing overseas, Wei Yin Chen Baseball Camp, and NBA events.
- (II) The Company’s devotion to develop property insurance business core functions and provision of loss prevention related services have also received recognition and good responses from society. Its efforts included:
 1. Damage prevention conferences for corporate customers, invitation of experts and scholars to speak on relevant topics, and promotion of damage prevention awareness among businesses.
 2. The company promotes safety awareness at on campus. Using challenges and games, students are taught on the subject of campus safety. Its effort to prevent accidents at on campus has been well-received.
 3. The Company held its “Accident-free CyclingBikers” event to promote safe cycling using pictorial presentations and static explanation along with AR technology to simulate cycling risks and real dangers on the road. Interesting

games and challenges were designed to promote students' safety awareness when cycling, and members of Cathay Century Insurance's cycling team were invited to teach students on how to fix common bicycle problems. Up to until 2021, the Company has serviced/visited 110 schools, and with more than 3,600 teachers and students have participated in the event.

4. The company has established a Zero Accident Academy website and introduced the nation's first online driver education system, using a "driver knowledge test" to evaluate the subject's mental capacity/driver's cognitive abilities, response, and traffic safety awareness to traffic safety. The test uses a "behavior diagnosis test", a "hazard perception test", and a "driving knowledge test" to educate the subject driver on defensive driving and safety.
 5. The Company created a "campus traffic risk map" that highlighted the traffic conflict/accident hot spots of each campus, and suggested defensive driving techniques to help students avoid danger at these hot spots. Through collaboration with local county and municipal governments, the Company hopes to promote the its campus risk map to a broader audience.
 6. The company has also been hosting the "Accident-free Riders" program to promote motorcycle safety at colleges. Using an interactive online "Hazard Perception test", the program provided students with new perspectives on traffic safety. Meanwhile, the company also engaged "Hsinchu Safety-Educational Center" to correct student's driving habits. In 2021, a total of 51 campus traffic safety seminar courses were held and 13 sessions of Web AR experience were organized, and the number of participants exceeded 4000 people.
 7. By combining VR technology with its expertise, the company introduced its proprietary "Virtual Reality Hazard Perception test", an edutainment tool that helped test subjects each driver's ability to evaluate their driving behaviors and their ability to identify potential traffic dangers.
- (III) The Company has launched diverse safety and insurance educational media, fire prevention and responsive escape safety manual, store safety checklist, etc. in order to fulfill the responsibility of insurance knowledge education for the general public in the society.
- (IV) The Company continued its sponsorship to "Cathay Century Insurance Triathlon Team" as a means to develop young triathlon athletes in Taiwan, while convey proper sports knowledge and promote healthy sporting habits. In 2021, despite the impact of the pandemic, the Company's team still won three gold medals, six silver medals and five bronze medals. In addition, through online interactive method, employees were guided to perform exercise through the two aspects of competition and education in practice, thereby promoting the exercise atmosphere in the society.
- (V) The Company continued to focus on the promotion of micro insurance. In 2021, the micro insurance underwriting exceeded 45 thousand disadvantaged groups, such that disadvantaged groups were able to acquire basic insurance protection.
- (VI) In response to the environmental protection and carbon emission reduction topics, the Company was the first in the property insurance sector to complete the "Property Insurance Service" product category specified by the Environmental Protection Administration and acquired the dual certifications of "Carbon Label" and "Carbon Reduction Label."

- (VII) In terms of the long-term care and elderly care, the Company visited long-term care institution to donate supplies necessary to meet the basic needs of the elderly and also accompanied elderly to participate in activities.

■ **Cathay Securities Corporation**

- (I) The company has responded to Cathay Financial Holdings' call for "Corporate Sustainability" and organized various types of charity events, including:

1. Environment and sustainability: The Company joined the Group in hosting the "Cathay Sustainable Finance and Climate Change Summit" and contributed its part to sustainable finance.
2. Sports: As a support for sports development in Taiwan, the Company sponsored basketball court maintenance and games for National Taiwan University, Tunghai University, Kaohsiung Medical University and National Cheng Kung University.
3. Arts and culture: The Company sponsored "Cathay Arts Festival and Dance with Cloud Gate" as a means to promote culture and art awareness within the local community. "Nation-wide Children's Painting Contest" was held to develop cultural awareness among the new generation. The Company has established the "Arts Corridor" to care the disadvantaged groups and to encourage employees to appreciate arts, in order to promote public welfare arts activities with innovative thinking and approach.

- (II) Employee care and social care:

1. The Company and employees jointly fulfilled corporate citizen responsibilities together, and organized the beach cleanup event for the second year. Nearly 120 employees and their friends and relatives proceeded to the "Taizicun Beach" in Kouhu Township, Yunlin County, to perform a beach cleanup. During the activity, employees picked up plastic bottles, glass bottles, styrofoam garbage, etc., and a total of 1,107kg of beach garbage was collected, and such result was twice greater than the one held in 2020. Through the coastal clean-up event, employees and family members were able to witness up close the environment around us, and appreciate the reality that "environmental protection begins with waste reduction."
2. The Company participated in the care of environment and sustainability topic and executed the "Enigma: The Chinese Crested Tern" theater corporate block booking plan. In 2021, the Company invited all employees of Cathay Securities and Futures to participate in the continuous care of environment and sustainability topic and executed the ecological theater block booking plan. Nearly a thousand employees and their relatives and friends participated in the event. Through movie watching, employees could understand the story of co-existence of mankind and environment and understand the importance of ecological protection, thereby assisting employees and their relatives to understand the ESG sustainability topic.
3. The Company continued to promote the employee healthy walk and healthy exercise activity from past years. For this year, the Company further combined the healthy walk with the implementation of public welfare and care. Cathay Securities and Cathay Futures jointly launched the "Cathay Securities Charity Healthy Walk" event to invite all employees to participate in the healthy walk for public welfare. Within a period of less than three months, participating employees reached the record of 414 million steps, equivalent to a distance of circling the earth eight times. In addition, as the daily healthy walk reached the goal or the weight loss program was successful, the Company made a donation in public welfare, and the total amount of the donation from the event accumulated to

NT\$425 thousand, which was donated to “1919 Food Bank” for the 1,416 sets of meals in order to assist more than 700 disadvantaged families to help overcome the difficulties in their lives.

4. The Company sponsored the “2021 Charity Program” of Anue, and made donations to the far corners of society including the “Federation for the Welfare of the Elderly,” “Jieh Huey Foundation” and “Child Welfare League Foundation.”

(III) Youth development:

1. The Company collaborated with National Taipei University in youth development and organized financial related seminars periodically.
2. The Company collaborated with the College of Business of National Taipei University internship program by providing several intern student quotas, such that undergraduate and graduate students are able to understand the financial operation in practice and latest development of the industry.

(IV) ESG Responsible Investment:

1. The Company fulfills the responsibility of fund intermediary, guides the capital market fund to investment in ESG and low carbon emission investment subject matters, and demonstrates its influential power in investment, thereby making contribution to the climate and friendly environment of our earth and the society of mankind.
2. In 2020, the Company continued to collaborate with National Taipei University and provided the institution and corporate investment ESG research service. In 2021, the Company introduced ESG into the digital APP natural person stock selection service, and expanded the service from the institution and corporate end to the retail market end.
3. The Company introduced the SBT scientific carbon reduction target management in the equity fund investment.

(V) Inclusive financing:

The Company continued to promote Taiwan stock systematic investment plan and U.S. stock systematic investment plan service, in order to assist small-amount investors to participate in the Taiwan stock and U.S. stock benchmark corporate long-term profit growth benefits with small amounts of investment. In 2021, the number of subscribers for the Taiwan stock systematic investment plan reached nearly 180 thousand people, and the deduction amount market share accounted for nearly 40%. As for the U.S. stock systematic investment plan, the market share also reached nearly 40%. Cathay Securities is committed to providing inclusive financing services to a great number of investments continuously.

■ **Cathay Securities Investment Trust Co., Ltd.**

(I) Financial Health Seminar:

1. As the public’s demand for investment and financial management increases, Cathay Securities Investment Trust has organized one session of small investment financial seminar based on the topic of ETF in 2021 for general investors, and the number of participants for the seminar was approximately 50 people and the attendance rate reached above 90%.
2. The Company took part in six investment seminars, with an average number of participants of approximately 70 people per seminar, that Taiwan Depository and Clearing Corporation had organized to help develop financial awareness among military personnel. The Company also cooperated with Chunghwa Telecom in hosting four corporate investment seminars, with an average number of participants of approximately 60 people per seminar, that aimed to convey the

importance of retirement planning and educate the audience on ways to plan for retirement.

(II) Youth development:

1. Cathay Securities Investment Trust continued to host the “Investment Lessons for the Young” for the second consecutive year to provide a series of investment seminars aimed at college students, in collaboration with commerce-related departments of reputable universities. In 2021, seminars were held in collaboration with the College of Commerce of National Chengchi University, Department of Finance and Cooperative Management of National Taipei University, and College of Finance of Feng Chia University, to help young people develop proper financial knowledge and introduce them to various tools that they can use to begin financial planning of their own. For the three seminars, the total number of participants exceeded 200 and the attendance rate reached 110%.

In addition, for the popular topic of ESG, the ESG investment trend seminar was held in the investment and risk management club of Feng Chia University, and the “CEO perspective sharing: asset management sector and ESG investment risk control introduction” was shared at the investment analysis course of the Risk and Insurance Department of National Chengchi University, and the topic of “Proper use of investment financial and trust tools to create economic secure life” was held in Shih Hsin University. For these three sessions of campus seminars, the total number of participants was approximately 220 students.

2. The Company places great emphasis on talent development, and has long been hosting corporate mentorship and summer internship programs to tighten the connection between theory and practice. For 3 consecutive years, the Company has worked with National Chengchi University Department of Money and Banking to introduce an “Asset Management Strategy and Application” course, in which students were divided into teams and encouraged to apply creativity and compete in a simulated ETF investment. Instructors from the investment trust company were invited to teach students on how the industry works and grows, so that they may have a clearer idea of what to expect from their future career. More than 161 students have participated in the program for the last 3 years.

(III) Volunteer service:

Through volunteer service and donations, the Company joins “Jing Chuan Child Safety Foundation,” “Down Syndrome Foundation of the R.O.C.,” “Taiwan Digital Talking Book Association,” “The Mustard Seed Mission,” “World Vision Taiwan,” “Eden Social Welfare Foundation,” “Taiwan Fund for Children and Families” and “Harmony Home Association, Taiwan” in charity activities. The Company also invited employees and family members to join the “Guanyin Mountain Treetop Walkway Clean-up” event, where they can experience the satisfaction of volunteer service and contribute to the preservation of nature. In 2021, the total number of volunteer hours was approximately 689 hours, and the average hours of volunteer per employee was 2 hours.

(IV) Donation:

Each year, the company participates in charity activities organized by Taipei Foundation of Finance and makes fixed donations to medical transportation equipment used at remote medical facilities, such as ambulance and mobile clinic, in an attempt to rectify the disproportional allocation of medical resources between urban and suburban areas. In 2021, donations were made to “Pingtung Christian Hospital”.

VI. No. of full-time non-managerial employees, mean and median salary of full-time non-managerial employee, and differences from the previous year

Item	2020	2021	Difference	Growth rate
No. of full-time non-managerial employees (persons)	20,226	20,311	85	0.42%
Mean salary of full-time non-managerial employees (NT\$1,000)	1,350	1,320	(30)	(2.27%)
Median salary of full-time non-managerial employees (NT\$1,000)	1,074	1,088	14	1.30%

Note: Median salary was calculated according to “Notes on Reporting of Full-time Non-managerial Employees Salary Information” and “FAQ” published by Taiwan Stock Exchange Corporation.

VII. Information System

■ Cathay Life Insurance Co., Ltd.

(I) Key information system setup and maintenance:

1. Intel x86 Server:

- (1) Hardware: Multi-core servers including the IBM X, DELL R, and HPE DL series, and EMC, NetApp storages
- (2) Software: Microsoft Windows, Red Hat Enterprise Linux, JBoss

2. IBM Power Host:

- (1) Hardware: P822(L) server and IBM DS8870 storage
- (2) Software: IBM AIX, WebSphere, DB2 and RHEL

(II) Future Development and procurement plan:

1. Fintech and innovation:

- (1) Introduction of medical digital imaging and AI-assisted diagnosis
- (2) Research and implementation of RPA
- (3) Implementation of cloud information architecture
- (4) Implementation of voice recognition technology

2. Private cloud - cloud computing

Planning and implementation of virtual desktop infrastructure (VDI)

3. Intel x86 Server:

- (1) Group file exchange platform
- (2) Implementation of employee real-time communication platform

4. Database management

- (1) Planning and establishment of the data governance platform
- (2) Core database and relevant software upgrade
- (3) SQL Server 2012 upgrade

5. Network:

- (1) Full-scale network upgrade and optimization
- (2) Planning and implementation of mobile office

6. Information security:

- (1) Enhancement of data leakage protection system

- (2) Construction of automated machine attack defense mechanism
- 7. Storage equipment:
 - Replacement of advanced storage equipment
- 8. Information facility room: Qingpu facility room construction project with eight main targets:
 - (1) Uptime Tier 3 international facility room dual certification
 - (2) U.S. green building LEED gold class certification
 - (3) Building with seismic structure of level 7 design
 - (4) Power system structure with level 3 redundancy protection
 - (5) Modular space and dual-duct and dual-channel design
 - (6) Energy-saving air conditioning and energy-saving indicator design
 - (7) Multi-layers safety protection control mechanism
 - (8) Intelligent operation management
- (III) Information security protection and reporting measures:
 - 1. Execution of DDos volume cleaning in the outside-in manner, second generation firewall (FW/IPS/APT), network application program firewall (WAF), implementation of malicious attack protection at gateway end, and in conjunction with anti-virus and EDR software to prevent terminal with implant of malicious program and server intrusion.
 - 2. Construction of gateway network data loss prevention (NDLP), personal information checking (PID) and file access control (VES) to lower the risk of personal information leakage.
 - 3. Security program development process management, source code examination, infiltration test, and vulnerability scan for enhanced system security.
 - 4. Establishment of APT and SPAM protection mechanism, and utilization of sandbox behavior analysis and mail content multi-protection functions, in order to reduce the risk of hacking.
 - 5. Implementation of mobile device management (MDM) and mobile application management (MAM) for enhanced management over the use of mobile devices.
 - 6. Through the SSL VPN system, employees are able to work securely at home and to connect to the company's system in order to perform daily operations.
 - 7. Establishment of outsourced SOC mechanism. Through event warning, confirmation and handling, the risk of hacking of the Company is effectively reduced.
 - 8. The Company continues to implement computer operation security assessment, ISO 27001 information security management system and PCI DSS payment card industry information security standard verification operation, in order to implement information security protection mechanisms.

■ **Cathay United Bank Co., Ltd.**

- (I) Key information system setup and maintenance:
 - 1. Host:
 - (1) Core banking system hardware: models of IBM Power System E980, S922 and S822
 - (2) Core banking system software: IBM AIX as the operating system, Oracle DB and IBM DB2 for the database system

- (3) Credit card server hardware: IBM 2965-L02 is used
- (4) Credit card server software: IBM z/OS, CICS TS, VTAM, TCP/IP are used
- (5) Foreign exchange system hardware: IBM Power System E980 and S922
- (6) Foreign exchange server software: IBM OS/400 and DB2/400 are used
- 2. Open system Windows and Linux platform host:
 - (1) Hardware:
 - A. Windows and Linux-based open-system servers run on multi-core servers manufactured by IBM, HP, LENOVO and DELL
 - B. Storage: EMC and HDS (Hitachi Data Systems) storage
 - (2) Software:
 - A. OS : Windows Server, Red Hat Enterprise Linux
 - B. DB: MSSQL DB, Oracle DB, Hadoop, IBM DB2, Teradata, PostgreSQL, MySQL, MongoDB, Neo4J
- (II) Future Development and procurement plan:
 - 1. Host and server:
 - (1) Upgrade to Windows 2012 operating system Windows 2019
 - (2) Consolidation and upgrade of MS SQL database
 - (3) Disk drive expansion
 - (4) Oracle database version upgrade
 - 2. Network:
 - (1) Full bank voice recording system and automatic switchboard replacement and update
 - (2) Qingpu facility room network and DWDM equipment construction
 - (3) EOS network equipment replacement
 - (4) Network monitoring software system upgrade
 - 3. Terminals equipments:
 - (1) Introduction of client cloud virtualization
 - (2) Completion of distribution of laptop to mobile users by segment
 - 4. Information security:
 - (1) Introduction of EDR terminal detection and response system
 - (2) Upgrade of web application firewall (WAF) diversion
 - (3) Robot attack defense system implementation
 - (4) Continue enhancement of overseas IT maintenance and information security framework
 - 5. Introduction of server room smart monitoring for business units bank-wide:
- (III) Emergency backup and security:
 - 1. Emergency disaster recovery Measures:
 - (1) Host:

Use EMC SRDF and IBM PPRC remote DR solution; through the high-speed optical fiber de-multiplexer and DWDM, disk drive synchronizes local transaction data to remote DR center to ensure there is no data inconsistency.
 - (2) Open system Windows and Linux platform host:

Storage Area Network (SAN) is being used for key servers to ensure in-time remote data backup and prevent disruption of key processes of the Bank.

(3) Network:

For Internet system's DR, important routers and exchangers adopt center Load-Balance approach for implementation and are connected to remote DR center via DWDM to ensure client's connection quality.

2. Safety protection measures:

In terms of security protection, all external systems, application mainframes, terminal and network equipment are being guarded by a tiered information security protection system that incorporates measures such as: Advanced network firewall, network system firewall, intrusion detection, network application program firewall, APT protection, etc. DDoS defense and ISP clean pipe service have also been adopted to protect against malicious attacks. Combined with the use of intelligent and automated information security monitoring system, the Bank is able to effectively protect and monitor its systems and networks against threats. Furthermore, the Bank constantly reviews the security framework of its computer system, and assesses weaknesses on all aspects from information security, network administration, anti-virus, anti-hack to the recovery plan. We hope to enhance information security measures in a way that caters for security and convenience at the same time, while reducing the risk of data leakage and threat of malicious intrusion from the outside. By enhancing security over the Bank's computer system and network, we are able to assure the quality of service delivered to customers.

■ **Cathay Century Insurance Co., Ltd.**

(I) Key information system setup and maintenance:

1. Core information system:

- (1) Hardware: IBM S822, S924, S922
- (2) Software: AIX, RHEL, DB2, WebSphere, Jboss, Imperva DAM and backup software (TSM, CommVault).
- (3) Storage: EMC PowerMax 2000, EMC Unity 550F, EMC Unity 300
- (4) Primary applications: all insurance quotes, claim handling, premium, financial, accounting, business process management, and image system, etc.

2. x86 open systems:

- (1) Hardware: DELL R750, HP DL380, IBM X3650 M4
- (2) Software: Windows Server, RHEL, Jboss, MS SQL Server and IBM DB2
- (3) Storage: EMC Unity 550F, EMC Unity 300, Synology UC3200
- (4) Primary application system includes the core system, mobile insurance APP, digital service platform, network insurance application, RPA process robot, and B2B information exchange between bank channels and insurance agent companies

(II) Future Development and procurement plan:

- 1. Planning and introduction of automated processes and bots
- 2. Planning and development of digital transformation microservice platform
- 3. Planning and development of AI-driven image recognition applications
- 4. Planning and development of blockchain applications
- 5. Group Qingpu facility room network construction project
- 6. Database trace record system upgrade project

7. Intelligent administrative service platform planning and construction
 8. IFRS 17 solution implementation
 9. Information security: Information security governance maturity consultation service implementation
- (III) Emergency backup and security:
1. The company has incorporated live partition mobility (LPM) into the IBM RS/6000 mainframe. The company has also implemented off-site backup to prevent disruption of business and service activity.
 2. Using the virtual server technology, the Company is able to achieve fast relocation in the event of system malfunction. The Company has activated backups for critical servers at the backup data center and synchronizes data with the main site.
 3. Solutions including firewall, vulnerability scanning, intrusion protection, web application firewall (WAF), SSL VPN, Security Information and Event Management (SIEM), along with anti-virus software and Trojan remover, have been acquired and installed.
 4. Gateway network data loss prevention (NDLP) and VES file control have been implemented to lower the risk of personal information leakage.
 5. Security program development process management, source code examination, infiltration test, and vulnerability scan for enhanced system security.
 6. APT protection measures have been established on mails, gateways and terminals to prevent malicious software from intruding the company's computers.
 7. Ongoing ISO 27001 information system safety certification for improved information security.
 8. Introduced DDOS defense to protect against malicious attacks from the outside.
 9. Mobile device management (MDM) and mobile application management (MAM) for enhanced management over the use of mobile devices.
 10. PCI DSS checks are performed regularly to ensure information security of online transactions.

■ Cathay Securities Corporation

- (I) Key information system setup and maintenance:
1. Large servers:
 - (1) Hardware: IBM S822, P740, ODA-x7 and Exadata-x7 etc.
 - (2) Software: AIX V7.1, IBM AS/400, Oracle Linux 6.10, Oracle Linux 7.6
 - (3) Storage equipment: IBM DS5300, V7000, V5030, FS5100
 2. xServer:
 - (1) Hardware:

Lenovo M4/M5/M6, HS22 blade server, HPE Synergy 12000 blade server, HPE DL360, DELL R740
 - (2) Software:
 - A. Operating system: Windows Server/Redhat/Debian is used for the server operating system
 - B. Database: Microsoft SQL, Oracle database systems, MYSQL
 - C. WWW: Websites are divided into external and internal types. All external sites are set at the Demilitarized Zone (DMZ) of the firewall

(3) Storage equipment: EMC 5300/5400, IBM DS3524, IBM DS3512, HPE 3PAR 8400, DELL ME4020, EMC Unity

3. Network:

(1) Hardware:

- A. Router: Cisco ISR 4451 is used to connect facility rooms, F5 GTM i2600 connects to Internet for line load
- B. Switch: LAN connection is handled using Cisco 3850, including implementation of CISCO APIC SDN network virtualization architecture centralized control
- C. Firewall: The Company uses Palo Alto 3260 second generation IPS, APT, anti-virus protected firewall, F5 i4800 advanced WAP protection, and uses automatic redundancy method for connection
- D. Line: The Company uses Chunghwa volume type lines, and DDos volume attack intercept and protection mechanism is activated, and Arbor application layer of DDos attack intercept and protection function is activated

(2) Software:

- A. Riverbed and WhatsUp are used for network flow analysis and warning
- B. Forcepoint is used to control and protect computer online browsing, personal information and APT protection
- C. Trendmicro and FrieEye are used for the server terminal anti-virus and APT protection software

(II) Future Development and procurement plan:

- 1. Account opening and other applications/services relating to the use of new ID cards will be developed according to the timeline projected by the Executive Yuan
- 2. Group resources will be integrated to continually improve the convenience of online account opening
- 3. Real-time quotations of local and foreign equity markets will be added to provide customers with more investment products to choose from
- 4. The mobile trading platform will have functionalities enhanced to incorporate other investment products
- 5. Mobile webpage authentication technology will be introduced and used with online services and new business activities
- 6. The ChatBot will be optimized further to cover a broader range of service.
- 7. A mid office will be added to the system structure to improve flexibility and responsiveness of the front end.
- 8. A user behavior analysis and insight system featuring a data-driven decision model will be implemented
- 9. Customer segment analysis and customer notification services will be integrated
- 10. Development of sub-brokerage margin trading/financing system, sub-brokerage small-sum offshore bond e-trading service, and , sub-brokerage B2B bond/share/fund order placement system to support future deregulations
- 11. Development of futures online account opening service in line with business growth.
- 12. Continuous development and application of securities and futures account mid-

office

13. Precision marketing algorithm and platform
14. Regular fixed-sum investment of U.S. equity will be developed to accommodate trends such as financial advisory bots and B2B service
15. APIM and cross-industry cooperation
16. Implementation and introduction of messaging platform
17. Development and performance enhancement of the regular fixed-sum system
18. Introduction and application of voice-based AI customer service group-wide.
19. Introduction of ISO 27001 – Information Security Management System
20. Automation of bidding and auction process
21. Securities lending platform development
22. Profit/loss platform development

(III) Emergency backup and security:

1. Host: Core trading mainframe on-site HA backup and remote backup currently in place.
2. Network:
 - (1) For network backup, employ high availability (HA) design for important routers and switches with dedicated connecting to the remote backup data center. Also, alternate connection lines are installed in the remote backup data center and available to all business locations to ensure minimum interruption for important operation procedures.
 - (2) For Internet security: The company uses next-generation firewalls with network management and anti-virus programs for comprehensive network security management, and thereby ensure effective protection of network, systems and customer service quality.

■ **Cathay Securities Investment Trust Co., Ltd.**

(I) Key information system setup and maintenance:

1. Open system setup:
 - (1) Hardware
 - A. DELL R740, HP DL380, IBMx3650 server.
 - B. Storage equipment: VSAN storage virtualization framework, Dell EMC Unity380
 - (2) Software
 - A. Operating system: Windows Server, Redhat
 - B. Database: MS SQL Server
2. Network and information security:
 - (1) Network: The headquarters and each branch uses dual ISP provided by the new generation of IP high-speed backbone network exchange standard (MPLS) for connection, and the internet access is supported by second generation of lines of load balancer with one lease line and three fiber lines as the redundancy mechanism.
 - (2) Firewall: The Company uses dual redundant NG firewall to control all Internet communication, and has set up Demilitarized Zone (DMZ) for public websites. The dual redundant NG firewall separates Intranet from the Internet operation.

Additional firewall is used to control connections with subsidiaries of the financial holding group.

- (3) Network security: The Company uses proxy servers to manage Internet browsing activities, and adopts APT protection and terminal virus protection.
 - (4) NDLP is adopted to control transmission of sensitive information.
 - (5) DDoS protection system.
 - (6) The load balancing fault-tolerant configuration of the Company's website and network application program firewall (WAF) protects the external website service of the Company.
 - (7) Intrusion prevention system (IPS).
 - (8) Network APT packet analysis system.
 - (9) Terminal privilege account management system.
 - (10) External vulnerability detection system.
 - (11) System authentication and PIM for high privilege accounts.
 - (12) Implementation of terminal APT and network access control (NAC).
- (II) Future Development and procurement plan:
- 1. Neihu and Qingpu dual center construction and relocation plan.
 - 2. Mobile office operation promotion.
 - 3. Information security management system promotion (ISMS).
 - 4. Line security and optimization operation implementation.
 - 5. Implementation of new investment management system.
 - 6. Implementation of new fund accounting system.
 - 7. AI investment model research, development and application.
 - 8. Company website version update.
 - 9. Electronic transaction platform version update.
 - 10. Development of Group's intelligent customer service application.
 - 11. LINE OA (company's account) personalized message application.
 - 12. Fund transaction electronic payment application and development.
- (III) Emergency backup and security:
- 1. The system is supported by a same-site, high-availability VSAN storage architecture that uses database log copying to back up data off site on a daily basis. The core database recovery drills are conducted regularly at the off-site facility room to ensure integrity of customers' data and continuity of computer services in the event of a major disaster, in order to continue to provide various computer services. After the Group's dual center plan is constructed completely, it is expected to achieve higher level of reliable services.
 - 2. In addition to basic firewall defense, HA structure, Internet access management, APT gateway protection, and automated virus protection, the Company also adopts enhanced security protections in line with its information security roadmap. By escalating the level of information security, the Company not only protects the organization's assets, but also protects customers' interests and ensures sustainability of the business.

VIII. Cyber Security Management

(I) Cyber Security Management Strategy and Framework

Development of emerging technologies and FinTech are commonly associated with new security threats and risks. The financial holding group is committed to strengthening the capability to maintain information security of the Company and its associate subsidiaries.

1. In 2018, the Company established the Information Security Department responsible for the establishment and amendment of information security policies, convention of information security committee meetings, organization of information security training, management of information security incidents, planning of information security framework, and assists or supervises subsidiaries in the review, execution, communication and coordination of information security framework, projects and related affairs.
2. The Company has stipulated the information security policy approved by the board of directors to serve as the guideline for information security management of the Company, and its content mainly specifies the information security policy declaration and information security operation mechanism. By carrying out the above measures, it is projected that a secure and reliable information operating environment that ensures the confidentiality, integrity and availability of information assets, and improves employees' awareness on information security could be established while the rights and interests of employees, customers and the Company could thereby be properly protected.
3. To ensure the compliance and promotion of the information security policy, and the supervision and coordination of information security management works, the Company has established a cross-department "Information Security Committee." The highest supervisor of information security department of the Company acts as the convener of the committee, and invites the highest supervisors of the cyber security and information departments of the Company and subsidiaries as well as relevant department supervisors of the Company to act as the committee members. The committee meeting is held at least once semi-annually.
4. In compliance with the FSC's "Financial Information Security Action Plan", steps to enhance the information security protection capability in order to achieve secure, convenient and uninterrupted financial services were taken. Meanwhile, the Company supervises the operational status of subsidiaries, including the establishment of the CISO (chief information security officer), appointment of the information security consultation team, implementation of the international information security management standard and acquisition of certification, execution of information security governance maturity evaluation, construction of information security monitoring service center mechanism, encouragement of information security personnel to obtain international certifications, cooperative operation of financial holding-grade computer information security event emergency response team, and the implementation of the international operation continuity management standard and acquisition of certification.
5. To ensure the information security standard of all subsidiaries of the Financial Holding Group is synchronized, a practical information security roadmap has been planned. Its scope includes information security governance, information security

maintenance, boundary protection, and the diagram of the protection of Intranet, and server systems. This roadmap is examined and adjusted regularly to serve as the ultimate guideline for information security protection.

6. Social engineering drill operation, white-hat hacker red team drill, DDoS attack-defense drill and computer system information security evaluation are performed periodically. Through various cyber security evaluation operation and attack-defense drills, the integrity and appropriateness of the overall computer system control measures are examined in order to discover information security threats and vulnerabilities and thereby strengthen the network and information system security protection capability.

(II) Control and measures for handling of major cyber security events.

1. To establish the crisis handling and response directives for major cyber security events of the Company and all subsidiaries, the “Cathay Financial Holding and Subsidiary Major Information Security Event Reporting and Emergency Response Management Guidelines” has been established, and its content includes the establishment of cross-company “Financial Holding Information Security Event Decision Meeting,” “Financial Holding Information Security Event Emergency Response Team” and “Financial Holding Information Security Special Support Team.”
2. To promptly manage information security risk and to adopt responsive measures in the early phases, the Financial Holding Group has established the following mechanisms:
 - (1) Establishment of Security Operation Center (SOC) service mechanism: 24/7 full-time operation monitoring conducted by the SOC information security monitoring center the use of multi-dimension correlation logs analysis of cyber security equipment, network equipment, and operating system. Such analysis makes real-time alert and detection of information security events and abnormal connections available. Following by the above measures, the handling and tracking mechanism could be established accordingly, and information security risk control measures are projected to be implemented thoroughly.
 - (2) Resources of the Financial Holding Group have been integrated to establish the cross-company “Information Security Emergency Response Team” in order to participate in the provision of instant responses. In addition, through event reporting and emergency response procedure, the information security event status of the Company and subsidiaries is controlled and handled in a timely manner. With the expertise of contracted external consultants and experience from previous information security incidents, the financial group is able to promptly provide the response team with appropriate and professional advice as well as emergency support.
3. In 2021, there were no major information security events occurred to the Financial Holding and its subsidiaries.

IX. Industrial Relations

(I) Employee benefit programs, retirement system, related agreements and rights protection:

Besides the labor and health insurance coverage as required by the government, additional benefits such as group insurance, various subsidies, festival allowances, hiking activities, internal training, exam-taking reimbursements, etc. are part of our employees' benefits. In terms of retirement payments, all benefits are paid in accordance with Labor Standards Act and Labor Pension Act.

To protect the rights of employees, companies should clearly define the following according to laws and regulations, collective bargaining agreement and management needs, in the work rules: wage payment standard, working hours, vacation, leave of absence, attendance, reward and punishment, transfer, dismissal & retirement, and pension. After approved by regulators, these rules should be distributed through public notification. To promote a non-harassment and gender-equality employment measures for preventing/correcting sexual harassment with related complaint procedures and disciplinary measures were established. A sexual harassment appeal processing committee was also set up to process matters on sexual harassment complaints, investigation, and resolution.

To ensure a safe working environment to guarantee employee personal safety, the Company and its subsidiaries have already established the following measures:

1. First-aid personnel are required to take the related professional training. First-aid kits and AEDs are provided in all working locations.
2. Regular tests for illumination and carbon level of working environment.
3. Health checkups and pre-job safety and health training for new hires.
4. Health checkups and safety and health training for employees on a regular basis.
5. Arrange physician and nursing personnel to provide on-site labor health service.

(II) Losses arising as a result of employment disputes in the last year up till the publication date of this annual report (including violations against Labor Standards Act found during a labor inspection; explain the date of penalty, reference number, the laws violated, the violating action, and the nature of penalty). Please quantify the estimated losses and state any response actions, and state reasons if losses cannot be reasonably estimated:

Date of Disposal	Disposal No.	Article of Regulation Violated	Content of Regulation Violated	Disposal Content
2021/11/17	Taipei City-Labor-Zi No. 11060256971	Paragraph 1 of Article 24 of the Labor Standards Act	Failed to pay worker overtime wages for overtime work	Administrative fine of NT\$50,000

(III) Employee Code of Service:

All employees are required to follow the codes below as a part of their contributions to the Company's future development and to the common welfare of the entire employee population.

1. All employees must abide by applicable government laws, rules and regulations, and the Company's regulations and policies. Team spirit is highly encouraged within the Company but behavior relating to disturbances in the working environment or common welfare, such as being opinionated, agitating, quarreling, fighting physically, misleading others, etc. are strictly prohibited.
2. All work should be carried out in accordance with the instructions given, if no such instruction is available, a request for related guidance from the upper managers should be sought before further execution.
3. Instructions given by the working supervisors shall be implemented, any refusal, dodging or disagreement should be forward to the department/divisional supervisor for resolution.
4. Unless approved by the Company, no outside employment is allowed. Activities relating to jobbery will not be tolerated.
5. Other than serving for his/her departments, employees are expected to assist in the work of others when necessary and as requested by the direct supervisors. Buck passing is not allowed in this situation.
6. Unless for Company holidays or other holidays as designated by the central government, employees are required to arrive at work on time for working days. Absences without prior notice or leaving early/arriving late are disallowed.
7. All duties, unless otherwise specified, should be completed during the day without delay.
8. Absence without permission during working hours is prohibited.
9. Employees must comply with whatever job transfers or arrangements made by the company.
10. All work settings should be kept in good order. Riotous activities or disturbing others or any forms of misconduct are prohibited.
11. No going through other's data including statements, documents, phone calling history, and computer files (including any storage). No document is to be taken outside or revealed to others without the supervisor's permission.
12. Company customers should be treated with kindness and respect. Attitudes associated with negligence or arrogance are strictly prohibited. All customer requests should be served with full effort without delay. Explanations should be made patiently when misunderstood. Inquiries should be answered or transferred to the suitable personnel, whether in charge or not. An answer of "I do not know" is not acceptable.
13. Business intelligence and commercial data should be kept confidential and not disclosed to others.
14. Employees are not permitted to guarantee a loan or contract for others in the name of the Company or the job position.
15. All Company facilities or supplies should be used with care and without waste. Wanton damage and misappropriation for personal use outside of the Company is not allowed.
16. Avoid bad addictions, such as gambling and excessive business entertainment.

17. Contraband or hazardous goods are banned from all the office areas. No safekeeping of personal belongings in the warehouses is allowed, nor smoking (including electronic cigarettes) or leaving ignitable goods in the file rooms.
18. Under unusual circumstances, all important documents, statements, commercial bills, cash and computer files (including any storage) should be placed and handled properly. And notice should be sent to the nearby supervising units as soon as possible.
19. Supervising responsibility should be divided into various layers according to the nature of the transaction. Managers in all levels should properly look after the business under his/her supervision.
20. Employee must maintain confidentiality of their job rank and the salary and bonus they receive, and cannot reveal such information to others or ask others for such information.
21. There shall not be extramarital affairs, sexual harassment or gender discrimination in words or in action at the workplace.

X. Important contracts and commitments

■ Cathay Life Insurance Co., Ltd.

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
Major reinsurers and reinsurance contracts	Central Reinsurance Corporation	1970/9/30~	Reinsurance contracts for life and casualty policies	None
	Swiss Reinsurance Company Ltd	1970/9/30~	Reinsurance contracts for life and health insurance policies	
	Munich Reinsurance Company	1975/4/1~	Reinsurance contracts for life, health and casualty insurance policies	
	RGA Reinsurance Company	1998/9/1~	Reinsurance contracts for life and health insurance policies	
	SCOR SE	1998/1/1~	Reinsurance contracts for life, health and casualty insurance policies	
	Hannover Rück SE	2003/1/1~	Reinsurance contracts for life, health and casualty insurance policies	

Note: If both parties of the rein contracts of life and health insurance are in consent, the contracts will be automatically renewed. Other contracts are one-year contracts.

■ Cathay United Bank Co., Ltd.

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
The assignment of performing lending	KGI Bank Co., Ltd./ Taishin International Bank Co., Ltd.	2021/1/26	Total amount USD\$ 18,300,000/ USD\$ 30,000,000	None
	BANK OF COMMUNICATIONS (HK) LIMITED/CHINA EVERBRIGHT BANK CO LTD HK BRANCH	2021/2/9	Total amount HKD\$ 99,572,913.39/ HKD\$ 108,813,910.65	
	E Sun Commercial Bank / Cathay Bank	2021/4/16	Total amount USD\$ 15,506,000/USD\$ 5,427,100	
	Goldman Sachs International / Deutsche Bank AG, London	2021/5/10	Total amount USD\$ 5,000,000/ USD\$ 35,520,000	
	Fubon Bank (China) Co., Ltd.	2021/5/11	Total amount RMB\$ 180,000,000	
	Bank Sino Pac/KGI Bank	2021/6/28	Total amount USD\$ 14,026,000/USD\$ 11,360,000	
	Shanghai Commercial & Savings Bank, Ltd.	2021/11/30	Total amount of NT\$ 372,000,000	
	O-Bank /Taishin Bank / EnTie Bank / Barclays Bank PLC	2021/12/23	Total amount of USD\$ 4,556,066/USD\$ 1,831,479/ USD\$ 8,614,051/USD\$ 4,762,589	
Urban Renewal Entrustment Contract	RADIUM LIFE TECH CO., LTD.	2021/5/28	1.Land area: 621.028 m ² 2.Building area:6,450.04 m ² 3.Estimated Allocated Portion of Ownership: No less than 70.64% 4.Amounts:NT\$1,575,144,270.	None

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
Acquisition of the right of use of assets	Cathay Life Insurance	2021/11/09	1.Business offices: 25 trading units in total; Offices: 10,153.468 pings; 2.the right-of-use assets per unit: NT\$67,318/ping; 3.Parking spaces: 10 trading units in total; 20 spaces in total;the right-of-use assets per unit: NT\$201,731 per unit; 4.Total amount of the right-of-use assets: NT\$687,544,284	None
The assignment of performing lending	1.Chang Hwa Commercial Bank, Ltd. 2.CTBC Bank Co., Ltd. 3.Hua Nan Commercial Bank, Ltd., Offshore Banking Branch 、Macau Branch 4.Mega International Commercial Bank Co., Ltd., Offshore Banking Branch 5.Taiwan Cooperative Bank, Offshore Banking Branch 6.Bank of Baroda, Singapore Branch 7.First Commercial Bank, Offshore Banking Branch 8.Taishin International Bank Co., Ltd. 9.State Bank of India Tokyo Branch; State Bank of India Singapore Branch 10.Bank of Taiwan, Hong Kong Branch 11.Landesbank Baden-Wurtemberg, Singapore Branch 12.Land Bank of Taiwan, Singapore Branch 13.Taiwan Business Bank, Ltd., Offshore Banking Branch 14.Taiwan Shin Kong Commercial Bank Co., Ltd 15.E.SUN Commercial Bank, Ltd., Singapore Branch 16.The Export-Import Bank of the Republic of China 17.Sunny Bank, Ltd 18.Yuanta Commercial Bank Co., Ltd. 19.Deutsche Zentral-Genossenschaftsbank, Frankfurt Am Main 20.BDO Unibank, Inc. 21.The Shanghai Commercial & Savings Bank, Ltd. Offshore Banking Branch	2021/08/26 2021/08/26	Total amount USD\$ 39,000,000 Total amount USD\$ 39,000,000	None

■ Cathay Century Insurance Co., Ltd.

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
Reinsurance Contracts (Domestic)	Central Reinsurance Corporation	1993/8/19~	Reinsurance contracts for fire, single risk/event, engineering & construction, casualty, marine, and personal accident insurance policies	Special exclusions and coverage limitation listed under the reinsurance contracts
Reinsurance Contracts (International)	EVEREST REINSURANCE COMPANY	2001/1/1~	Reinsurance contracts for single risk/event, engineering & construction, casualty, and personal accident insurance policies	
	KOREAN REINSURANCE COMPANY	2002/1/1~	Reinsurance contracts for fire, single risk/event, casualty, marine, engineering & construction, and personal accident insurance policies	
	SWISS REINSURANCE COMPANY	1993/8/19~	Reinsurance contracts for single risk/event, engineering & construction and marine insurance policies	
	HANNOVER REINSURANCE COMPANY	1997/1/1	Reinsurance contracts for fire, single risk/event, casualty, engineering & construction, and personal accident insurance policies	
	MUNICH REINSURANCE COMPANY	1997/1/1	Reinsurance contracts for fire and event insurance policies	

■ Cathay Securities Corporation

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
Program Maintenance	Sysjust Co., Ltd.	2021/01/01~ 2021/12/31	Maintenance Agreement for the Taiwan Stock Market Trading System(Web Version).	
Program Maintenance	Sysjust Co., Ltd.	2021/05/01~ 2022/04/30	Data License Agreement	
Software Writing Service	Easyuse Digital Technology Co., Ltd.	2021/08/01~ 2022/07/31	BillHunter/MailHunter Ultimate Electronic statement and marketing E-mail system	
Program Maintenance	Da Cho Digital Co., Ltd.	2021/11/09~ 113/11/08	Securities brokerage business, proprietary (securities, futures, warrant) application system	
Program Maintenance	Yi Tung Digital Technology	2021/09/01~ 112/08/31	Maintenance agreement for Speedy_securities system	
Program Maintenance	Mitake Information Corp.	2021/01/01~ 2021/12/31	Maintenance agreement for Mitake mobile trading system	
Program Maintenance	Cmoney Technology Co., Ltd.	2021/01/01~ 2021/12/31	CMoney System Rental Contract CMoney Cloud Subscription System Rental Contract	
Software Writing Service	Systex Corporation.	2021/01/01~ 2021/12/31	Wealth management financial products platform	

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
Software and Hardware construction Contract	Changing Information Technology Inc.	2021/05/26~2022/05/25	Contract and Seal Management System for New-opened Accounts	
Hardware equipment procurement contracts	Dimerco Data System Corp.	2020/10/15~	Purchase Agreement (One year warranty after acceptance)	
Software License contract	KPMG Advisory Services Co., Ltd.	2021/01/01~2022/12/31	UiPath RPA Software License Agreement	
Software and Hardware construction Contract	Mercuries Data Systems Ltd.	2021/01/01~2022/12/31	Oracle Suppot Service Renewal	

■ Cathay Securities Investment Trust Co., Ltd.

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
Fund Custodian	Hua Nan Bank	1994/3/9~	Cathay Dragon Fund	None
	Taipei Fubon Bank	2000/6/23~	Cathay Cathay Fund	
	Taipei Fubon Bank	2000/8/7~	Cathay Taiwan Money Market Fund	
	Taipei Fubon Bank	2001/1/10~	Cathay Small & Medium Cap Fund	
	Chang Hwa Bank	2002/1/31~	Cathay Greater China Fund	
	Taipei Fubon Bank	2002/7/18~	Cathay Technology Fund	
	Taipei Fubon Bank	2005/12/15~	Cathay Global Aggressive Fund of Fund	
	Hua Nan Bank	2008/3/14~	Cathay Global Ecology Fund	
	Bank SinoPac	2006/12/27~	Cathay Global Infrastructure Fund	
	Mega International Commercial Bank	2009/11/30~	Cathay Mandarin Fund	
	Chinatrust Bank	2010/5/6~	Cathay High Income Fund of Funds	
	Bank of Taiwan	2010/8/19~	Cathay Emerging Markets fund	
	Taipei Fubon Bank	2010/12/20~	Cathay Global Resources Fund	
	E.Sun Bank	2011/6/23~	Cathay China Domestic Demand Growth Fund	
	E.Sun Bank	2011/9/9~	Cathay Emerging Market High Yield Fund	
	Hua Nan Bank	2012/4/30~	Cathay China Emerging Industries Fund	
	E.Sun Bank	2013/12/3~	Cathay RMB Money Market Fund	
	Chinatrust Bank	2013/12/3~	Cathay Emerging China Bond Fund	
	Shanghai Commercial Bank	2014/8/6~	Cathay Global Multiple Income Balanced Fund	
	Hua Nan Bank	2014/12/18~	Cathay Asian Growth Fund	

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
	E.Sun Bank	2016/3/8 ~	Cathay FTSE China A50 Daily Leveraged 2X ETF	
	E.Sun Bank	2016/3/8~	Cathay FTSE China A50 Daily Inversed ETF	
	HSBC Bank (Taiwan) Limited	2015/3/20 ~	Cathay FTSE China A50 ETF	
	E.Sun Bank	2015/12/25 ~	Cathay Asia-Pacific Income Balanced Fund	
	Hua Nan Bank	2016/4/25~	Cathay Nikkei 225 Currency-hedged ETF Fund	
	Hua Nan Bank	2016/8/4~	Cathay Global High Dividend Fund	
	E.Sun Bank	2016/7/1~	Cathay TAIEX Daily Leveraged 2X ETF	
	E.Sun Bank	2016/7/1~	Cathay TAIEX Daily Inversed ETF	
	Taishin International Bank	2016/10/3~	Cathay Dow Jones Industrial Average ETF	
	Taishin International Bank	2016/10/3~	Cathay Dow Jones Industrial Average Daily Inversed	
	E.Sun Bank	2017/3/15~	Cathay Smart ETF Conservative Fund of ETFs	
	E.Sun Bank	2017/4/6~	Cathay US Treasury 20+ YR ETF	
	E.Sun Bank	2017/4/6~	Cathay US Treasury 20+ YR Lev 2X ETF	
	E.Sun Bank	2017/4/6~	Cathay US Treasury 20+ YR Inv 1X ETF	
	E.Sun Bank	2017/8/9	Cathay TIP TAIEX+Low Volatility Select 30 ETF	
	E.Sun Bank	2017/8/9	Cathay S&P 500 Low Volatility High Dividend ETF	
	E.Sun Bank	2018/1/29	Cathay BBB Corporate 10Y+ ETF	
	Chinatrust Bank	2018/1/29	Cathay EM USD Investment Grade ex China Coupon 5.5%5Yrplus 10% Country Capped ETF	
	E.Sun Bank	2018/1/29	Cathay High Yield 1-5Y ETF	
	Chang Hwa Bank	2018/5/4	Cathay Senior Secured High Yield Bond Fund	
	E.Sun Bank	2018/5/4	Cathay FTSE Chinese Government and Policy Bank Bond 0-1	
	E.Sun Bank	2018/5/29	Cathay FTSE Emerging Markets ETF	
	E.Sun Bank	2018/5/29	Cathay Nasdaq CTA Artificial Intelligence and Robotics ETF	
	E.Sun Bank	2018/5/29	Cathay Korea/Taiwan IT Premier ETF	
	Chinatrust Bank	2018/7/25	Cathay China New Era Balanced Fund	
	Chinatrust Bank	2018/7/25	Cathay Securities Investment Trust Fund - Cathay FTSE China A150 ETF	
	Hua Nan Bank	2018/7/25	Cathay FTSE Chinese Policy Bank Bond 5+ Years ETF	
	E.Sun Bank	2018/11/20	Cathay Bloomberg Barclays US Corporate A-and Above 10+ Years Liquid ETF	
	E.Sun Bank	2018/11/20	Cathay Bloomberg Barclays US Corporate A-and Above 10+ Years Liquid ETF	
	E.Sun Bank	2018/11/20	Cathay Bloomberg Barclays US Corporate A-and Above 10+ Years Liquid ETF	
	E.Sun Bank	2018/11/20	Cathay Bloomberg Barclays US Corporate A-and Above 10+ Years Liquid ETF	

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
	E.Sun Bank	2018/11/20	Cathay Bloomberg Barclays US Corporate A-and Above 10+ Years Liquid ETF	
	E.Sun Bank	2019/1/22	Cathay North American Technology ETF	
	Chinatrust Bank	2019/2/25	Cathay 7-10 Yr Banking Bond ETF	
	Citi bank	2019/2/25	Cathay 15+ Yr Technology Bond ETF	
	E.Sun Bank	2019/2/25	Cathay 15+ Yr Utility Bond ETF	
	E.Sun Bank	2019/4/23	Cathay PHLX Semiconductor ETF	
	Chinatrust Bank	2019/4/23	Cathay 15+ Yr Healthcare Bond ETF	
	Sinopac bank	2019/4/26	Cathay Six-Year Ladder Maturity EM Bond Fund	
	E.Sun Bank	2019/7/25	Cathay Target Date 2029 Fund of Funds	
	E.Sun Bank	2019/7/25	Cathay Target Date 2039 Fund of Funds	
	E.Sun Bank	2019/7/25	Cathay Target Date 2049 Fund of Funds	
	Chinatrust Bank	2019/7/30	Cathay 2025 Maturity Emerging Markets Bond Fund	
	Chinatrust Bank	2019/8/15	Cathay DJIA Daily Leveraged 2X ETF	
	Chinatrust Bank	2019/11/15	Cathay US Multi-Income Balanced Fund	
	Chinatrust Bank	2019/11/15	Cathay Bloomberg Barclays US Short Term Treasury ETF	
	Chang Hwa Bank	2020/3/23	Cathay Cyber Security ETF	
	Taishin International Bank	2020/7/10	Cathay High Dividend Taiwan Equity Fund	
	Taishin International Bank	2020/7/10	Cathay MSCI Taiwan ESG Sustainability High	
	E.Sun Bank	2020/10/20	Cathay Asian High Yield Bond Fund	
	First Commercial Bank	2020/12/1	Cathay Taiwan 5G PIUS ETF	
	Mega International Commercial Bank	2021/6/21	Cathay Global Autonomous and Electric Vehicles ETF	
	Chinatrust Bank	2021/11/11	Cathay Global Genomics Immunology and Medical Revolution ETF	

Note: The contract effective date is the fund establishment date, and the contracting party refers to the custodian bank for such fund.

Six. Financial Report

I. Five Year Condensed Balance Sheet and Income Statement Summary (Table 20)

(I) Condensed Balance Sheet of Cathay Financial Holdings and Subsidiaries

Unit: NT\$ thousand

Item \ Year	2017	2018	2019	2020	2021	Financial Information as of March 30, 2022
Cash and cash equivalents, due from Central Bank and call loans to banks	370,518,548	310,799,369	524,350,564	666,220,179	702,181,532	(Note 3)
Financial assets at fair value through profit or loss	365,808,158	1,428,824,049	1,653,983,453	1,748,081,143	1,929,395,229	
Financial assets available for sale	1,681,125,738	0	0	0	0	
Financial assets at fair value through other comprehensive income	0	1,127,810,270	1,182,534,102	1,562,998,457	1,626,821,625	
Investment in debt instruments measured at amortized cost	0	2,688,221,788	3,068,838,014	3,161,044,538	3,266,686,240	
Financial assets for hedging	246,444	216,611	548,075	146,959	500,642	
Securities purchased under agreements to resell	99,703,578	59,212,899	43,586,931	67,264,342	77,243,060	
Receivable - net	169,202,260	161,216,190	185,049,532	191,916,164	205,480,862	
Current tax assets	4,362,608	6,438,062	4,853,833	4,689,275	4,164,103	
Available-for-sale assets - net	0	0	0	0	283,087	
Discount and loan - net	2,038,528,190	2,176,775,907	2,066,761,296	2,141,276,205	2,287,115,449	
Reinsurance assets	7,237,144	7,623,707	8,458,658	9,646,628	12,260,483	
Held to maturity financial assets	98,759,110	0	0	0	0	
Investments under equity method - net	37,355,653	44,932,006	48,145,672	33,036,282	32,614,572	
Other financial assets - net	3,347,907,301	555,740,531	615,117,482	660,547,975	741,107,026	
Investment property - net	318,106,325	319,222,554	408,696,108	419,476,228	432,525,464	
Property and equipment - net	165,095,690	166,458,327	101,855,371	98,405,132	97,852,266	
Right-of-use asset - net	0	0	3,908,913	4,138,543	4,362,776	
Intangible assets - net	55,802,976	53,826,467	51,270,972	54,002,407	51,543,583	
Deferred tax assets - net	31,243,778	40,806,934	40,595,612	61,507,384	63,746,198	
Other assets	50,506,788	76,357,835	56,924,753	66,074,603	58,477,264	
Total assets	8,841,510,289	9,224,483,506	10,065,479,341	10,950,472,444	11,594,361,461	
Deposits by the Central Bank and other financial peers	90,417,859	81,432,233	84,108,128	66,131,059	74,605,174	
Bankers acceptances and funds borrowed	0	0	0	1,076,000	1,076,000	

Item \ Year		2017	2018	2019	2020	2021	Financial Information as of March 30, 2022
Financial liabilities at fair value through profit or loss		90,514,268	129,698,896	111,526,387	140,778,098	79,934,187	(Note 3)
Financial liabilities for hedging		0	0	30,894	139,858	20,956	
Notes and bonds sold under repurchase agreements		112,643,582	59,307,037	50,278,533	12,299,564	39,827,873	
Commercial papers payable		51,468,158	62,989,367	54,018,845	39,519,918	63,469,166	
Payables		57,943,815	66,727,399	66,934,725	68,696,694	76,870,285	
Current tax liabilities		8,879,563	2,543,689	3,274,828	20,628,900	7,528,389	
Deposit and remittances		2,062,953,012	2,187,203,086	2,303,443,816	2,615,799,063	2,871,960,053	
Bonds payable		98,350,000	90,600,000	118,900,000	148,800,000	141,800,000	
Other loans payable		441,199	336,381	2,201,364	1,657,576	1,670,185	
Provisions		4,972,427,256	5,341,935,726	5,713,778,385	6,117,073,219	6,448,259,356	
Other financial liabilities		623,527,312	627,815,178	676,972,179	692,760,284	763,908,198	
Lease liability		0	0	12,720,337	13,011,637	14,721,170	
Deferred tax liabilities		34,828,440	27,091,143	55,144,257	67,823,378	52,976,726	
Other liabilities		28,645,282	17,514,376	30,119,484	39,501,515	41,695,016	
Total Liabilities	Before payout	8,233,039,746	8,695,194,511	9,283,452,162	10,045,696,763	10,680,322,734	
	After payout	8,266,347,695	8,716,707,217	9,313,181,506	10,082,010,712	(Note 4)	
Total equity attributable to the owners of parent company		599,067,071	519,731,330	771,747,365	893,061,216	902,038,146	
Share capital	Before payout	133,965,102	140,965,102	147,025,102	147,025,102	147,025,102	
	After payout	133,965,102	140,965,102	147,025,102	147,025,102	(Note 4)	
Capital surplus	Before payout	130,452,105	165,449,364	177,256,976	177,256,053	177,244,388	
	After payout	130,452,105	161,680,401	177,256,976	177,256,053	(Note 4)	
Retained earnings	Before payout	283,743,551	285,875,616	326,282,407	371,468,940	477,986,919	
	After payout	250,435,602	268,131,873	296,553,063	335,154,991	(Note 4)	
Other equities		50,906,313	(72,558,752)	121,182,880	197,311,121	99,781,737	
Treasury stock		0	0	0	0	0	
Non-controlling interests		9,403,472	9,557,665	10,279,814	11,714,465	12,000,581	
Total equity	Before payout	608,470,543	529,288,995	782,027,179	904,775,681	914,038,727	
	After payout	575,162,594	507,776,289	752,297,835	868,461,732	(Note 4)	

Note 1: Financial statements of the Company in 2017 to 2021 were audited.

Note 2: The Company did not conduct any revaluation of assets in 2017 to 2021.

Note 3: As of the publication date of this annual report, no financial information of 2022 had been audited or reviewed by CPAs.

Note 4: Distribution for earnings in 2021 had not yet been resolved by the shareholder's meeting

(II) Condensed Consolidated Income Statement of Cathay Financial Holdings and Subsidiaries

Unit: NT\$ thousand

Item \ Year	2017	2018	2019	2020	2021	Financial Information as of March 30, 2022
Interest income	186,087,791	202,714,029	220,258,661	208,249,264	207,813,024	(Note 2)
Less: Interest expenses	(17,627,041)	(22,085,810)	(23,892,156)	(17,319,732)	(12,930,863)	
Net interest income	168,460,750	180,628,219	196,366,505	190,929,532	194,882,161	
Net income other than interest	415,992,524	292,683,668	359,520,693	438,984,953	431,080,444	
Net income	584,453,274	473,311,887	555,887,198	629,914,485	625,962,605	
Bad debt expenses and provisions for commitment and guarantee liability	(3,459,544)	(4,599,086)	(2,205,393)	(3,177,875)	(3,484,370)	
Changes in insurance liabilities and provisions	(445,832,540)	(334,121,938)	(394,074,197)	(462,094,141)	(377,408,390)	
Operating expenses	(75,525,573)	(78,992,089)	(89,050,434)	(83,026,688)	(85,543,474)	
Pre-tax income (loss) from continuing operations	59,635,617	55,598,774	70,557,174	81,615,781	159,526,371	
Income tax expense	(2,962,393)	(3,776,518)	(6,697,870)	(5,657,558)	(18,637,061)	
Net income (net loss) from continuing operations	56,673,224	51,822,256	63,859,304	75,958,223	140,889,310	
Profit (loss) of the unit discontinued from business operation	0	0	0	0	0	
Net income (net loss)	56,673,224	51,822,256	63,859,304	75,958,223	140,889,310	
Other comprehensive income (loss) (net amount before tax)	47,136,680	(198,869,588)	217,394,627	91,240,673	(110,462,720)	
Other comprehensive income (loss) (net amount after tax)	44,354,346	(175,183,163)	189,381,909	80,238,491	(94,275,862)	
Total comprehensive income (loss)	101,027,570	(123,360,907)	253,241,213	156,196,714	46,613,448	
Income (loss) attributable to the owner of the company	56,306,735	51,467,243	62,757,286	74,579,460	139,514,082	
Income (loss) attributable to non-controlling interests	366,489	355,013	1,102,018	1,378,763	1,375,228	
Total comprehensive income (loss) attributable to the owner of the company	100,990,096	(123,867,466)	251,892,166	154,988,421	45,166,120	
Total amount of comprehensive income (loss) attributable to non-controlling interests	37,474	506,559	1,349,047	1,208,293	1,447,328	
Earnings Per Share	4.47	3.95	4.76	5.41	10.34	

Note 1: Financial statements of the Company in 2017 to 2021 were audited.

Note 2: As of the publication date of this annual report, no financial information of 2022 had been audited or reviewed by CPAs.

Note 3: Business units whose operations have been discontinued are disclosed with their net amounts after income tax.

(III) Names of external auditors and audit opinions in recent years

Year	Names of Auditors	Audit opinions of Auditors
2017	Accountant Bob Chang, James Huang	Audit Report with unqualified opinion
2018	Accountant Bob Chang, James Huang	Emphasis paragraph on unqualified opinion (Note 1)
2019	Accountant Cheng-Hung Kuo, Li-Chi Chen	Unqualified opinion with the addition of “Other Issues” paragraph (Note 2)
2020	Certified Public Accountant: Cheng-Hung Kuo, Shu-Wan Lin	Audit Report with unqualified opinion
2021	Certified Public Accountant: Cheng-Hung Kuo, Shu-Wan Lin	Audit Report with unqualified opinion

Note 1: The Applicability of Focus Item Section-New Accounting Criteria: The Company and subsidiaries have adopted IFRS 9 - “Financial Instruments” and IFRS 15 - “Revenue from Contracts with Customers” since January 1, 2018, and chose not to restate consolidated financial statements for the comparative periods. The CPAs did not modify their audit opinions in response to this decision.

Note 2: 2018 consolidated financial statements of Cathay Financial Group were audited by other CPAs, for which they had issued an unqualified opinion with emphasis of matters paragraph on March 21, 2019.

II. Five Year Financial Analysis (Table 21)

(I) Financial analyses (2017-2021)

Title (Note 3)		Year	2017	2018	2019	2020	2021	Financial Information as of March 30, 2022
Operational ability	Total assets turnover (times)		0.07	0.05	0.06	0.06	0.06	Note 2
	Deposit to loan ratio of subsidiary bank (%)		68.42	71.34	66.58	62.94	61.88	
	NPL ratio of subsidiary bank (%)		0.21	0.16	0.15	0.14	0.09	
	Average revenues per employee (group)		11,517	8,828	10,011	10,984	10,865	
	Average earnings per employee (group)		1,117	967	1,150	1,324	2,445	
Profitability	ROA (%)		0.84	0.77	0.86	0.85	1.34	
	ROE (%)		9.96	8.83	9.74	9.01	15.49	
	Net profit margin (%)		9.70	10.95	11.49	12.06	22.51	
	Earnings per share (NT\$)		4.47	3.95	4.76	5.41	10.34	
Financial structure	Liabilities to assets ratio (%)		93.12	94.26	92.23	91.74	92.12	
	Liabilities to net worth ratio (%)		1,353.07	1,642.81	1,187.10	1,110.30	1,168.48	
	Financial holding double leverage ratio (%)		107.88	112.41	109.67	110.81	112.88	
	Financial ratios of financial holding pursuant to Article 41 of the Financial Holding Company Act (%)		None	None	None	None	None	
Leverage	Operation leverage		8.62	7.19	6.72	6.79	3.43	
	Financial holding company financial leverage		1.30	1.40	1.34	1.21	1.08	
Growth rate	Asset growth rate (%)		8.68	4.33	9.12	8.79	5.88	
	Profitability growth rate (%)		18.83	(6.77)	26.90	15.67	95.46	
Cash flows	Cash flow ratio (%)		32.11	(Note 5)	51.87	63.26	23.75	
	Net cash flow adequacy rate (%)		35.48	(Note 5)	(Note 5)	173.70	215.44	
	Cash flow coverage ratio (%)		(Note 5)	(Note 5)	15,882.85	(Note 5)	(Note 5)	
Scale of operation	Market share of asset (%)		16.84	16.57	16.74	16.64	16.33	
	Market share of net worth (%)		16.38	14.36	17.59	18.46	17.43	
	Market share of the deposit at subsidiary bank (%)		5.02	5.33	5.35	5.53	5.71	
	Market share of lending at subsidiary bank (%)		5.41	5.85	5.45	5.45	5.49	

Title (Note 3) \ Year			2017	2018	2019	2020	2021	Financial Information as of March 30, 2022
Capital adequacy ratio	Capital adequacy ratio set forth by respective subsidiaries at industry standard (%)	Cathay Life	309.48	291.70	346.05	360.13	370.72	Note 2
		Cathay United Bank	15.89	14.99	15.09	16.91	16.25	
		Cathay Century Insurance	391.85	369.75	339.24	323.21	284.43	
		Cathay Securities	323.93	377.41	448.75	325.43	483.64	
		Cathay Securities Investment Trust	83.33	85.49	77.39	78.00	78.24	
		Cathay Venture	98.91	98.24	98.96	99.29	99.19	
	Qualified capital of respective subsidiaries (NT\$thousand)	Cathay Life	454,450,732	488,752,735	565,404,020	621,219,356	743,211,554	
		Cathay United Bank	245,474,892	247,142,545	261,880,481	276,800,810	277,727,052	
		Cathay Century Insurance	10,065,445	9,831,977	11,211,227	12,179,533	13,684,508	
		Cathay Securities	5,224,350	5,208,773	6,061,167	8,712,584	10,246,873	
		Cathay Securities Investment Trust	2,328,954	2,559,779	2,697,854	2,924,161	3,551,968	
		Cathay Venture	3,548,009	3,735,531	4,208,591	4,491,451	4,818,428	
	Net qualified capital of the Group (NT\$ thousand)		632,278,757	646,964,204	728,880,802	785,491,898	895,370,177	
	Mandatory capital requirements of respective subsidiaries (NT\$thousand)	Cathay Life	293,686,834	335,101,600	326,777,835	344,994,185	400,952,592	
		Cathay United Bank	142,872,941	162,837,923	182,170,074	171,889,293	179,465,475	
		Cathay Century Insurance	5,137,390	5,318,228	6,609,567	7,536,668	9,622,434	
		Cathay Securities	2,419,203	2,070,194	2,025,997	4,015,849	3,178,027	
		Cathay Securities Investment Trust	1,397,407	1,497,116	1,742,915	1,874,420	2,270,053	
		Cathay Venture	1,793,578	1,901,290	2,126,349	2,261,794	2,428,909	
	Mandatory total capital requirements of the whole group (NT\$ thousand)		447,969,067	509,166,798	524,439,669	540,779,019	599,802,833	
	Capital adequacy ratio of the group (%)		141.14	127.06	138.98	145.25	149.28	

Year Title (Note 3)	2017	2018	2019	2020	2021	Financial Information as of March 30, 2022
According to Article 46 of the Financial Holding Company Act, the financial holdings company shall disclose the total amount or ratio (NTD million) of the lending, endorsement or other transactions provided by all of the subsidiaries to the same natural person, same related party or same affiliate shall be disclosed.	5,993,625	6,855,496	7,722,722	6,919,385	8,694,028	Note 2
Specify the reasons that caused the changes in the financial ratios in the last 2 years (Analysis is not required for changes of less than 20%): 1. Subsidiary bank NPL ratio was decreased due to reduction of NPL amount in the current period. 2. With the increase of investment profit in the current period, the employee average profit amount, asset return rate, shareholders' return on equity, profit margin, earnings per share, profit growth rate were increased. 3. Operation leverage was decreased due to the increase of the current profit before tax. 4. Asset growth rate was decreased due to the slow growth of the financial assets at fair value through other comprehensive income in the current period. 5. Cash flow ratio decreased mainly due to decreased cash flow from operating activities.						

Note 1: Financial statements of the Company in 2017 to 2021 were audited.

Note 2: As of the publication date of this annual report, no financial information of 2022 had been audited or reviewed by CPAs.

Note 3: The equations for calculation are shown below:

1. Operational ability

- (1) Total assets turnover = net profit/average total assets
- (2) Deposit to loan ratio = subsidiary bank total loans/total deposits
- (3) Subsidiary bank NPL ratio = subsidiary bank total overdue loans/total loans
- (4) Average revenues per employee = net income/total number of employees
- (5) Average earnings per employee = corporate earnings/total number of employees

2. Profitability

- (1) Return on Assets (ROA) = [corporate earnings + interest expenses × (1 – tax rate)]/average total assets
- (2) Return on shareholders' equity = corporate earnings/average net shareholders' equity
- (3) Net profit margin = corporate earnings/net income
- (4) Earnings per share (EPS) = (attributable to shareholders' equity of the parent – preferred stock dividends)/weighed average quantity of outstanding shares (Note 4)

3. Financial structure

- (1) Liabilities to assets ratio = total liabilities/total assets
- (2) Liabilities to net worth ratio = total liabilities/net worth
- (3) Financial holding company double leverage ratio = equity investment under paragraph 2 of Article 36 and Article 37 of this law/net worth

4. Leverage

- (1) Operation leverage ratio = (net income – variable expenses)/earnings before taxation
- (2) Financial holding company financial leverage = (earnings before taxation + interest expenses)/earnings before taxation

5. Growth rate

- (1) Asset growth rate = (total assets in current period – total assets in previous period)/total assets in previous period
- (2) Profitability growth rate = (earnings before taxation in current period – earnings before taxation in previous period)/earnings before taxation in previous period

6. Cash flows

- (1) Cash flow ratio = net cash flow from operation/(call loans and overdrafts from banks and financial institutions + payable commercial papers + financial liability at fair value through profit or loss + R/P bonds and bills liabilities + payables due in one year)
- (2) Net cash flow adequacy ratio = net cash flows from operating activities in the last five years/(capital expenditure + cash dividend) in the last five years
- (3) Cash flow coverage ratio = net cash flow from operation /net cash flow from investment

7. Scale of operation

- (1) Market shares of assets = total assets/total assets of the whole financial holding company
- (2) Market share of net worth = net worth/total net worth of the whole financial holding company
- (3) Market share of the deposit at subsidiary bank = total deposits/total deposits at financial institutions entitled to engage in lending and deposits business
- (4) Market share of the loans at subsidiary bank = total loans/total loans at financial institutions entitled to engage in lending and deposits business

8. Capital adequacy ratio

- (1) Net qualified capital of the group = qualified capital of the financial holding company + (proportion of shareholding by financial holding company × the qualified capital of respective subsidiaries) – required deductible items
- (2) Total statutory capital requirement of the group = statutory capital requirement of the financial holding company + proportion of shareholding by financial holding company × statutory capital requirement of respective subsidiaries
- (3) Capital adequacy ratio of the group = net qualified capital of the group/statutory capital requirement of the group

Note 4: Attention to the following is required when the aforementioned equations for the calculation of EPS are applied to assessment:

1. The weighted average quantity of outstanding common shares shall be used as the standard, not the quantity of outstanding shares at the end of the year.
2. In case of raising capital through issuing new shares or transactions of treasury stocks, calculate also the weighted average quantity of outstanding shares in the period of circulation.
3. In case of capitalization of retained earnings or capitalization of capital surplus into new shares, adjustment shall be made in retrospect to the size of capitalization for each instance when calculating the earnings per shares annually or semi-annually. The time of issuance can be neglected.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividend declared in current period (whether paid or unpaid) shall be deducted from corporate earnings or as addition to earnings after taxation. If the accumulated preferred shares are not accumulative in nature, dividend for preferred shares shall be deducted from corporate earnings, if any. In case of loss, no adjustment shall be made.

Note 5: Ratio was not disclosed due to negative numerator or denominator in the net cash flow formula.

Note 6: Group capital adequacy ratio and double leverage ratio - financial holding company are key performance indicators for the Company.

III. Audit Report from the Auditing Committee on the Latest Financial Statements

Audit Report from the Auditing Committee

The Company's 2021 business report, financial statements (including consolidated financial statements), and earnings distribution plan were prepared by the Board of Directors, in which the financial statements (including consolidated financial statements) have been audited and certified by Cheng-Hung Kuo, CPA and Shu-Wan Lin, CPA of Deloitte & Touche, to which the firm issued an independent auditor's report.

Said reports and statements prepared by the Board of Directors have been audited by the Committee, and the Committee found them to be in compliance with regulatory requirements. The Committee hereby issues this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review it accordingly.

To:

2022 Annual General Shareholders' Meeting of Cathay Financial Holdings

Auditing Committee

Edward Yung Do Way, Convener

May 4, 2022

IV. Audited consolidated financial reports of the parent and subsidiaries in the most recent year

Refer to Appendix I.

V. In case of insolvency of the financial holding company and its subsidiaries in the most recent year to the date this report was printed, specify the effect on the financial position of the Company:

None.

Seven. Review and analysis of financial status and financial performance and risk management

I. Analysis of Financial Status

Unit: NT\$ thousand

Item \ Year	2020	2021	Change in amount	Change in proportion (%)
Cash and cash equivalents	915,274	633,233	(282,041)	(31)
Financial assets at fair value through profit or loss	36,445,500	36,260,000	(185,500)	(1)
Financial assets at fair value through other comprehensive income	116,200	143,491	27,291	23
Securities purchased under agreements to resell	0	0	—	—
Receivable - net	7,739,321	1,466,748	(6,272,573)	(81)
Current-tax assets	4,650,365	4,102,282	(548,083)	(12)
Equity investment under the equity method	953,059,879	981,855,958	28,796,079	3
Property and equipment	58,912	55,225	(3,687)	(6)
Intangible assets	0	0	—	—
Right-of-use asset	249,272	123,677	(125,595)	(50)
Deferred tax assets	25,397	35,604	10,207	40
Other assets	43,105	96,202	53,097	123
Total assets	1,003,303,225	1,024,772,420	21,469,195	2
Payables	38,946,079	64,534,616	25,588,537	66
Current tax liabilities	19,849,285	7,057,511	(12,791,774)	(64)
Bonds payable	50,000,000	50,000,000	—	—
Provisions	766,414	749,874	(16,540)	(2)
Lease liability	249,631	124,980	(124,651)	(50)
Deferred tax liabilities	266,714	266,714	—	—
Other liabilities	163,886	579	(163,307)	(100)
Total liabilities	110,242,009	122,734,274	12,492,265	11
Common stock	131,692,102	131,692,102	—	—
Preferred shares	15,333,000	15,333,000	—	—
Capital surplus	177,256,053	177,244,388	(11,665)	(0)
Legal reserve	51,967,688	59,471,895	7,504,207	14
Special reserve	149,894,910	150,716,023	821,113	1
Undistributed earnings	169,606,342	267,799,001	98,192,659	58
Exchange differences resulting from translating the financial statements of a foreign operation	(15,464,009)	(18,652,251)	(3,188,242)	21
Gain (loss) on effective cash flow hedge instruments	347,871	335,851	(12,020)	(3)
Unrealized gains/losses on financial assets at fair value through other comprehensive income	106,207,840	47,131,473	(59,076,367)	(56)

Item \ Year	2020	2021	Change in amount	Change in proportion (%)
Other comprehensive income reclassified using the coverage approach	102,511,617	64,764,671	(37,746,946)	(37)
Changes of designated financial liabilities at fair value through profit or loss resulting from credit risk	(1,478,705)	(889,397)	589,308	(40)
Remeasurement of defined benefit plans	(1,966,279)	(966,130)	1,000,149	(51)
Revaluation Surplus	11,097,089	11,281,909	184,820	2
Other equity - Others	(3,944,303)	(3,224,389)	719,914	(18)
Total shareholders' equity	893,061,216	902,038,146	8,976,930	1

Changes in the ratios of the analysis:

1. The variation in cash and cash equivalents was mostly due to higher cash dividends paid in the current period.
2. Variation in the financial assets at fair value through other comprehensive income was mainly due to the recognition of valuation gain in the current period.
3. Variation in receivable - net was mainly attributed to the consolidated tax system.
4. Variation in the right-of-use assets was mainly attributed to the impact of depreciation expenses.
5. Variation in the deferred tax assets was mainly attributed to the reduction of temporary difference increase in the current period.
6. Variation in accounts payable was mainly attributed to increase of short-term bills payable and the consolidated tax system.
7. Variation in current tax liabilities was mainly attributed to decreased business income tax payable.
8. Variation in the lease liabilities was mainly attributed to the rent payment.
9. Variation in unappropriated earnings was mainly attributed to increased net income in the current year.
10. Variation in exchange from the conversion of financial statements of overseas operating entities was mainly attributed to the exchange rate change.
11. Variation in unrealized gain (loss) on financial assets at fair value through other comprehensive income and other comprehensive income reclassified using the overlay approach was mainly attributed to changes in valuation of financial assets held by subsidiaries.
12. Changes of designated financial liabilities at fair value through profit or loss resulting from credit risk was mainly attributed to credit risk changes and valuation changes in USD bonds issued by subsidiaries.
13. Variation in the defined benefit plans was mainly attributed to the increase of fund asset return in the current period.

II. Analysis of Financial Performance

Unit: NT\$ thousand

Item \ Year	2020	2021	Change in amount	Change in proportion (%)
Net income	78,756,407	142,322,780	63,566,373	80.71
Expenses and loss	(1,638,721)	(1,766,470)	(127,749)	7.80
Pre-tax income (loss)	77,117,686	140,556,310	63,438,624	82.26
Net income	74,579,460	139,514,082	64,934,622	87.07

III. Cash flows

(I) Liquidity Analysis in 2020 and 2021

Unit: %

Item \ Year	2020	2021	Increase (decrease) in proportion (%)
Cash flow ratio (%)	Note	Note	—
Net cash flow adequacy rate (%)	Note	Note	—
Cash flow coverage ratio (%)	Note	Note	—

Note: Ratio was not disclosed due to negative numerator or denominator in the net cash flow formula

(II) Cash flow analysis of the year ahead

Unit: NT\$ thousand

Cash balance at beginning ①	Projected net cash flow from operating activities in current period ②	Projected cash outflow in current period ②	Projected amount of cash surplus (deficit) ① + ② - ③	Remedy for cash deficit	
				Investment plan	Financing plan
633,233	43,036,431	53,624,473	(9,954,809)	None	Issue corporate bonds and commercial paper

IV. Major capital expenditures in the most recent year

None.

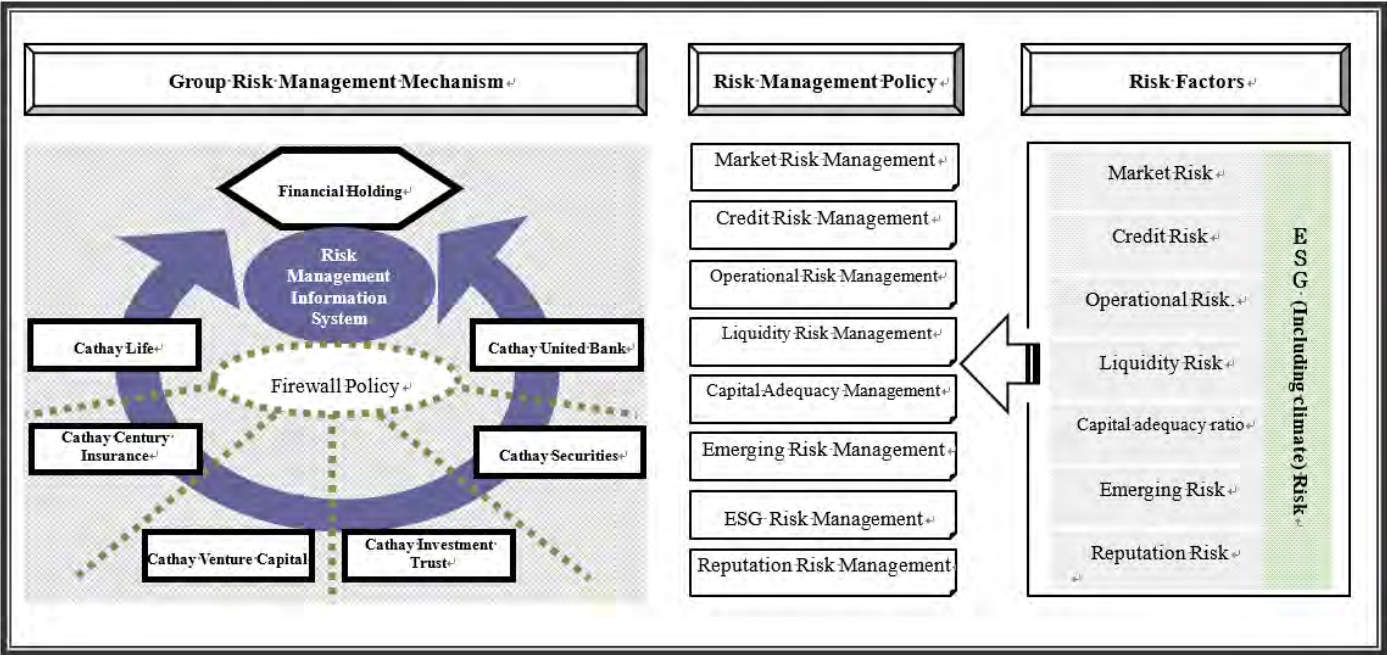
V. The investment Strategy in the most recent year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

For details of investments made in the last year, please refer to “VIII. Implementation of the Capital Utilization Plans.”

In the past, Cathay Financial Holdings initiated the twin-engine of the insurance and banking service, which yielded excellent complementary effects. Many in the industry learned from the Company and launched similar products. Cathay Financial Holdings decided to make its asset management operation as the third engine for further development of the twin-engine of insurance and banking for providing full-range financial services and further enhance brand value. In the future, the business policy will be focused in the development in other countries with the triple-engine of “insurance + banking + asset management” as the core strategy for development. With its base in Asia-Pacific and the triple-engine as its strategy, Cathay Financial Holdings is dedicated to be the best financial institution in Asia.

VI. The analysis and assessment of risk management in the most recent year to the date this report was printed by the analysis of the overall financial position and operation.

(I) Risk management framework and policies of the financial holding company and its subsidiaries



1. Risk Management Governance Structure:

The Company has set up an independent Risk Management Division to implement governance and control the comprehensive risks. The division is responsible for establishing the related policies and guidelines and also for executing risk management practices.

Each subsidiary has set up its risk management unit based on the regulatory laws or business nature to carry on the establishment and execution of the risk control mechanism for its operation as well as the making of related policies and guidelines according to the business features and the Company’s risk management policy.

In addition, risk management committees are formed in both the Company and the major subsidiaries to oversee the Group’s risk exposure and ensure normal operation of the risk control activities.

2. Risk Management Policy:

The risk management policy and the related guidelines are all approved by the Board of Directors and clearly delineate the responsibilities of risk management activities. Our employees are required to follow the policies and the guidelines, especially for the transactions related to investment and loan business.

(1) The Company’s main risk sources can be categorized into market risk, credit risk, operational risk, liquidity risk, capital adequacy, emerging risk, ESG risk, and reputation risk. The Risk Management Division is responsible for developing management guidelines, rules, and compliance policies for each risk type of risk concerned. The subsidiaries also set the criteria based on the policies set by the Company and authority for risk management activities.

- (2) To monitor the concentrations of credit exposure by loans, investment and related transactions, we have established the guidance to manage the concentrations.
- (3) To enhance the management of credit and operational risk events, we apply the information system for monitoring those events among the Company and the subsidiaries.

(II) Methods adopted by the financial holding company and subsidiaries for the assessment and control of risks, and disclosure of quantified risk exposures

■ General disclosures

1. Risk Management Policies, Procedures and Reporting

(1) Risk Management Policies and Procedure:

- A. Market risk management: The Company and its subsidiaries have established robust investment decision making procedures and implemented position limits, stop-loss limits, VaR limits, market risk factor limits, market risk stress VaR limits, and exceptions management procedures to guide employees' decisions. Risk factor monitoring, risk assessments, sensitivity analyses and stress tests are performed regularly on the exposure to enforce market risk management.
- B. Credit risk management: The Company and its subsidiaries have implemented robust credit policies, credit assessment procedures and guidelines on the handling of collaterals, overdue loans, asset valuation, and provisioning. Concentration limits for borrower groups, industries, specific industries and countries have also been implemented to ensure diversification of credit risk.
- C. Liquidity risk management: We maintain liquidity reserve to meet regulatory requirements. To measure liquidity risk, we use several quantitative analysis methods, including liquidity gap and cash flow analysis. In addition, each subsidiary maintains contingency funding plans that outline our potential responses to liquidity stress events at various levels of severity.
- D. Operational risk management: We accomplish operational risk management by dividing all operations into front, middle, and back desks based on their functions. Each subsidiaries applies timely and accurate information system for their operation procedures. Operational risk is properly monitored through internal control system, internal and external audits and legal compliance tasks with regulatory requirements. The Company and subsidiaries have established the business continuity management mechanism. In addition, the Company has obtained (ISO 22301 Business Continuity Management Standard) international certification at the end of 2021, in order to enhance risk response capability and management resilience.
- E. Capital adequacy: Currently the Company and the subsidiaries all maintain a capital adequacy ratio superior to the regulation requirement. In addition, non-scheduled calculation will be held to test the impact of the ratio based on future merger & acquisition plans or expansion investment from the Group to ensure the ratio stays above an appropriate level, and in the meantime, to provide references for funding plans in the future.
- F. Emerging risk management: Facing the increase of various issues of global financial management environment with increasing complexity, technology development and aging population and the increasing probability of such conditions, the Company collects external emerging risk reference sources annually and has prepared a risk map with key subsidiaries, in

order to periodically identify and measure major risks for the next five years. In addition, the Company also plans the risk response and control method. The key two main emerging risks for 2021 has been identified, and please refer to “VIII. Other Major Events” on page 204 for details.

G. ESG and climate risk management: The Company sources information from within and outside the organization to evaluate the ESG risks of its investments/loan cases, and is therefore able to enforce corporate sustainability and mitigate impacts of extreme climate on business development. The Company and subsidiaries have policies that prohibit investment and lending to undesirable parties, and follow the TCFD framework to evaluate how climate change affects the Company financially.

H. Reputation risk management: In the occurrence of a major risk event, employees are required to follow internal policies and take steps to prevent negative perception from customers, counterparties, shareholders, investors, the authority, and stakeholders.

(2) Risk Management Reporting

A. All risk management units are required to submit reports to the authoritative supervisors on a regular basis to disclose risk exposures and risk management implementation status. Major risk events will be summarized and reported to supervisors to reinforce risk management practices.

B. Risk management reporting should be based on quantitative risk assessments. Risks that cannot be quantified will require special disclosure in the report.

C. The financial holding company and subsidiaries regularly report the progress of their risk management tasks to the Risk Management Committee and board of directors. All subsidiaries are also required to report to the financial holding company’s Risk Management Division.

(3) Regular convention of Risk Management Committee meeting

The Company and the subsidiaries hold risk management committee meetings periodically to ensure all risk control systems are working properly and review the consequence of the risk control. Impromptu meetings are called for emergency events.

(4) Exception Management Process

When subsidiaries deviate from the risk management policies, subsidiaries should make the exception report which disclose the reasons, the related rules and following procedures. In addition, the report should forward to the Company after approved by subsidiaries’ supervisor.

2. Risk Management System, Range and Characteristics:

The Company and its subsidiaries have established or implemented a number of risk management information systems including: VaR system, credit grading system, credit risk reporting system, group credit and investment limit system, and operational risk incident reporting system to comply with government regulations and for centralized monitoring of subsidiaries’ exposure.

3. Risk Hedging/Reduction Policy:

Please refer to “h. Financial risk management objectives and policies ” in Appendix I.

■ Information on the methods of risk management at all subsidiaries and quantifying risk exposure

Life and property/casualty insurance subsidiaries:

1. Risks that life and property/casualty insurance subsidiaries face and the method of controlling them are as follows:

(1) Market Risk

A. Definition: Risks arising from price changes in financial market instruments that cause losses in the value of financial assets of the company.

B. The method of controlling:

- a. Monitoring market risk metrics.
- b. Foreign exchange risk management.
- c. Stop loss and limit control.
- d. Scenario analysis; stress test.
- e. Price deviation management.
- f. Derivatives management.

(2) Credit Risk

A. Definition: Risks in the loss of claims of the company because the counterparties or the debtors do not fulfill their contractual obligations.

B. The method of controlling:

- a. Evaluating transaction counterparty, issuer, and guaranty institutions before a transaction and verifying the legality of transactions.
- b. Follow-up on positions after the investment.
- c. Monitoring credit risk metrics.
- d. Credit and investment risk limit management.
- e. Scenario analysis; stress test.
- f. Report on credit risk emergencies.
- g. Evaluating the risk of lending operation and risk management operation.

(3) Country risk

A. Definition: Refers to the risk of devaluation to the Company's assets caused by political or economic instability in countries where the Company maintains loan portfolio, treasury investment or long-term equity investment positions, which results in market price fluctuation or renders securities issuer/debtor unable to repay debt obligations.

B. The method of controlling:

- a. Defining country risk grades, limits and surveillance.
- b. Regular inspection of country risk condition.

(4) Liquidity Risk

A. Definition: It is classified as "fund liquidity risk" and "market liquidity risk". "Fund liquidity risk" refers to the risk with which the company cannot turn assets into cash or acquire enough funds and therefore cannot fulfill obligations that are due. "Market liquidity risk" refers to the risk of significant changes in market prices when it disposes

of or offsets the positions it holds because there is not sufficient depth in the market or the market is in chaos.

B. The method of controlling:

- a. Fund reporting.
- b. Cash flow analysis.
- c. Managing the maturity date of funds.
- d. Monitoring fund liquidity risk assessment indicators and scenario analysis.
- e. Evaluating and selecting the liquidity of investments.
- f. Liquidity Risk Assessment.
- g. Emergency response mechanism.

(5) Operational Risk.

A. Definition: Losses caused by errors or malfunctions of internal operation, personnel, and system, or losses caused by external incidents. It includes legal risks but does not include strategic risks and reputation risks.

B. The method of controlling:

- a. Internal control and internal audit.
- b. Legal risk management mechanism.
- c. Reporting operation risk incidents.
- d. Crisis management for emergencies.
- e. Money laundering prevention operating procedures.
- f. Data security and personal data management.
- g. Business continuity management.

(6) Insurance risk

A. Definition: It refers to the risk that the company assumes from the insured after collecting a premium in operating the insurance business. It refers to the risk of loss caused by unexpected changes when the company pays indemnity and associated expenses.

B. The method of controlling:

- a. Product design and pricing risk – evaluate the product design content appropriateness, product pricing rationality, product fee adequacy review and product after-sale experience tracking and analysis.
- b. Underwriting risk – establishment of robust underwriting systems, procedures, manuals or guidelines, and monthly monitoring of underwriting indicators.
- c. Reinsurance risk – creating reinsurance risk management plans, tracking the credit rating condition of the reinsurer.
- d. Catastrophe risk – periodically evaluating the loss when a catastrophe occurs, arranging reinsurance, and properly diversifying company risk.
- e. Claim risk – detecting claim risk, reporting exceptions, management by the hierarchy such as reporting along the hierarchy.
- f. Reserve risk - provision of adequate reserves for the products involved, and regular analysis and review of reserve adequacy.

(7) Risk in matching assets and liabilities

- A. Definition: It refers to the risk caused by the disparity in the change in value of assets and liabilities due to reasons in the external environment of an insurer.
- B. The method of controlling:
 - a. Cash flow test and monitoring of duration.
 - b. Analyses for defined scenarios and random scenarios.
 - c. Analysis of liability fair value and contract value.

(8) Capital adequacy

- A. Definition:
 - a. Capital adequacy ratio refers to the ratio of the equity capital to risk capital according to the risk-based capital (RBC) system as defined in the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies.
 - b. Net worth ratio is calculated by dividing owners' equity with total assets excluding investment-linked insurance asset account, as shown in audited (or auditor-reviewed) financial reports. This excludes circumstances where the authority has regulated otherwise.
- B. The method of controlling:
 - a. Regular monitoring of capital adequacy ratio and net worth ratio.
 - b. Assessment of capital adequacy ratio and net worth ratio impacts and responses caused by specific investments or business activities.
 - c. Assessment of capital adequacy ratio and net worth impacts and responses caused by major events (e.g. change of regulation).

(9) Operational Risk

- A. Definition: Direct or indirect possible losses caused by all factors of operation of an insurer.
- B. The method of controlling:
 - a. Notes on Major Incidents and the operational risk incident reporting system.
 - b. Strong internal audit and internal control.
 - c. Independent directors and supervisors.
 - d. Adequate compliance regulations (transmission of information on the change in laws, periodic execution of compliance review and report, regular training for compliance staff, and so on).

(10) Data security and personal data risk.

- A. Definition: Refers to an event capable of compromising the confidentiality, accuracy and usability of the company's information assets, or result in the theft, alteration, corruption, loss, or leakage of personal information.
- B. The method of controlling: Information security and personal information are managed according to the following cycle:
 - a. Planning and establishment - An information security and personal information management system is established based on the company's overall strategies and goals.

- b. Implementation and execution - Control measures are created or adjusted according to the outcome of assessment.
- c. Supervision and audit - Execution of the information security and personal information management is supervised and audited to ensure effectiveness.
- d. Maintenance and improvement - The system is constantly maintained and improved upon based on findings and recommendations of the audit/supervision.

(11) ESG and climate risk

- A. Definition: It refers to the potential negative impact due to the insurance industry subject to the environment, society and corporate governance risk, and climate change transformation risk and physical risk.
- B. The method of controlling:
 - a. Establish ESG and climate risk management scope, analysis and control mechanism.
 - b. Implement the three lines of defense control and management level governance ESG and climate risk.
 - c. Improve ESG, climate risk assessment technology and information disclosure.

2. Quantitative information on risk exposure:

- (1) The company defines risk appetite each year and defines all types of risk limits and risk levels based on risk appetite. The company calculates and monitors all types of risk monitoring indicators and plans response measures when specific risk levels are reached.
- (2) The company calculates capital adequacy ratio and net worth ratio based on risk-based capital (RBC) to comply with the minimum requirements of statutory regulations.
- (3) Regular calculation of reserve-weighted interest rate, value of new business and liability figures for decision-making.

Cathay United Bank:

1. Cathay United Bank subsidiaries face and the method of controlling them are as follows:

(1) Credit Risk

- A. Designing organization principle:
 - a. The company has a Risk Management Division that functions independently from business departments. The division oversees a Risk Management Department and a Credit Risk Management Department, whose responsibilities are to review and monitor credit risk tolerance, analyze industrial/economic trends, and control quality of the credit portfolio.
 - b. Units that execute risk control: They are the units that provide all kinds of lending services, investment services, and all kinds of financial instruments or contracts.
- B. Risk management process:
 - a. The company prudently evaluates the risks of customers based on credit investigation and credit extension regulations to implement Know Your Customer (KYC) policies.
 - b. After a loan is granted, the company performs periodic review and account monitoring measures based on management policies during the life of the loan to improve overall asset quality.

C. Measurement and control principle:

- a. The principle is complying with the internal-rankings based regulations of the new Basel Accord.
- b. The principles cover the creation of various regulations and systems. These include the creation of systems and regulations such as credit granting procedures; limit management, information on the levels of credit rating, information on collaterals, periodic review, and subsequent management.

(2)Market Risk

A. Designing organization principle:

- a. For Cathay United Bank, market risks are monitored by the board of directors, the Asset and Liability Management Committee and the Risk Management Committee. The Bank also has an independent unit responsible for the management and monitoring of market risks associated with various transactions.
- b. The market risk management department is a unit that controls market risk. It is responsible for authorization guidelines, monitoring the risk of funds and trading positions, the valuation of derivatives, and managing positions.

B. Risk management process:

- a. When the business unit executes market risk management measures, they perform the procedures based on their roles in the hierarchy responsibility table.
- b. The company periodically provides management information and statements to supervisors with appropriate authority.

C. Measurement and control principle:

- a. Market risk identification, assessment, and control measures are duly enforced within Cathay United Bank, whereas the correctness and rationality of principles, tools and market data used in valuation, including the basis of valuation and the fairness of information obtained, are verified on a regular basis.
- b. Develop a quantitative market risk management model that conforms to international practices.

(3)Operational Risk.

A. Designing organization principle:

- a. The Board is the unit with the ultimate responsibility and authority and has three lines of defense, which are the risk-assuming units, the risk management department, and the internal audit office. They control, monitor, and audit the process and management structure of operational risks.
- b. Unit that executes risk control: All units of the bank.

B. Risk management process:

- a. The company executes the goals of identifying, evaluating, monitoring, and controlling/offsetting operational risks with substantive policies and implementation procedures.
- b. All units ensure the appropriateness of the delineation of authority and responsibility and reporting procedure based on the hierarchical responsibility table, and reporting procedure and mechanisms.

C. Measurement and control principle:

- a. The company creates measurement and control mechanisms for dimensions such as core products, operational activities, operation procedures, and IT system pursuant to the new Basel Accord.
- b. Their scope covers the refinement of systems for managing operational risk, designing routine monitoring statements, preparing emergency response procedures, and related measures.

(4)Liquidity Risk

A. Designing organization principle:

- a. The board of directors holds the ultimate decision-making authority, whereas the Asset and Liability Management Committee is responsible for strategic planning and supervision of liquidity management. An independent Accounting Department has been assigned to the reporting and monitoring of liquidity risks.
- b. The Financial Investment Department is responsible for the execution of day-to-day funding. If the department discovers or expects major changes in the Bank's liquidity position, it shall coordinate with the Accounting Department and the Market Risk Management Department to analyze the situation, undertake appropriate measures, and convene temporary Asset and Liability Management Committee meeting whenever necessary in order to handle the situation.

B. Risk management process:

- a. Part of the Financial Investment Department's responsibilities is to adjust liquidity gaps and maintain adequate liquid capital based on daily capital flow and changes in market condition.
- b. The Accounting Department adopts a quantitative management approach and prepares monthly liquidity risk management reports to the Asset and Liability Management Committee for monitoring of changes in liquidity risks.

C. Measurement and control principle:

- a. The Bank adopts various systems including liquidity indicators, limit controls, reporting procedures, monitoring systems, and stress testing.
- b. The company develops liquidity risk management indicators and creates warning threshold and implements limit monitoring. The company analyzes factors that are detrimental to liquidity and take immediate measures to neutralize their impacts.

(5)Capital adequacy

A. Designing organization principle:

- a. Establish a specialized unit to conduct capital adequacy management and ensure proper capital adequacy ratio in order to defend the risk derived from undertaking business ventures.
- b. The specialized unit performs calculation, monitoring, disclosure and management of capital adequacy ratio in accordance with the authority's instructions and internal policies, and responds to any breaches of capital adequacy ratio.

B. Risk management process:

- a. Capital adequacy ratio is regularly calculated, reported, disclosed and managed according to internal and external rules, with proper actions taken in response to breaches.
- b. The evaluation and responses for the effect of specific investments or services on capital adequacy ratio.

C. Measurement and control principle:

The principle complies with the internal-rankings-based regulations of the new Basel Accord and capital adequacy management regulations.

(6) ESG and climate risk

A. Designing organization principle:

The board of directors is the highest responsible unit, and Risk Management Committee is responsible for the review of ESG and climate risk management mechanism and report. In addition, the International Credit Risk Department is responsible for the planning, promotion and monitoring of the ESG and climate risk management system.

B. Risk management process:

Through identifying the ESG and climate risk of customers and transaction counterparties as well as asset portfolio, the risk preference of the Bank is considered, and the climate risk impact level, frequency and importance are evaluated and analyzed. In addition, responsive measures are also established.

C. Measurement and control principle:

According to the international Equator Principles and voluntarily compliance with the Principle for Responsible Banking of the UN, along with the climate change related financial recommendation disclosure structure, the company periodically monitors relevant indicators, analyzes, assesses and manages climate risk.

2. Quantitative information on risk exposure:

The company periodically calculates all types of quantitative risk exposure information and discloses them pursuant to applicable laws. Such information covers capital adequacy, loan asset quality, profitability, and sensitivity analysis to comply with regulations.

Cathay Securities:

1. Cathay Securities subsidiaries face and the method of controlling them are as follows:

The subsidiary has already formed an independent risk management unit and codified risk management policies and management guidelines on market risk, credit risk, operational risk, liquidity risk, and capital adequacy. These policies and guidelines clearly define the control mechanism on all sources of risks so that the company can implement risk management regulations. The execution of the risk management policy and risk measurement standards is as follows:

(1)Market Risk

A. Definition: The risk of loss in investment positions of the company (including stocks, bonds, and derivatives) caused by price fluctuations of financial instruments that affect the value of financial assets held by the company.

B. The method of controlling:

Codifying trading regulations based on the nature of products and departments and the actual operation. Clearly defining the authorization limit, risk limit, stop loss, and over-the-limit process methods; effectively implementing control mechanisms with middle office risk control personnel in the sales department and real-time monitoring system. Additionally, providing risk management reports, including market price evaluation, the amounts of over-hedging and under-hedging, Value at Risk (VaR), model back testing. The subsidiary performs stress tests based on different extreme scenarios and sensitivity factors to effectively control the risks assumed by the company and manage overall risk.

(2)Credit Risk

A. Definition: Risks of loss on receivables of the company because the counterparty of the trade or the debtor does not fulfill the contractual obligation.

B. The method of controlling:

Implementing the evaluation on the credit standing of the counterparty before the trade, intraday control and risk exposure management after the trade. Controlling risks that may arise from securities trading according to credit valuation models.

Defining trading limit on investment positions or derivatives based on the credit rating of the counterparty (TCRI, Taiwan Ratings, S&P, Moody's, Fitch) and performing examinations on investment risk concentration and risk exposure on a regular basis. In addition, periodically inspecting clients in the high-risk zone of margin trade maintenance ratio of their entire accounts, and the stocks whose margin balances were over a certain level of the margin balance in the market. Creating a credit risk emergency reporting mechanism along with the financial holding company.

(3)Operational Risk.

A. Definition: Operational risks refer to losses caused by inappropriate action or mistakes in internal operation, personnel, or system; or by external events. Such risk includes legal risks but does not include strategic risk or reputation risk.

B. The method of controlling:

Creating authorization and segregation of duties and rights on the operating processes in the front office, middle office, and back office. Documents for trading, trade confirmation, delivery, and accounting shall be filed for review. Establish stringent operation procedures. Prevent inappropriate human error and frauds. Strictly requiring all departments to create and implement internal audit and internal control measures. Creating an operational risk loss incident reporting mechanism and loss database as well as the system error improvement schedule tracking system to have an in-depth understanding of the reason behind the loss caused by the system or personnel. Additionally, the company has an internal audit office that reports to the Board and performs audits on routine operations so that the company can implement effective internal audit and internal control and compile audit reports on a regular basis. The company seeks to lower the loss from all operating errors.

(4)Liquidity Risk

A. Definition: Fund liquidity refers to the realization capacity that a company acquires funds to maintain its operational needs and the capacity to fully cover asset growth and repay liabilities; market liquidity is to avoid and manage the risk of losses resulted from the fluctuations of market price when disposing or offsetting positions held in the situation of insufficient market depth or market disorder.

B. The method of controlling:

Defining liquidity risk indicators and compile fund liquidity risk management statements to review fund conditions and maturity date gaps for assets and liabilities. The preparation of structure analysis table of asset and liability maturity dates serves as a basis of fund planning. Also, we periodically perform fund liquidity simulations to ensure that we have response mechanisms under extreme conditions to meet fund gaps. We also acquire short-term financing credit from other financial institutions and manage fund inflow and outflow from such short-term financing to maintain proper liquidity and ensure the payment capabilities of the company. The investment unit shall conduct market liquidity risk control during the purchase in accordance with the market liquidity management indicators and regulations.

(5)Legal risk

A. Definition: The risk that arises because of defects in the contract or the eligibility of the counterparty that void the contracts or cause breaches of contracts.

B. The method of controlling:

We define the process of drafting and reviewing legal documents. Documents related to contracts are all signed-off at the legal department and reviewed by external attorneys as necessary.

(6)Capital Adequacy Management

A. Definition: Capital adequacy management is the foundation of the company's capital management. We maintain proper capital adequacy ratio, ensure the integrity of our capital structure, and produce steady growth of our business.

B. The method of controlling:

We define capital adequacy measurement indicators and compile capital adequacy management statements on a regular basis to evaluate the appropriateness of the company's capital adequacy ratio and the integrity of our capital structure. When allocating risk-based capital, we also conduct allocations aiming at maximizing the profits under the premise of ensuring that the capital adequacy ratio meeting the internal standard.

(7)Reputation Risk and Strategic risk

A. Definition: Reputation risk is the risk that may result in a shrinking customer base, decline in revenue, a burden of enormous litigation fee, or other possible losses, due to negative matters in the company's operation, whether the matter is real or alleged. Strategy risk is the risk of immediate or future possible loss to revenue or capital because

of wrong business decision, or poor execution of decision, or the lack of proper response to competitors, or the lack of proper response to changes in the industry.

B. The method of controlling:

We draft internal mitigation guidelines for significant events such as reputation risk or strategic risk to reduce the loss due to risk when significant events happen.

We codify risk management policies and guidelines for the aforementioned sources of risks. We clearly define the management mechanism for all sources of risks and create risk limit indicators and periodically review the appropriateness of these indicators. Additionally, every six months, we present risk management execution reports to the Risk Management Committee and the Board and notify the Risk Management Division of the Cathay Financial Holding with our clarification on the company's assumption of risks and the appropriateness of current risk management regulations.

2. ESG trend and risk responsive measures of Cathay Securities:

ESG risk includes environmental risk, social risk and corporate governance risk. When the company faces ESG risk events, the ESG and climate risk management guidelines and policy on restricted investment and loan extension of the parent Cathay Financial Holdings are considered to implement the management. In addition, through the internal and external information collection, the company is able to understand ESG risk and trends, in order to assess its level of impact on all businesses of the company.

3. Quantitative information on risk exposure:

- (1) On a regular basis, we produce quantitative statements, including: market risk value, risk value to risk value limit (the indicator is one day risk value at 99% confidence interval in the low risk interval that does not exceed 2.8% of the net asset of the company over the entire year); all types of sensitivity and stress scenario analysis; investment and loan concentration management and country limit management; asset and liability gap control and inspection for all periods; authorization, risk, and gain or loss of derivatives. The subsidiary presents the statements to top management to form the basis of decision making.
- (2) Liquidity risk management reports are prepared on a regular basis to facilitate the monitoring of the maturity gap of assets and liabilities. Judging by the sum of cumulative gap plus available banking facilities (including overdraft), the Company exhibited no liquidity shortage in any maturity interval throughout 2021; furthermore, liquidity ratios for foreign currencies were maintained above 100% throughout 2021.
- (3) Calculating net adjusted capital adequacy ratio according to regulations on securities brokers and rules from regulators. In 2021, the capital adequacy ratio figures were between 318% and 486%, meaning that they were all above the internal risk control indicator of 220%.

Cathay Venture Capital:

1. Cathay Venture Capital subsidiaries face and the method of controlling them are as follows:

(1) Market Risk

- A. Definition:** Risks arising from price changes in financial market instruments that cause losses in the value of financial assets of the company.

B. The method of controlling:

- a. Holding investment management meetings on a regular basis.
- b. Decisions on investments in or disposal of assets are approved over an escalation of hierarchy according to the internal stratified responsibility table.
- c. Providing post-investment management reports periodically.
- d. Risk management execution report.

(2)Liquidity Risk

A. Definition: Liquidity refers to the ability of a company in acquiring funds to maintain the liquidity it needs and to fully pay for the growth in assets and settle liabilities.

B. The method of controlling:

- a. Asset allocation analysis.
- b. Cash flow analysis.
- c. Inspecting long- and short-term debt ratio on a regular basis.

(3)Operational Risk

A. Definition: Direct or indirect possible losses due to various operational factors.

B. The method of controlling:

- a. Particulars on processing significant events and reporting mechanism for operational risk loss incidents.
- b. Robust internal audit, internal control and compliance systems.
- c. Conveying the information of changes in regulation; performing legal compliance review and report on a regular basis; regular training and education for the legal compliance personnel.

(4)ESG risk

A. Definition: ESG risk includes environmental risk, social risk and corporate governance risk.

B. The method of controlling:

Through pre-investment field inspection and post-investment periodic update of ESG information of investment subject matter, in order to properly manage the ESG risk of investment subject matter.

2. Quantitative information on risk exposure:

Disclosing worldwide investment exposure to regulators pursuant to applicable laws and declaring the amount of investment exposure pursuant to categories such as the group investment limit, high risk industry, and strategic developing nations defined by the Financial Holding.

Cathay Investment Trust:

1. Cathay Investment Trust subsidiaries face and the method of controlling them are as follows:

(1)Market Risk

A. Definition: Market risk refers to the risk that fluctuations in the value of financial assets due to uncertainties in market price in a certain period of time could cause impairments

to the net value of portfolios of funds or managed accounts. For example, fluctuations may be changes in the interest rates, exchange rates, and prices of equity securities and commodities.

B. The method of controlling:

Market risk management focuses on regulating the company as a whole, and the portfolios of mutual funds and managed accounts based on investment objectives, investment characteristics, and investment restrictions. Its details include disclosure of market risk, restrictions on the range of investment trading, investment limit authorization level, and over-the-limit procedures.

(2)Credit Risk

A. Definition: Credit risk refers to the risk of bad credit record from financial forecasts, statements, important messages of the issuing company of the investment, and the risk of failure to settle and deliver by the counterparties of the trade, such as securities brokers, futures brokers; bills finance firms, and banks.

B. The method of controlling:

Credit risk management is mostly performed with the screening mechanism that reduces the credit risk of the investment. The screening mechanism includes reviews on financial indicators of investments and the change in management of securities issuers and external auditors. The Company uses external credit rating databases to evaluate the credit risk of counterparties in the trades and adjusts our own credit rating on counterparties in the trades to effectively control the credit risk of our investments.

(3)Liquidity Risk

A. Definition: Liquidity risk refers to the investment risk caused by an over-concentrated portfolio or plummeted trade volume, which are difficult to realize in a short period of time, and which further affects the redemption payment or position adjustment.

B. The method of controlling:

The control of liquidity risk focuses on monitoring quantitative indicators, such as the quantity of stocks in portfolios, concentration of stock holding, concentration of sectors, asset liquidity, and liquidity reserve ratios.

(4)Operational Risk.

A. Definition: Operational risks refer to losses caused by inappropriate action or mistakes in internal operation, personnel, or system; or by external events.

B. The method of controlling:

The management of operational risk mostly depends on executing controls based on the operating procedures and focuses defined by internal control processes of the company. We should also create proper control mechanisms through the information system against operational risks in business and trading processes to reduce human error.

(5)ESG risk

A. Definition: ESG risk includes environmental risk, social risk and corporate governance risk.

B. The method of controlling:

ESG risk management is mainly to collect internal and external ESG information of the Company in order to understand ESG risk of investment subject matter.

(6) Other Risk

A. Definition: Other risks include legal risks, reputation risks, and strategic risks, which are significant risks that are not quantifiable.

B. The method of controlling:

The major process mechanism is initiating the risk management mechanism. The Risk Management Department manager notifies the Risk Management Committee to hold risk management meetings from time to time to propose emergency response measures. Based on their duties, members of the Risk Management Committee can also convene meetings on their own initiative.

2. Quantitative Information on Risk Exposure:

(1) We create management mechanism on quantifiable risks, such as market risk and credit risk, from our information system. We create quantitative models on market risk with the risk control system and disclose risk values.

(2) We perform evaluations on the operational effectiveness of risk management. The components of the evaluation include whether the practices are in line with the expectations of the Board, whether risk management is independent, whether the execution of risk management is thorough, and whether the overall risk management infrastructure is complete. We present reports to the Board on a regular basis.

(III) Financial impacts and response measures in the event of changes in local and foreign regulations

Regulatory changes and major policies	Response measures
In 2021, FSC amended the “Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies” in order to prevent financial holdings companies to invest in capital instruments of common stocks, preferred stocks and subordinated debenture issued by their own through multi-layer investment structure, leading to inflated increase of qualified capital.	The Company has reviewed the amended clauses and relevant forms, and relevant units have also cooperated accordingly.
In 2021, FSC amended the “Regulations Governing Information to be Published in Annual Reports of Public Companies” in order to enhance the information disclosure transparency related to companies’ promotion of sustainable development execution status and cyber security risk management.	The Company has reviewed the amended clauses and relevant forms, and has also cooperatively handled such matters during the preparation of the annual report.

(IV) Impacts of changes in technology (including cyber security risk) and industry on the financial business of the Financial Holding Company and countermeasures

With regard to the response to technology changes, Cathay Financial Holdings will continue to focus on the four main aspects of “Digital,” “Data,” “Technology” and “Talent” in order to head toward the goal of becoming “technology company financial services”. In addition to continuous expansion of digital transformation application field, the Company also aims to improve user experience in various ecospheres by embedding fragmented financial services into each touchpoints of customers’ living, in order to establish ultimate user experience. The Company looks forward to establishing future finance based on FinTech along with the core philosophy of customer-oriented approach. Furthermore, Cathay Financial Holdings has always valued stability as part of its operations, and places equal emphasis on risk management and asset quality while pursuing business success and profit performance.

(V) Impact on the company brought by a change in the image of Cathay FHC and its subsidiaries and remedial actions taken

Cathay Financial Holdings enhances our ESG development to strengthen the corporate resilience, promotes financial innovation and digital transformation externally, and upholds the principle of “What if We Could,” in order to transform CFH into a technology company that offers financial products and services worldwide. For the internal, the Company has established the “Cathay Financial Holdings and Subsidiaries Media Information Disclosure Policy” that outlines the procedures to follow and practices to adhere to in the case of media interviews, emergency press releases, and when replying to media queries. In addition, the Company also tracks the brand image in the market and establishes response processes, to handle any events that may affect the corporate image.

(VI) Potential effects and risks associated with mergers and acquisitions and remedial action

- Acquisition/investment
None.
- Expected benefits of the acquisition
None.
- Possible risks and response measures
None.

(VII) Risks associated with concentration of business activities

To lower the concentration risk, we leverage our comprehensive platform to provide a broad range of financial products and services – life insurance, property and casualty insurance, banking, securities and asset management – to individual and corporate customers in Taiwan and abroad.

(VIII) Impact and risks brought by significant shareholdings transfer by the Directors, Supervisors, or shareholders with more than 1% ownership, and the remedial actions

Currently there is no massive shareholdings transfer or change from our directors or supervisors. Any share disposition from shareholders with more than 1% ownership shall not bring impacts or risks to us.

(IX) Impacts, risks and response measures associated with a change to the management of the financial holding company:

The Company's operating concession is stable with no significant change.

(X) Litigations or non-contentious matters: List the directors, supervisors, general managers, the persons in charge, and major shareholders with more than 1% of shareholding of the Financial Holding Company and its subsidiaries; major lawsuits, non-contentious matters or administrative procedures involving the subsidiaries with a determined court ruling or that are still pending, that may significantly affect the shareholders' equity or the stock price of the Financial Holding Company. Disclose the factual accounts of the cases, the amount involved, the date of the commencement of judiciary proceeding, the parties concerned, and the status of the cases as of the date this report was printed.

1. As of March 30 2022, Cathay Life Insurance Co., Ltd. (hereinafter, "Cathay Life") was involved in two major lawsuits which are still unsettled due to normal business relations. The details are elaborated below:

- (1) For the pursuit of its investment objective in the period of 2003 to 2007, Cathay Life subscribed to shares from Fairfield Sentry Limited, and redeemed the shares as agreed for USD 24,496,798.58. Bernard L. Madoff Investment Securities LLC (Madoff's asset management company), and investee of Fairfield Sentry Limited, was allegedly involved in a Ponzi Scheme, and is in liquidation procedures at BVI (Madoff's asset management company is also in liquidation procedures). The liquidator of Fairfield Sentry Limited and the official receiver of Madoff's asset management company filed a lawsuit against Cathay Life at the United States Bankruptcy Court of New York State in March 2011 and December 2011, respectively. They claimed that Cathay Life must return the proceeds from the redemption of shares to the liquidation panel. In addition, a lawsuit against Cathay Life and Bernard L. Madoff Investment Securities LLC was raised in US bankruptcy court. Cathay

Life has already retained lawyers to defend the charges. Both cases are still under process, Cathay Life and the attorneys hold that these cases will not cause significant impact on the financial position of Cathay Life.

- (2) In October of 2003, Global Life Insurance Co., Ltd (hereinafter, “Global Life”) purchased from Taipei District Court by way of auction, the following real estates : (1) the second, third , fourth, fifth, and sixth floor of No.50, Sec.1, Zhongxiao West Road, Zhongzheng District, Taipei City, and (2) fifty parking spaces located on the fourth and fifth floor underground in the same building (collectively, the “Real Estate”). The bid was submitted in the name of Chou, Tsai-Fa (the “Defendant”), special assistant of Global Life’s then chairman. Subsequent transfer and registration as owner of the Real Estate were all completed in the name of the Defendant. The Defendant subsequently embezzled the Real Estate, which led to Global Life’s claiming for the return of the Real Estate and relating rents.

On the 30th of April, 2013, Taipei District Court has rendered its judgment in favor of Global Life, to the effect that Global Life is entitled to NTD 1,461,616,737, the proceed from auctioning the Real Estate. The judgment is overruled by the Taiwan High Court on the 30th of June, 2015. The Supreme Court has thereafter, on the 21st of April, 2016, overruled the 30th of June, 2015 Taiwan High Court judgement, and remanded the case to the Taiwan High Court. The case is currently attached to the Taiwan High Court. On June 27 2018, Taiwan High Court has rendered remand first instance judgement. Cathay Life is entitled to not only NTD 1,461,616,737, the auction price of Real Estate, but also a claim of NTD 37,007,940. The Supreme Court overruled the June 27 2018 Taiwan High Court judgement on June 21, 2019, and remanded the case to the Taiwan High Court. The case is currently attached to the Taiwan High Court. Cathay Life and the attorneys hold that this cases will not cause significant impact on the financial position of Cathay Life.

2. As of March 30 2022, the wholly-owned subsidiary, Cathay United Bank Co., Ltd. (hereinafter, "Cathay United Bank"), is subject to a major ongoing lawsuit arising in the normal course of business. The details are elaborated below:

Lee & Li, Attorneys-at-Law (hereinafter, "Lee & Li")alleged that the embezzlement case of Liu Wei-Chieh (a former employee of Lee & Li), which occurred in October 2003, was caused by the negligence of Cathay United Bank, and Lee & Li claimed damages from Cathay United Bank in the amount of approximately NT\$991.002 million. The case was brought to the court since July 2007, and Cathay United Bank won favorable decisions in both first instance and second instances. The original second-instance judgment was reversed and remanded by the Supreme Court. The Taiwan High Court ruled in favor of Cathay United Bank in the retrial procedure in August 25 2021. Currently, Lee & Li has appealed to the Supreme Court. Cathay United Bank and its attorneys hold that this case will not have material adverse effect on the financial position of Cathay United Bank.

(XI) Other material risks and corresponding measures

None.

VII. Special Event Management

(I) Major Event Control

1. The Company has an “Incident Resolution Policy” in place that outlines the reporting and response procedures the financial holding company and subsidiaries shall follow in the case of major incident. This policy reduces the impact of major incidents while enabling the Company and subsidiaries to react to various situations.
2. When a major event occurs, the subject unit should immediately report to its direct supervisor and then notify the Company, in addition to taking timely and appropriate actions.
3. If the major events are special and required preventive actions from all business units, the Risk management Division should provide solutions.

(II) Credit Event Control

1. To refine our risk management and minimize adversity caused by sudden credit events among our debtors or investees, we have developed “the Credit Emergency Reporting Guideline” for appropriate reporting procedures.
2. Reporting items: warning event reporting and major event reporting.
3. Reporting procedure: The business unit should report to both the subsidiary’s risk management department and the Company’s risk management division immediately when warning, major event, or reportable event occurs among debtors or investees. The Risk Management Division should aggregate the Group’s exposure amount and provide solution, when needed.

VIII. Other Major Events

The Company's emerging risks in the identified year include the multiple risks over the spread of infectious diseases, politics and economy, information security, and FinTech. Among the other things, the two major emerging risks, and evaluation on the business impact posed by them and response measures thereof are specified as follows:

Risk Item/Descriptions	Risk Category	Business Impact	Response measures
Risk over the spread of new infectious disease: The spread of infectious disease refers to certain situation under which the number of confirmed cases is beyond the expected value or clustering infection arises, within specific territories during specific time limit. According to World Economic Forum Global Risks Report 2022, infectious diseases are identified as one of the risks which might pose the largest impact to the world in next one decade. If the Nipah virus or other new infectious diseases spread more extensively in next 3–5 years, employees or even communities are likely to be segregated and, therefore, the economic activities, such as sightseeing and entertainment, will be adversely affected. Above all, they might result in adoption of lockdown policies or shutdown of the manufacturing industry, thus posing some impact to the global financial market and increasing the business risk. As far as the insurance operations are concerned, the infectious diseases cause the public to seek medical treatment and thereby increase the death risk directly. Meanwhile, vaccination done in order to prevent the spread of infectious diseases is also likely to cause the public casualty indirectly.	Society	Various countries are accelerating their R&D and production of vaccine all over the world. Notwithstanding, the insufficient supplies and side effects caused by the vaccination are still stopping enterprises from getting rid of the threat posed by virus completely. If any new infectious disease is spreading, the impacts posed to the Company therefore include: • Business or service interruption; pursuit for digital transformation: ➢ For a short term, human-to-human contacts need to be reduced in order to control the epidemic. Then, it would be impossible for the Company's employees to access the office or workplace normally, and 26 million sales representatives need to deal with the increasing challenge in soliciting for and providing services to customers face to face, and the Company's 600 business locations throughout Taiwan also need to deal with the risk over business or service interruption, thus posing impacts to customer service and the Company's earnings. ➢ For a middle term or long term, the Company's business strategies would be affected. The Company owns the largest number of policyholders throughout Taiwan. In the post-epidemic era, in response to the customers' needs and environmental changes, the Company inevitably needs to improve the novel and convenient financial service model. • It is not easy to maintain the investment and financing performance: The spreading market fear sentiment and declining investors' and consumers' confidence might result in the sharp declination of the Company's financial asset price and also cause the corporate credit quality to worsen, increase the default risk, increase defective assets of the credit position and affect the Company's earnings adversely. • Increase in expenditure of insurance benefits: If the infectious disease is not controlled adequately, mass citizens would seek medical treatment or even die of the disease. This might cause sold	• The Company, via the "Epidemic Prevention Emergency Response Team," activates the "Business Continuity Management and Procedure & Measure to Respond to Major Events" as follows immediately: ➢ Keep a sound business continuity management (BCM) plan, consider composite scenario, stress testing results and events posing large-scale impacts, and exercise the plan. ➢ With respect to the business locations, construct the remote backup bases for the original worksite, including personnel, equipment and data backup, etc., and have the off-site office (or work from home) mechanism in place. Meanwhile, keep various business lines operating via the external remote video software and the Group's internal communication tools and business application systems. ➢ To help the sales representatives' solicitation for business, Cathay Life has launched the new remote service experience by creating the CVX platform, integrating the "Cathay FinTouch" electronic signature technology, in order to provide customers with the end-to-end one-stop shop remote services including proposal, insurance application, insurance policy change and compensation. • Follow up the changes in market periodically, adjust the investment and financing positions optimally, and focus on stable earnings. • Engage in a thorough inspection on the insurance products to verify the completeness of payment terms in the statutory

		insurance products to incur extra expenditure in insurance benefits, thus affecting the Company's mortality profit and loss.	infectious disease clauses, and check the rate of loss over the products periodically to adjust the premium and underwriting policy in a timely manner.
Political and economic risk: The potential occurrence of economic risk resulting from political changes in the countries or territories where the assets invested by the Company are situated, e.g. changes in geopolitical conditions and competition and cooperation between great powers that make it difficult to predict the international political development. For example, in the 2022 ten major global risks enumerated by the Economist, multiple risks are related to the international political and economic situations, including 1. the worsening relations between China and the USA resulting in the global economic disorder; 2. Taiwan Strait Conflict resulting in the intervention by the USA; 3. relations between Europe and China getting worse apparently; 4. multi-national cyber war paralyzing the leading economies' infrastructures. Apparently, the impact posed by political and economic risk is increasing. As far as the impact is concerned, taking the outbreak of military conflict between Ukraine and Russia at the beginning of the year as an example, the volatility in international political situations caused a setback to the financial market. Besides this, given the expanding impact posed by the war, the economic development and business profit might also be affected accordingly.	Geopolitics	As Cathay Group is the largest financial institution throughout Taiwan, the Company owns the highest market share in the insurance market in Taiwan, with the investment and financing exposures all over the world. If the international political and economic situations become unstable, the following potential impacts may be posed to the Company: • Investment and financing performance tends to be weak and, therefore, erode the Company's earnings: ➢ Short-term impact: The increasing international political and economic risk results in the spread of fear sentiment across the market. If the relevant territory involves critical goods and materials and thereby drives the increasing inflation, the financial asset price would decline sharply. Meanwhile, given the increasingly intensified conflict, the investors and consumers would keep losing confidence and, therefore, the economy is more likely to decline or enterprises' solvency and refinancing ability might be weakened, thus causing the increasing default risk and affecting the Company's earnings. ➢ Mid-term and long-term impact: The political infighting across various countries all over the world might change Globalization that lead to lower production cost. Enterprises might need to consider the political and economic risk factors additionally, boost their operating cost, and squeeze their profitability and room for the share price growth. Besides this, the supply chain restructuring also causes rapid shift of the industrial domain, increasing difficulty in selection of investment and financing portfolio, and impact to the related return. • Customers tend to be reluctant to apply for insurance, thus affecting the Company's insurance premium revenue: If the political and economic factors result in permanent inflation to the extent that the people's income cannot keep in line with it, the fund which consumers may utilize would be squeezed and customers might tend to be reluctant to apply for insurance, thus affecting the insurance premium revenue of Cathay Life Insurance.	• Keep closely watching the changes in the global political and economic situations, conduct risk assessment and review positions with respect to the overall risk events and individual abnormal events (subject of negative news) in a timely manner, and enhance the monitoring on countries and territories with higher geopolitical risk. • Set the limit of the country risk level, and check various countries' bond credit ratings, other related economic indicators and business risk profile periodically to assess the adequacy of national risk level. • Continue to monitor the credit status of the countries where the Company makes investment/financing, and also strengthen the document management for exposures, avoid excessive concentration of assets, and keep noting the quality of loans and investments. • Participate external workshops or forums in the political field, and enhance its ability to judge political environment by increasing the chances of interdisciplinary exchanges. • Continue to monitor the revenue from insurance premium by contract, and develop inflation-protected characteristic insurance products, including the increasing whole life insurance, investment-linked insurance policy, and interest-sensitive annuity, in order to balance the Company's earnings and the public demand for insurance protection.

Eight. Special Disclosure

I. Information on Affiliates

(I) Consolidated business reports

Refer to Appendix II.

(II) Consolidated financial statements of the subsidiaries

Refer to Appendix I.

(III) Affiliation report

Refer to Appendix III.

II. Any private placement of securities in the recent years up to the publication of this annual report.

None.

III. The shares in the Financial Holding Company held or disposed of by subsidiaries in the recent years up to the publication of this annual report:

None.

IV. Other important supplementary information:

None.

V. Events occurred in the previous year or up to the publication of this annual report, which significantly affect shareholders' equity or price of shares pursuant to subparagraph 2, paragraph 3, article 36 of the Securities and Exchange Act

None.

**Cathay Financial Holding Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Cathay Financial Holding Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Cathay Financial Holding Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (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, 2021 and 2020, 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 Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in 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 of the Group for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are as follows:

Valuation of Policy Reserve and Liability Adequacy Test

Cathay Life Insurance Co., Ltd. is a subsidiary of Cathay Financial Holding Co., Ltd. Its management adopted the actuarial model and its related multiple significant assumptions for the estimation of the policy reserve and liability adequacy test. Significant assumptions in the measurement of the policy reserve include the mortality rate, discount rate, lapse rate, morbidity rate, etc. These assumptions are made based on legislation and regulations, taking into consideration its actual experience as well as industry-specific experience. The liability adequacy test on insurance contracts is performed in accordance with the requirements issued by the Actuarial Institute of Chinese Taipei, and the discount rates for future years used in the test are based on its best estimate scenario as well as the rate of the portfolio return under current information. Since any changes in the actuarial model and significant assumptions may lead to a material impact on the estimation results of the policy reserve and the liability adequacy test, the valuation of policy reserves and liability adequacy test was identified as a key audit matter. For the related accounting policies, accounting estimates, estimation uncertainty and relevant disclosure information, refer to Notes 4, 5 and 21 to the accompanying consolidated financial statements.

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

1. We understood the internal controls related to management's valuation of policy reserves and liability adequacy test as well as evaluated the operating effectiveness of these internal controls.
2. We obtained the actuarial report issued by the contracted actuary which was used as the basis for the management's valuation of policy reserves and liability adequacy test, and evaluated the contracted actuary's professional competence and capability.
3. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the valuation of the policy reserve. The actuarial specialist:
 - a. Randomly sampled the insurance products to examine whether the calculations of the policy reserve were made in accordance with the requirements.
 - b. Evaluated the actuarial model and significant assumptions used in its valuation of policy reserve based on the sampled insurance policies and verified the recognized amount of the policy reserve.
 - c. Performed profiling tests on long-term insurance policies as of December 31, 2021 to identify any abnormalities on the recognized amounts of policy reserve on each individual insurance policy.
 - d. Assessed the reasonableness of the amount of provision for the policy reserve by considering the amount of policy reserve as of the end of the prior year and the business development for the year ended December 31, 2021.

4. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the liability adequacy test. The actuarial specialist:
 - a. Tested on a sample basis the correctness of classification of the newly issued insurance products for the year ended December 31, 2021.
 - b. Sampled the significant assumptions provided by the management for our audits in order to examine whether the assumptions were consistent with the requirements and the important built-in assumptions in the information system.
 - c. Tested and assessed the actuarial model and its significant assumptions used by the management in its liability adequacy test on a sample basis and performed recalculations on the individual insurance policies.
 - d. Assessed the reasonableness of the calculation results of the liability adequacy test as a whole based on a comparative analysis of the previous year's results and taking into consideration the business development for the year ended December 31, 2021.

Assessment of the Fair Values of Investment Properties

The investment properties of Cathay Life Insurance Co., Ltd. are measured at their fair values. To support the management in making reasonable estimates, Cathay Life Insurance Co., Ltd. used the fair values assessed by external independent appraisers. As the appraisal method and parameters used in the assessment of fair values involve significant judgments and estimates, we determined the assessment of the fair values of investment properties as a key audit matter. For the accounting policies, accounting estimates, assumption uncertainty and relevant disclosure information on the assessment of fair values of investment properties, refer to Notes 4, 5 and 14 to the accompanying consolidated financial statements.

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

1. We evaluated the professional competence, capability and objectivity of the external independent appraisers, and verified the qualification of the appraisers.
2. We appointed an internal valuation specialist to evaluate the reasonableness of the appraisal reports adopted by its management, including the appraisal methods, main parameters and discount rate of the appraisal reports.

Impairment Assessment on Loans

Cathay United Bank Co., Ltd. is a subsidiary of Cathay Financial Holding Co., Ltd. Its domestic loans was considered material to the consolidated financial statements as a whole. As the assessment of impairment of loans involves accounting estimates and management's significant judgment, and as the impairment assessment on loans under the relevant regulations issued by the authorities is substantially larger than that under IFRS 9, hence, we determined the impairment of the loans under the relevant regulations prescribed by the authorities as a key audit matter.

Its management regularly assesses the impairment on its loans. Recognition of impairment loss on loans is based on compliance with regulations issued by the authorities regarding the classification of credit assets and provision of impairment loss. For the accounting policies and relevant information on the impairment assessment of loans, refer to Notes 4, 5 and 11.

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

1. We understood and tested its internal controls of impairment assessment on loans.
2. We tested the classification of the credit assets into their respective categories out of the total five categories to see if it complies with the relevant regulations issued by the authorities.
3. We performed the test on selected samples to ensure the appropriateness of impairment by the length of the overdue period and the value of the collateral of each respective loan.
4. We calculated the provision of impairment loss by classifying the credit assets into their respective category to see if it complies with the relevant regulations issued by the authorities.

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 Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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/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 auditing standards generally accepted in 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 auditing standards generally accepted in 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 (including the financial reporting process) 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Hung Kuo and Shu-Wan Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2022

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 FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 28)	\$ 467,635,057	4	\$ 536,716,255	5
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	234,546,475	2	129,503,924	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5, 7, 28 and 29)	1,929,395,229	17	1,748,081,143	16
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 8, 28 and 29)	1,626,821,625	14	1,562,998,457	14
DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 9 and 29)	3,266,686,240	28	3,161,044,538	29
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 5)	500,642	-	146,959	-
NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS (Note 4)	77,243,060	1	67,264,342	1
RECEIVABLES, NET (Notes 4, 5, 10 and 28)	205,480,862	2	191,916,164	2
CURRENT TAX ASSETS	4,164,103	-	4,689,275	-
ASSETS HELD FOR SALE, NET	283,087	-	-	-
DISCOUNT AND LOANS, NET (Notes 4, 5, 11 and 28)	2,287,115,449	20	2,141,276,205	19
REINSURANCE CONTRACT ASSETS, NET	12,260,483	-	9,646,628	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 13 and 28)	32,614,572	-	33,036,282	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 23)	741,107,026	6	660,547,975	6
INVESTMENT PROPERTIES, NET (Notes 4, 5, 14, 28 and 29)	432,525,464	4	419,476,228	4
PROPERTY AND EQUIPMENT, NET (Notes 4 and 15)	97,852,266	1	98,405,132	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 28)	4,362,776	-	4,138,543	-
INTANGIBLE ASSETS, NET (Notes 4, 17 and 38)	51,543,583	-	54,002,407	-
DEFERRED TAX ASSETS (Note 4)	63,746,198	1	61,507,384	1
OTHER ASSETS, NET (Notes 28 and 29)	<u>58,477,264</u>	<u>-</u>	<u>66,074,603</u>	<u>1</u>
TOTAL	<u>\$ 11,594,361,461</u>	<u>100</u>	<u>\$ 10,950,472,444</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 74,605,174	1	\$ 66,131,059	1
DUE TO THE CENTRAL BANK AND BANKS	1,076,000	-	1,076,000	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 7)	79,934,187	1	140,778,098	1
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 5)	20,956	-	139,858	-
NOTES AND BONDS SOLD UNDER REPURCHASE AGREEMENTS (Note 4)	39,827,873	-	12,299,564	-
COMMERCIAL PAPER PAYABLE, NET (Note 18)	63,469,166	-	39,519,918	1
PAYABLES (Note 28)	76,870,285	1	68,696,694	1
CURRENT TAX LIABILITIES (Note 4)	7,528,389	-	20,628,900	-
DEPOSITS AND REMITTANCES (Notes 19 and 28)	2,871,960,053	25	2,615,799,063	24
BONDS PAYABLE (Note 20)	141,800,000	1	148,800,000	1
OTHER BORROWINGS	1,670,185	-	1,657,576	-
PROVISIONS (Notes 4, 21 and 22)	6,448,259,356	56	6,117,073,219	56
OTHER FINANCIAL LIABILITIES (Notes 4 and 23)	763,908,198	7	692,760,284	6
LEASE LIABILITIES (Notes 4, 16 and 28)	14,721,170	-	13,011,637	-
DEFERRED TAX LIABILITIES (Notes 4 and 26)	52,976,726	-	67,823,378	1
OTHER LIABILITIES (Note 28)	<u>41,695,016</u>	<u>-</u>	<u>39,501,515</u>	<u>-</u>
Total liabilities	<u>10,680,322,734</u>	<u>92</u>	<u>10,045,696,763</u>	<u>92</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 24)				
Share capital				
Ordinary shares	131,692,102	1	131,692,102	1
Preference shares	15,333,000	-	15,333,000	-
Capital surplus	177,244,388	2	177,256,053	2
Retained earnings				
Legal reserve	59,471,895	1	51,967,688	-
Special reserve	150,716,023	1	149,894,910	1
Unappropriated earnings	267,799,001	2	169,606,342	2
Other equity	<u>99,781,737</u>	<u>1</u>	<u>197,311,121</u>	<u>2</u>
Total equity attributable to owners of the Company	902,038,146	8	893,061,216	8
NON-CONTROLLING INTERESTS (Notes 4 and 24)	<u>12,000,581</u>	<u>-</u>	<u>11,714,465</u>	<u>-</u>
Total equity	<u>914,038,727</u>	<u>8</u>	<u>904,775,681</u>	<u>8</u>
TOTAL	<u>\$ 11,594,361,461</u>	<u>100</u>	<u>\$ 10,950,472,444</u>	<u>100</u>

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4 and 28)	\$ 207,813,024	33	\$ 208,249,264	33
INTEREST EXPENSE (Notes 4 and 28)	<u>(12,930,863)</u>	<u>(2)</u>	<u>(17,319,732)</u>	<u>(3)</u>
NET INTEREST INCOME	<u>194,882,161</u>	<u>31</u>	<u>190,929,532</u>	<u>30</u>
NET INCOME AND GAINS OTHER THAN INTEREST INCOME				
Net gain on service fee and commission fee (Notes 4, 23, 25 and 28)	12,648,663	2	7,244,068	1
Net income on insurance operations (Notes 4, 25 and 28)	218,483,618	35	312,998,311	50
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 7)	142,017,737	23	216,970,443	35
Gain on investment properties (Notes 4, 14 and 28)	11,657,941	2	13,234,433	2
Realized gain on financial assets at fair value through other comprehensive income (Note 4)	33,186,918	5	32,746,487	5
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	37,416,140	6	39,123,029	6
Foreign exchange loss (Note 4)	(74,946,785)	(12)	(126,717,214)	(20)
Reversal of impairment loss (impairment loss) on assets (Note 4)	2,299,198	1	(1,860,502)	-
Share of profit (loss) of associates and joint ventures accounted for using the equity method (Notes 4 and 13)	1,806,724	-	(12,084,664)	(2)
Gain (loss) on reclassification using the overlay approach (Notes 4 and 7)	39,313,145	6	(49,149,740)	(8)
Net other non-interest gain (Note 28)	<u>7,197,145</u>	<u>1</u>	<u>6,480,302</u>	<u>1</u>
PROFIT FROM OPERATIONS	<u>625,962,605</u>	<u>100</u>	<u>629,914,485</u>	<u>100</u>
NET CHANGES IN INSURANCE LIABILITY RESERVE (Notes 21 and 25)	<u>(377,408,390)</u>	<u>(60)</u>	<u>(462,094,141)</u>	<u>(73)</u>
PROVISION FOR BAD DEBT, COMMITMENTS AND GUARANTEE RESERVE	<u>(3,484,370)</u>	<u>(1)</u>	<u>(3,177,875)</u>	<u>(1)</u>
OPERATING EXPENSES (Notes 25 and 28)				
Employee benefit expenses	(53,706,468)	(9)	(52,661,132)	(8)
Depreciation and amortization expenses	(7,397,795)	(1)	(7,358,416)	(1)
Other general and administrative expenses	<u>(24,439,211)</u>	<u>(4)</u>	<u>(23,007,140)</u>	<u>(4)</u>
Total operating expenses	<u>(85,543,474)</u>	<u>(14)</u>	<u>(83,026,688)</u>	<u>(13)</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 159,526,371	25	\$ 81,615,781	13
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(18,637,061)</u>	<u>(3)</u>	<u>(5,657,558)</u>	<u>(1)</u>
NET INCOME	<u>140,889,310</u>	<u>22</u>	<u>75,958,223</u>	<u>12</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 4 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,208,112	-	(617,081)	-
Property revaluation surplus	332,149	-	-	-
Gain on equity instruments at fair value through other comprehensive income	9,716,739	2	3,822,815	1
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	736,634	-	464,755	-
Share of other comprehensive (loss) income of associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	(47,908)	-	317,967	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	307,054	-	265,474	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(2,842,282)	-	(2,219,050)	-
(Loss) gain on hedging instruments	(13,681)	-	13,263	-
(Loss) gain on debt instruments at fair value through other comprehensive income	(79,200,595)	(13)	40,470,410	6
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	(1,038,743)	-	(162,146)	-

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Other comprehensive (loss) income reclassified using overlay approach	\$ (39,313,145)	(6)	\$ 49,149,740	8
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 26)	<u>15,879,804</u>	<u>2</u>	<u>(11,267,656)</u>	<u>(2)</u>
Total other comprehensive (loss) income for the period, net of income tax	<u>(94,275,862)</u>	<u>(15)</u>	<u>80,238,491</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 46,613,448</u>	<u>7</u>	<u>\$ 156,196,714</u>	<u>25</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 139,514,082	22	\$ 74,579,460	12
Non-controlling interests	<u>1,375,228</u>	<u>-</u>	<u>1,378,763</u>	<u>-</u>
	<u>\$ 140,889,310</u>	<u>22</u>	<u>\$ 75,958,223</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 45,166,120	7	\$ 154,988,421	25
Non-controlling interests	<u>1,447,328</u>	<u>-</u>	<u>1,208,293</u>	<u>-</u>
	<u>\$ 46,613,448</u>	<u>7</u>	<u>\$ 156,196,714</u>	<u>25</u>
EARNINGS PER SHARE (Note 27)				
Basic earnings per share	<u>\$ 10.34</u>		<u>\$ 5.41</u>	

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

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company																
							Other Equity										
	Share Capital			Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach	Others	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Preferred Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings											
BALANCE, AT JANUARY 1, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,256,976	\$ 46,122,845	\$ 221,977,672	\$ 58,181,890	\$ (13,319,620)	\$ 68,319,953	\$ 331,930	\$ (1,850,508)	\$ (1,507,864)	\$ 11,240,314	\$ 57,968,675	\$ -	\$ 771,747,365	\$ 10,279,814	\$ 782,027,179
Appropriation 2019 earnings																	
Legal reserve	-	-	-	5,844,843	-	(5,844,843)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(71,928,090)	71,928,090	-	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(26,338,420)	-	-	-	-	-	-	-	-	(26,338,420)	-	(26,338,420)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(923)	-	-	-	-	-	-	-	-	-	-	-	(923)	-	(923)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,944,303)	(3,944,303)	-	(3,944,303)
Net income for the year ended December 31, 2020	-	-	-	-	-	74,579,460	-	-	-	-	-	-	-	-	74,579,460	1,378,763	75,958,223
Other comprehensive (loss) income for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	(2,144,389)	38,081,079	15,941	371,803	(458,415)	-	44,542,942	-	80,408,961	(170,470)	80,238,491
Total comprehensive income (loss) for year ended December 31, 2020	-	-	-	-	-	74,579,460	(2,144,389)	38,081,079	15,941	371,803	(458,415)	-	44,542,942	-	154,988,421	1,208,293	156,196,714
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	193,192	-	(193,192)	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(154,672)	297,897	-	-	-	-	-	(143,225)	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	226,358	226,358
BALANCE, AT DECEMBER 31, 2020	131,692,102	15,333,000	177,256,053	51,967,688	149,894,910	169,606,342	(15,464,009)	106,207,840	347,871	(1,478,705)	(1,966,279)	11,097,089	102,511,617	(3,944,303)	893,061,216	11,714,465	904,775,681
Appropriation of 2020 earnings																	
Legal reserve	-	-	-	7,504,207	-	(7,504,207)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,025,611	(1,025,611)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(32,923,025)	-	-	-	-	-	-	-	-	(32,923,025)	-	(32,923,025)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(11,665)	-	-	(26,903)	-	(2,076)	-	-	-	-	-	-	(40,644)	-	(40,644)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(554,511)	-	-	-	-	-	-	-	719,914	165,403	(176,506)	(11,103)
Net income for the year ended December 31, 2021	-	-	-	-	-	139,514,082	-	-	-	-	-	-	-	-	139,514,082	1,375,228	140,889,310
Other comprehensive (loss) income for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(3,188,242)	(55,239,956)	(12,020)	589,308	1,000,149	249,745	(37,746,946)	-	(94,347,962)	72,100	(94,275,862)
Total comprehensive income (loss) for year ended December 31, 2021	-	-	-	-	-	139,514,082	(3,188,242)	(55,239,956)	(12,020)	589,308	1,000,149	249,745	(37,746,946)	-	45,166,120	1,447,328	46,613,448
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	3,834,335	-	(3,834,335)	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(204,498)	269,423	-	-	-	-	-	(64,925)	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(984,706)	(984,706)
BALANCE, AT DECEMBER 31, 2021	<u>\$ 131,692,102</u>	<u>\$ 15,333,000</u>	<u>\$ 177,244,388</u>	<u>\$ 59,471,895</u>	<u>\$ 150,716,023</u>	<u>\$ 267,799,001</u>	<u>\$ (18,652,251)</u>	<u>\$ 47,131,473</u>	<u>\$ 335,851</u>	<u>\$ (889,397)</u>	<u>\$ (966,130)</u>	<u>\$ 11,281,909</u>	<u>\$ 64,764,671</u>	<u>\$ (3,224,389)</u>	<u>\$ 902,038,146</u>	<u>\$ 12,000,581</u>	<u>\$ 914,038,727</u>

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 159,526,371	\$ 81,615,781
Adjustments for:		
Depreciation expense	4,111,453	4,026,580
Amortization expense	3,286,342	3,331,836
Bad debt expense	3,484,370	3,177,875
Gain on financial assets and liabilities at fair value through profit or loss	(125,960,769)	(200,901,199)
Interest expense	12,930,863	17,319,732
Net gain on derecognition of financial assets at amortized cost	(37,416,140)	(39,123,029)
Interest income	(207,813,024)	(208,249,264)
Dividend income	(22,306,890)	(19,409,573)
Net change in insurance liabilities	336,991,049	406,251,525
Net changes in other provisions	(5,767,139)	(3,180,012)
Share of (profit) loss of associates and joint ventures accounted for using the equity method	(1,806,724)	12,084,664
(Gain) loss on reclassification using the overlay approach	(39,313,145)	49,149,740
Loss on disposal and retirement of property and equipment	9,975	71,249
(Gain) loss on disposal of investment properties	(23,700)	474,481
Loss on disposal of intangible assets	-	6,260
Gain on disposal of investments accounted for using the equity method	(167,748)	(1,786,696)
Gain on disposal of investments	(26,532,879)	(28,739,603)
(Reversal of expected credit loss) expected credit loss on financial assets	(2,299,198)	1,860,502
Gain on changes in fair value of investment properties	(957,835)	(2,113,979)
Net changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(11,737,020)	(10,914,208)
(Increase) decrease in financial assets at fair value through profit or loss	(16,019,550)	258,808,341
Increase in financial assets at fair value through other comprehensive income	(105,890,639)	(307,748,117)
Increase in debt instruments at amortized cost	(66,414,804)	(54,562,318)
(Increase) decrease in financial assets for hedging	(157,643)	93,292
Increase in receivables	(12,366,383)	(7,129,465)
Increase in loans	(149,313,340)	(77,416,828)
Increase in reinsurance assets	(2,646,202)	(918,046)
Decrease (increase) in other financial assets	2,366,619	(10,988,359)
Decrease (increase) in other assets	3,991,220	(8,061,537)
Increase (decrease) deposits from the Central Bank and banks	8,474,115	(17,977,069)
Decrease in financial liabilities at fair value through profit or loss	(98,353,852)	(109,613,264)
(Decrease) increase in financial liabilities for hedging	(328,623)	430,051
Increase (decrease) in notes and bonds sold under repurchase agreements	27,528,309	(37,978,969)
Increase in payables	8,552,337	4,136,883

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Increase in deposits and remittances	\$ 256,160,990	\$ 312,355,247
Increase in provisions for employee benefits	39,727	109,114
Decrease in provisions	(45,153)	(151,034)
Decrease in other financial liabilities	(11,378,375)	(18,354,330)
Increase in other liabilities	<u>5,706,826</u>	<u>2,627,333</u>
Cash used in operations	(111,856,209)	(7,386,413)
Interest received	208,731,688	210,196,945
Dividends received	23,172,239	20,203,784
Interest paid	(14,416,154)	(19,518,618)
Income tax paid	<u>(33,115,959)</u>	<u>(7,309,251)</u>
Net cash generated from operating activities	<u>72,515,605</u>	<u>196,186,447</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(33,909,657)	(34,845,034)
Proceeds from disposal of financial assets at fair value through other comprehensive income	33,464,578	34,711,067
Acquisition of financial assets at fair value through profit or loss	(1,082,603)	(1,040,985)
Proceeds from disposal of financial assets at fair value through profit or loss	581,550	662,239
Proceeds from capital reduction of financial assets at fair value through profit or loss	14,800	-
Acquisition of investments accounted for using equity method	(414,500)	(495,185)
Proceeds from disposal of investments accounted for using equity method	307,166	-
Net cash outflow from acquisition of subsidiaries (deducted cash and cash equivalent balances acquired)	-	(152,501)
Proceeds from capital reduction of investments accounted for using equity method	404,415	245,904
Acquisition of property and equipment	(2,728,904)	(2,371,706)
Proceeds from disposal of property and equipment	1,608	11,977
Acquisition of intangible assets	(733,320)	(510,889)
Acquisition of investment properties	(11,576,015)	(7,130,742)
Proceeds from disposal of investment properties	117,100	422,925
Decrease (increase) in other assets	2,564,385	(4,762,543)
Dividends received	<u>97,878</u>	<u>89,620</u>
Net cash used in investing activities	<u>(12,891,519)</u>	<u>(15,165,853)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in funds borrowed from the Central Bank and banks	-	1,076,000
Increase (decrease) in commercial paper payable	23,950,000	(14,500,000)
Proceeds from issuance of bonds payable	-	30,000,000

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Repayment of financial debentures	\$ (7,000,000)	\$ (100,000)
Increase (decrease) in borrowings	70,853	(480,337)
Decrease in financial liabilities designated as at fair value through profit or loss	-	(11,289,165)
Repayment of the principal portion of lease liabilities	(1,548,493)	(1,589,482)
(Decrease) increase in other liabilities	(2,889,289)	2,139,275
Dividends paid	(36,313,949)	(29,729,344)
Acquisition of interests in subsidiaries	(605,519)	-
Changes in non-controlling interests	<u>(676,345)</u>	<u>(1,188,663)</u>
Net cash used in financing activities	<u>(25,012,742)</u>	<u>(25,661,716)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(394,137)</u>	<u>(748,546)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,217,207	154,610,332
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>657,824,480</u>	<u>503,214,148</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 692,041,687</u>	<u>\$ 657,824,480</u>
Reconciliation of cash and cash equivalents:		
	<u>December 31</u>	
	2021	2020
Cash and cash equivalents presented in the consolidated balance sheets	\$ 467,635,057	\$ 536,716,255
Due from the Central Bank and call loans to banks qualified for cash and cash equivalents under the definition of IAS 7	147,163,570	53,843,883
Notes and bonds purchased under resale agreements qualified for cash and cash equivalents under the definition of IAS 7	<u>77,243,060</u>	<u>67,264,342</u>
Cash and cash equivalents at the end of the years	<u>\$ 692,041,687</u>	<u>\$ 657,824,480</u>

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

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

On December 31, 2001, Cathay Financial Holding Co., Ltd. (the “Company” or “Cathay Financial Holdings”) was incorporated through a share swap with Cathay Life Insurance Co., Ltd. (“Cathay Life”) pursuant to the Financial Holding Company Act, Company Act and related laws and regulations and Cathay Life became a wholly-owned subsidiary of the Company. On the same day, Cathay Life’s shares were delisted and the Company’s shares have been listed on the Taiwan Stock Exchange.

On April 22, 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay Commercial Bank Co., Ltd. (“Cathay Bank”) became wholly-owned subsidiaries of the Company through share swaps. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (“UWCCB”) also became a wholly-owned subsidiary of the Company through a share swap. On October 27, 2003, UWCCB was merged with Cathay Bank in accordance with the Financial Institutions Merger Act and related laws and regulations; UWCCB was the surviving company and was re-named to Cathay United Bank Co., Ltd. (“Cathay United Bank”). The Company acquired all issued shares of Lucky Bank Inc. through a share swap on August 25, 2006. To expand its business scale and improve competitiveness, Cathay United Bank merged with Lucky Bank Inc. on January 1, 2007 and acquired specific assets, liabilities, and business of China United Trust & Investment Corporation on December 29, 2007.

On May 12, 2004, the Company incorporated Cathay Securities Corporation (“Cathay Securities”) as a wholly-owned subsidiary. Cathay Venture Inc. (“Cathay Venture”) was incorporated on April 10, 2003; as resolved by the board of directors on August 10, 2009, Cathay Venture was merged with Cathay VC Inc., Cathay II NC Inc. and Cathay Capital Management Inc., in which Cathay Venture was the surviving company. On June 13, 2011, the Company was approved to acquire Cathay Securities Investment Trust Co., Ltd. (“Cathay Securities Investment Trust”) by the Financial Supervisory Commission (“FSC”) and acquired all issued shares of Cathay Securities Investment Trust by cash on June 24, 2011.

Cathay Life participated in and won the bid for the takeover of the assets, liabilities and operations of Global Life Insurance Co., Ltd. (“Global Life”) and Singfor Life Insurance Co., Ltd. (“Singfor Life”), which was held by the Taiwan Insurance Guaranty Fund. Cathay Life entered into the general assignment and assumption agreement on March 27, 2015. Cathay Life assumed all assets, liabilities and operations of Global Life and Singfor Life, except for their reserved assets and liabilities on July 1, 2015.

Since July 29, 2003, the Company has listed a portion of its ordinary shares on the Luxembourg Stock Exchange in the form of Global Depositary Shares (GDSs). The Company’s registered office and the main business location is at No. 296, Jen Ai Road, Section 4, Taipei, R.O.C. The Company is mainly engaged in the business of financial holding company.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on March 11, 2022.

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

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the accounting policies of the Company and its subsidiaries (collectively, “the Group”):

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

The Group elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are applicable prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applicable retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
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 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

- IFRS 17 “Insurance Contracts” and its amendments

IFRS 17 sets out the accounting standards for insurance contracts and it will supersede IFRS 4. The main standards and amendments of IFRS 17 are as follows:

Level of aggregation

IFRS 17 requires the Group to identify portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. The Group should divide a portfolio of insurance contracts issued into a minimum of:

- 1) A group of contracts that are onerous at initial recognition;
- 2) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- 3) A group of the remaining contracts in the portfolio.

The Group should not include contracts issued more than one year apart in the same group, and the recognition and measurements of IFRS 17 should be applied to all identified groups of contracts.

Recognition

The Group should recognize a group of insurance contracts it issues from the earliest of the following:

- 1) The beginning of the coverage period of the group of contracts;
- 2) The date when the first payment from a policyholder in the group becomes due; and
- 3) For a group of onerous contracts, when the group becomes onerous.

Measurement on initial recognition

On initial recognition, the Group should measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprises estimates of future cash flows, an adjustment to reflect the time value of money and financial risk related to the future cash flows, and a risk adjustment for non-financial risk. The contractual service margin represents the unearned profit for the group of insurance contracts that the Group will recognize as it provides insurance contract services in the future. Unless a group of contracts is onerous, the Group should measure the contractual service margin on initial recognition of the group of insurance contracts at an amount that results in no income or expenses arising from:

- 1) The initial recognition of an amount for the fulfilment cash flows;
- 2) Any cash flows arising from the contracts in the group at that date; and
- 3) The derecognition at the date of initial derecognition of:
 - a) Any assets for insurance acquisition cash flows;
 - b) Any other asset or liability previously recognized for cash flows related to the group of contracts.

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period should be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future services and the contractual service margin; the liability for incurred claims comprises the fulfilment cash flows related to past services. If a group of insurance contracts becomes onerous (or more onerous) on subsequent measurement, the Group should recognize a loss immediately in profit or loss.

Onerous contracts

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contracts, any previously recognized insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. The Group should recognize a loss in profit or loss for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for the group of onerous contracts being equal to the fulfilment cash flows and the contractual service margin of the group being zero. Before the loss previously recognized on the onerous group is reversed, the Group should not recognize contractual service margin or insurance revenue.

Premium Allocation Approach (PAA)

The Group may simplify the measurement of a group of insurance contracts using the PAA if, and only if, at the inception of the group:

- 1) The Group reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced apply the general measurement model; or
- 2) The coverage period of each contract in the group is one year or less.

At the inception of the group, if the Group expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred, the above-mentioned criterion 1) is not met.

Using the PAA, the liability for remaining coverage on initial recognition should be:

- 1) The premiums received at initial recognition;
- 2) Minus any insurance acquisition cash flows at that date; and
- 3) Plus or minus any amount arising from the derecognition at that date of:
 - a) Any asset for insurance acquisition cash flows; and
 - b) Any other asset or liability previously recognized for cash flows related to the group of insurance contracts.

Subsequently, the liability for remaining coverage should be adjusted as plus the premiums received and the amortization of insurance acquisition cash flows and minus the amount recognized as insurance revenue for services provided and any investment component paid or transferred to the liability for incurred claims in the period.

Investment contracts with discretionary participation features

An investment contract with discretionary participation features is a financial instrument and it does not include a transfer of significant insurance risk. An investment contract with discretionary participation features the Group issues should apply the requirements of IFRS 17 if the Group also issues insurance contracts.

Modification and derecognition

If the terms of an insurance contract are modified and any of the specific conditions is met, resulting in a substantive modification, the Group should derecognize the original contract and recognize the modified contract as a new contract.

The Group shall derecognize an insurance contract when it is extinguished, or if any of the conditions of a substantive modification is met.

Transition

The Group shall apply IFRS 17 retrospectively unless it is impracticable, in which case the Group may choose to adopt the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, the Group should use reasonable and supportable information and maximize the use of information that would have been used to apply a full retrospective approach, but only need to use information available without undue cost or effort. If such reasonable and supportable information is unavailable, the Group should apply fair value approach.

Under the fair value approach, the Group should determine the contractual service margin at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

Redesignation of financial assets

At the date of initial application of IFRS 17, an entity which had applied IFRS 9 may redesignate the classification of an eligible asset that meets the condition in paragraph C29 of IFRS 17. The entity is not required to restate the comparative information to reflect changes in the classifications of these assets, and any difference between the previous carrying amount and the carrying amount at the date of initial application of these financial assets should be recognized in the opening retained earnings (or other component of equity, as appropriate) at the date of initial application. If the entity restates the comparative information, the restated financial statements must reflect all the requirements of IFRS 9 for those affected financial assets.

In addition, an enterprise which had applied IFRS 9 before the initial application of IFRS 17 could apply the classification overlay on an individual basis to the financial assets that had been derecognized during the comparative period as if those financial assets had been reclassified in the comparative period in accordance with the redesignation requirements in paragraph C29 of IFRS 17.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Statements by Insurance Enterprises, Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Statements by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

Basis of Consolidation

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 year are included in the consolidated statement of profit or loss and other 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 used by the Company.

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

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

See Note 12 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

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 year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the year 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 items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the 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 the 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 (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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.

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

When the Group 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 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 losses. 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, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The 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 an entity 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 that interests in the associate are not related to the Group.

Property and Equipment

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

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

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

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

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include right-of-use assets and properties under construction if the definition of investment properties is met. Investment properties also include land held for a currently undetermined future use.

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

Investment properties under construction, of which the fair value is not reliably measurable, are measured at cost less accumulated impairment loss until such time as either the fair value becomes reliably measurable or construction is completed (whichever comes earlier).

For a transfer of classification from investment properties to property and equipment, the deemed cost of the property for subsequent accounting is its fair value at the commencement of owner-occupation. For a transfer of classification from property and equipment to investment properties at the end of owner-occupation, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

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

Goodwill

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

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

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

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

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment 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. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

c. 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.

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

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

Intangible assets with indefinite useful lives 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 for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when an entity in 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 the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

a. Financial assets

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

1) Measurement categories

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

a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 36.

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 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 under IFRS 9, but would not have been measured at FVTPL under IAS 39; and
- iii. The financial assets are designated to apply overlay approach at the first application of IFRS 9, in the initial recognition of a new financial asset or when a financial asset starts to meet the conditions.

b) Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

- i. Purchased or originated credit-impaired financial 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 assets that are not credit impaired on purchase or origination but have 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.

Cash and cash equivalents include cash on hand, cash in banks and time deposits or investments which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Time deposits with maturities within 12 months, which are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value are classified as cash equivalents.

c) Investments in debt instruments at FVTOCI

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including receivables and loans) 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.

The Group uses the total carrying amount of financial assets at amortized cost (including receivables and loans), investments in debt instruments at FVTOCI, and off balance sheet commitments to measure the amount of exposure at default (EAD).

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

In addition, in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, Cathay Life and Cathay Century classify their credit assets as normal (“First Category”), assets that require special mention (“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 collaterals and the length of time overdue. The minimum amounts of allowance for bad debts are based upon each of the following categories:

- a) 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 of loan assets, 10% of the third category of loan assets, as well as 50% and 100% of the fourth and fifth category loan assets.
- b) 1% of the sum of all five categories of loan assets excluding life insurance policy loans, premium loans and loans to government agencies.
- c) Total unsecured portion of non-performing loans and non-accrual loans.

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

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

Cathay United Bank and its subsidiaries write off credits deemed uncollectable after the write-off is proposed and approved by the board of directors. Recoveries of credits written off are recognized as a reversal of loss provision in current period.

3) 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. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

4) Offsetting of financial instruments

Financial assets and financial liabilities are offset and presented in net in the consolidated balance sheet only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

c. Financial liabilities

1) Subsequent measurement

Except financial liabilities at FVTPL, 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 either held for trading or designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement (any interest paid on such financial liabilities) recognized in profit or loss.

Financial liabilities may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which does not incorporate any interest or dividends paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 36.

Financial guarantee contracts

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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 is 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 that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

e. Modification of financial instrument

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

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

Hedge Accounting

The Group designates certain hedging instruments, which include derivatives, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

a. Fair value hedges

Gains or losses on derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The changes in the fair value of the hedging instrument and the changes in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

b. Cash flow hedges

The effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the related hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the year in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

c. Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The gains and losses on the hedging instrument relating to the effective portion of the hedge, which were accumulated in the foreign currency translation reserve, are reclassified to profit or loss on the disposal or partial disposal of a foreign operation.

Notes and Bonds Purchased/Sold Under Resale/Repurchase Agreements

Notes and bonds purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resale agreements or interest incurred on repurchase agreements is recognized as interest revenue or interest expense over the life of each agreement.

Separate Accounts Insurance Products

The Group sells separate account insurance products. The insurance premiums according to agreed terms paid by proposers, net of the expenses incurred by the insurer, are invested in separate accounts at allocation agreed with or directed by the proposers. The separate account assets is measured at fair value on the valuation date and in compliance with the relevant regulations and Template of Accounting Systems for Life Insurance Enterprises.

In accordance with the Regulation Governing the Preparation of Financial Reports by Insurance Enterprises, the assets and liabilities of separate accounts, which are generated either from insurance contracts or from insurance contracts with features of financial instrument, are recorded in separate account insurance product assets and separate account insurance product liabilities. The revenue and expenses of separate accounts, pursuant to IFRS 4, are recorded in separate account insurance product revenue and separate account insurance product expenses.

Insurance Liability

a. Cathay Life

Funds reserved for insurance contracts and financial instruments with or without a discretionary participation features are determined in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and validated by the certified actuarial professionals approved by the FSC. For investment contracts with discretionary participation features, the guaranteed elements are not separately recognized from the discretionary participation features, and the whole contract is classified as a liability. The provision of reserve for short-term group insurance is based upon the greater of premium received or calculated according to Jin Guan Bao Tsai No. 10704504821. Provision of reserve for the other insurance liabilities is as follows:

1) Unearned premium reserve

For an unexpired in-force contract with a policy period shorter than one year or an injury insurance policy with a policy period longer than one year, the calculation of unearned premium reserve is based on the unexpired risk of each insurance.

2) Loss reserve

Loss reserve 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 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 the past experiences of actual claims and expenses in line with the actuarial principles for injury insurance and health or life insurance policies with a policy period shorter than one year.

3) Policy reserve

Based on the life table and projected interest rates in the manual reported to the authority for each insurance type, life insurance policy reserve is calculated and provided according to the modified calculation method in Article 12 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, the manual of each insurance product reported to the authority and the relevant calculation methods approved by the authority.

Starting from 2003 policy year, for an in-force contract whose bonus calculation is stipulated by Tai-Tsai-Bao No. 800484251, the downward adjustments of bonus due to the offset between mortality gain (loss) and gain (loss) from difference of interest rates should be calculated and recognized according to the regulations issued by the authorities.

In accordance with Jin Guan Bao Tsai No. 10102500530 issued on January 19, 2012, life insurance enterprises shall transfer a special reserve that equals to the unwritten allowance for doubtful account resulting from 3% business tax cut to life insurance policy reserve - allowance for doubtful account pertinent to 3% business tax cut from 2012. Besides, life insurance enterprises shall reclassify the recoverable special reserve for catastrophic events defined in Article 19 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises to life insurance reserve - recover from catastrophic event reserve.

When an insurance enterprise elects to measure investment property at fair value, it should also measure its insurance liabilities at fair value. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds their book value, the insurance enterprise must set aside the difference to policy reserve and decrease retained earnings. Cathay Life changed its accounting policy for subsequent measurement of investment property from the cost method to the fair value method starting from 2014. In accordance with Jin Guan Bao Tsai No. 10302501161 issued by the FSC on March 21, 2014, the fair value of insurance liabilities measured did not exceed their book value and no additional insurance liabilities should be provided accordingly.

4) Special reserve

When selling participating life insurance policies, according to the Regulation for Allocation of Revenue and Expenses related to Participating/Nonparticipating Policy reported to the authority, Cathay Life is required to set aside a special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from special reserve - participating policies dividends reserve. The excess dividends should be accounted as special reserve - provisions for risk of dividends.

According to Article 32 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the increments due to measuring the property at fair value, except for the portion in offsetting adverse effects of the first-time adoption of IFRSs on other accounts, the excess should be set aside as special reserve for revaluation increments of property under insurance liabilities.

5) Premium deficiency reserve

For life insurance, health insurance and annuity insurance policies with policy periods longer than one year commencing from 2001, when the gross premium is less than the net premium used in the calculation of policy reserve, a deficiency reserve is required to set aside such deficiencies for remaining payment periods as a premium deficiency reserve. The premium deficiency reserve of each life insurance category should be calculated and recorded according to the specific method reported to the authorities.

In addition, for unexpired in-force contracts with policy periods shorter than one year and injury insurance policies with policy periods longer than one year, if the probable claims and expenses are greater than the aggregate of unearned premium reserves and estimated future premiums, the premium deficiency reserve is set aside based on the deficiencies by insurance type.

6) Other reserve

Pursuant to IFRS 3 “Business Combinations”, Cathay Life recognizes other reserve to reflect the fair value of the life insurance contracts assumed at the time when the identifiable assets and assumed liabilities acquired from the business combination are recognized at fair value.

7) Liability adequacy reserve

The liability adequacy reserve is set aside based on the adequacy test of liability required by IFRS 4.

b. Cathay Lujiazui Life Insurance Co., Ltd. (“Cathay Lujiazui Life”)

In accordance with the Insurance Act of the People’s Republic of China, the insurance liabilities (including unearned premium reserves, loss reserves and policy reserves) are required and calculated based on the actuarial reports approved by China Insurance Regulatory Commission.

c. Cathay Life Insurance (Vietnam) Co., Ltd. (“Cathay Life (Vietnam)”)

In accordance with the Insurance Act of Vietnam, the insurance liabilities (including unearned premium reserves, loss reserves and policy reserves) are required and calculated based on the actuarial reports approved by Vietnam government.

d. Cathay Century and its subsidiaries

Insurance liabilities 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 unexpired 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 premiums 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.

2) Loss reserve

Loss reserve is provided for claims filed but not yet paid and claims 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 claims 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 automobile liability 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 event, fluctuation of risk and other special purpose.

In accordance with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, Cathay Century 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 insurances (commercial-business earthquake, typhoon and flood insurances enterprises) issued by the Financial Supervisory Commission on November 9, 2012, except for those special reserves of compulsory automobile insurances, nuclear energy insurances, residential earthquake insurances, commercial-business earthquake insurances and typhoon and flood insurances, the special reserves recognized as liabilities before December 31, 2012 were used to compensate the deficiencies of commercial-business earthquake insurances and typhoon and flood insurances 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. The write off and recovery of special reserves

for catastrophic event and fluctuation of risk that provided under liabilities should be in conformity with the notice mentioned above.

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 deficiencies 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 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

The contracts that need to be tested for liability adequacy required by IFRS 4 should use estimated future cash flow based on the current information on each balance sheet date for the test, and the contracts with recognized insurance liability are tested for liability adequacy. If the test shows that the liability is inadequate, the entire deficiency is recognized in liability adequacy reserve.

Liability Adequacy Test

Liability adequacy test is based on all insurance contracts and related requirements of ASP of IFRS 4 - contract classification and liability adequacy test announced by Actuarial Institute of Chinese Taipei. In this test, the amount of insurance liabilities net of deferred acquisition costs and related intangible assets is compared with the estimated present values of insurance contract cash flow at each reporting date. If the net book values are lower than the estimated present values, all insufficient amounts should be recognized in profit or loss.

Reserve for Insurance Contracts with the Nature of Financial Products

For non-separate account insurance products classified as financial instruments without discretionary participation features, the reserve should be recognized in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and depository accounting.

Reserve for Foreign Exchange Valuation

Cathay Life provides reserve for foreign exchange valuation according to all of its foreign investments in accordance with the Regulations Governing the Setting Aside of various Reserve by Insurance Enterprises and Direction for Foreign Exchange Volatility Reserve by Life Insurance Enterprises.

Revenue and the Related Expenses Recognition

a. Cathay Life and its subsidiaries

- 1) For Cathay Life's insurance contracts and financial instruments with discretionary participation features, the initial and renewal premium are only recognized as revenue collection and underwriting procedures finished, and subsequent collection on the appointed dates, respectively. The relevant acquisition costs, such as commission expenses and underwriting expenses, are recognized as current expenses when the insurance contracts become effective.

For non-separate account insurance products classified as financial instruments without discretionary participation features, the insurance premium collected is recognized as reserves for insurance contract with the nature of financial products on the balance sheet.

For separate account insurance products classified as financial instruments without discretionary participation features, the insurance premium collected net of preprocessing expense or investment management fees is entirely recognized as separate account insurance product liabilities on the balance sheet. The acquisition costs incurred due to investment management services for such insurance products, such as commissions and incremental costs directly attributable to the issue of new contracts, are deferred and recorded under deferred acquisition costs and amortized on a straight-line basis over the service period. The amortization is recognized under other operating costs.

2) Cathay Lujiazui Life

In accordance with the related accounting laws and regulations issued by the local government, Cathay Lujiazui Life records direct premiums as revenue at premium received and invoices issued. Related expenses, such as commissions and underwriting fees, are recognized on an accrual basis.

3) Cathay Life (Vietnam)

In accordance with the related accounting laws and regulations issued by the local government, Cathay Life (Vietnam) records direct premiums as revenue at premium received and invoices issued. Related expenses, such as commissions and underwriting fees, are recognized on an accrual basis.

b. Cathay United Bank and its subsidiaries

1) Recognition of interest revenue and expense

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

2) Recognition of service fee revenue and expense

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

3) Customer loyalty program

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

c. Cathay Century and its subsidiaries

Direct premiums are recognized for all insurance policies underwritten and issued in current periods. Ceded reinsurance premiums are usually recognized as the billing statements delivered, and, on the balance sheet date, reinsurance premiums 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 on the insurance premiums are recognized pursuant to the Value-added and Non-value-added Business Tax Act and Stamp Tax Act on an accrual basis.

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 not discounted.

d. Cathay Securities

Revenue are mainly generated from brokerage, underwriting and advisory services. The services are based on stand-alone or negotiated pricing and provided based on the number of times services are provided. These services belong to the category where performance obligations are fulfilled at a point in time; thus, revenue is recognized when performance obligations are fulfilled.

Classification of Insurance Products

An insurance contract refers to a contract where the insurer accepts the insurance policyholder's transfer of a 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.

Insurance contracts with features of financial instruments are contracts that transfer significant financial risks. Financial risks refer to the risks that the changes in one or more specific indicators may cause, including interest rates, financial commodity prices, product prices, exchange rates, price index, rate index, credit ratings and other indicators. If the above indicators are not financial, these indicators exist in both sides under the contracts.

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.

Insurance contracts and those with features of financial instruments are further classified into separate categories depending on whether or not the contracts have discretionary participation features. Discretionary participation features refer to a contractual right to receive additional payments in addition to guaranteed payments from the contract. The contractual rights have the following characteristics:

- a. Additional payments may be a significant portion of total contractual benefits.
- b. The amounts or timing for additional payments are contractually at the Group's discretion.
- c. Additional payments are contractually based on one of the following matters:
 - 1) The performance on a specified combination of contracts or a specified type of contract.
 - 2) The investment returns on a specified combination of assets held by the Group.
 - 3) The profit or loss of the Group, funds, or other entities.

When the embedded derivative instrument has economic characteristics and risks not closely related to those of the primary contracts, it should be recorded separately from the primary contracts and measured at fair value with changes in fair values recognized in profit or loss when incurred. However, if the embedded derivative instrument meets the definition of an insurance contract or the whole contract is measured at fair value with changes in fair values recognized in profit or loss when incurred, the Group does not separately recognize the embedded derivative instrument and the insurance contract.

Reinsurance

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 businesses, the Group cannot refuse to fulfill its obligations to the insured when the reinsurer fails to fulfill its obligations.

The Group holds the rights over the reinsurer including reinsurance assets, claims and payments recoverable from reinsurers and net due from reinsurers and ceding companies, and regularly assesses if the rights are impaired or unrecoverable. If an objective evidence, which occurred after initial recognition of reinsures assets, shows that the Group may not receive all amounts of receivables from the reinsurer and the unrecoverable amount can be reasonably estimated, the Group recognizes the difference between the recoverable amount of reinsurance assets and carrying value as an impairment loss.

For the classification of reinsurance contracts, the Group assesses whether or not such contracts transfer significant insurance risk to the reinsurer. If the reinsurance contract does not transfer a significant insurance risk to the reinsurer, the contract is recognized and measured in accordance with deposit accounting.

For a reinsurance contract that transfers a significant insurance risk, if the Group can measure its saving element separately, the insurance element and the saving element of the reinsurance contract are recognized separately. That is, the Group recognizes the contract premium received (or paid) less the amount of insurance as financial liabilities (or assets) rather than income (or expenses). The financial liabilities (or assets) are recognized at the fair values based on the present values of future cash flows.

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of each balance sheet date, taking into account the risks and uncertainty of the obligation.

Leases

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

a. The Group as lessor

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

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

b. 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 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, and 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, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to the accounting policies for investment properties.

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 Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in 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. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the year in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as 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, past service cost, as well as gains and losses on settlements) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs or when the settlement occurs. 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. Remeasurements recognized in other comprehensive income are reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the 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.

c. 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.

d. Employee preferential interest rate deposits

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

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

Taxation

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

a. Current tax

Income tax payable (refundable) 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 ROC, 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.

In accordance with Article 49 of the Financial Holding Company Act, the Company and its subsidiaries jointly filed income tax returns and surtax on unappropriated retained earnings since 2002 under the integrated income tax system with the Company as the taxpayer. Such effects on current tax and deferred tax are accounted for as receivables or payables.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all temporary differences and loss carryforwards which are probably deductible.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, 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 are only recognized 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 they 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 year 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 expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in the subsidiary.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that period or in the year of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of loans

The estimated impairment of loans is made with reference to the collateral status of the credit assets, the amount of the accumulated principal and interest due, and the length of the overdue period. The loans are classified after considering the changes in the credit of individual credit assets and the collection status. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment assessment, based on the Group's historical experience, existing market conditions as well as forward looking estimates (i.e. probability of default and expected credit loss rates) as of the end of each reporting period. Refer to Note 36 for the key assumptions and inputs used.

b. Fair value measurements and valuation processes

Where some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group, in accordance with relevant regulations or based on own judgment, determines the appropriate valuation techniques for the fair value measurements and whether to engage third party qualified valuers.

Where Level 1 inputs are not available, the Group or engaged valuers determine the appropriate inputs by referring to the analyses of the financial position and the operating results of the investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, and valuation multiples of comparable entities/market prices or rates and specific features of derivatives, the existing lease contracts and rentals of similar properties in the vicinity of the Group's investment properties. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of the fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 14 and 36.

c. Valuation of insurance contract liabilities

1) Cathay Life and its subsidiaries

Policy reserves for insurance contracts and investment contracts with discretionary participation features are based on actuarial models and assumptions made as the insurance contracts were established, which include the mortality rate, discount rate, lapse rate, morbidity rate, etc. The assumptions are made based on the related laws and regulations.

All insurance contracts are subject to a liability adequacy test, which reflects the best current estimate of future cash flows. Best estimates of future investment income from the assets backing such contracts are based on current market returns, as well as expectations about future economic developments. Assumptions on future expenses are based on current expense levels, adjusted using the expected expense inflation, if appropriate. Surrender rates are based on the Cathay Life and its subsidiaries' historical experience.

The management examines these estimates regularly and makes adjustments when necessary, but actual results may differ from these estimates.

2) Cathay Century and its subsidiaries

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

	December 31	
	2021	2020
Cash on hand	\$ 23,527,042	\$ 18,412,103
Cash in banks	196,752,403	166,785,873
Time deposits	184,624,212	252,042,783
Checks for clearing	6,116,728	2,628,849
Cash equivalents	20,796,677	46,599,213
Due from banks	35,838,074	50,269,827
Less: Loss allowance	<u>(20,079)</u>	<u>(22,393)</u>
	<u>\$ 467,635,057</u>	<u>\$ 536,716,255</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
<u>Financial assets mandatorily classified as at FVTPL</u>		
Stocks	\$ 556,703,945	\$ 538,241,070
Funds and beneficiary certificates	759,503,179	681,814,769
Government bonds	17,741,331	35,857,067
Corporate bonds	18,855,363	8,251,384
Financial debentures	51,879,381	20,556,752
Overseas bonds	295,813,069	148,917,957
Short-term notes	168,386,378	195,725,296
Futures trading margin	205,263	1,329,790
Structured time deposits	7,771,014	18,027,331
Derivative instruments	<u>52,536,306</u>	<u>99,359,727</u>
	<u>\$ 1,929,395,229</u>	<u>\$ 1,748,081,143</u>

(Continued)

	December 31	
	2021	2020
<u>Financial liabilities at FVTPL</u>		
Designated as at FVTPL		
Bonds	\$ 40,587,123	\$ 44,204,582
Held for trading		
Derivative instruments	38,301,659	81,426,781
Security lending payable (non-hedging)	1,031,175	14,909,925
Security lending payable (hedging)	<u>14,230</u>	<u>236,810</u>
	<u>\$ 79,934,187</u>	<u>\$ 140,778,098</u>
		(Concluded)

- a. The Group elected to present the profit or loss of the designated financial assets using the overlay approach under IFRS 4 “Insurance Contracts”. Financial assets designated for the overlay approach by the Group for investing activities relating to insurance contracts issued by the Group are as follows:

	December 31	
	2021	2020
<u>Financial assets mandatorily classified as at FVTPL</u>		
Stocks	\$ 545,639,162	\$ 523,742,759
Funds and beneficiary certificates	737,717,965	635,702,636
Financial debentures	13,160,060	10,675,230
Overseas bonds	294,220,757	147,576,634
Structured time deposits	<u>7,771,014</u>	<u>18,027,331</u>
	<u>\$ 1,598,508,958</u>	<u>\$ 1,335,724,590</u>

Reclassifications from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the year ended December 31, 2021 and 2020 are as below:

	For the Year Ended December 31	
	2021	2020
Gain due to application of IFRS 9 to profit or loss	\$ 116,660,218	\$ 163,356,742
Gain if applying IAS 39 to profit or loss	<u>(155,973,363)</u>	<u>(114,207,002)</u>
(Gain) loss reclassified due to application of overlay approach	<u>\$ (39,313,145)</u>	<u>\$ 49,149,740</u>

Due to application of overlay approach, the amounts of gain on financial assets and liabilities at FVTPL for the year ended December 31, 2021 and 2020 increased from \$142,017,737 thousand to \$181,330,882 thousand, and decreased from \$216,970,443 thousand to \$167,820,703 thousand, respectively.

- b. Financial liabilities designated as at FVTPL

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

In December 2014, Cathay United Bank was authorized to issue unsubordinated financial debentures amounting to US\$180 million (thirty years), which were subsequently issued on March 30, 2015. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity; the bonds were issued in the form of zero-coupon bonds, and the internal rate of return is 4.20%. The bonds were redeemed on March 30, 2020.

In March 2017, Cathay United Bank was authorized to issue unsubordinated financial debentures amounting to US\$195 million (thirty years), which were subsequently issued on April 11, 2017. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity; the bonds were issued in the form of zero-coupon bonds, and the internal rate of return is 4.30%. The bonds were all redeemed on April 13, 2020.

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

Cathay United Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the year ended December 31, 2021 and 2020, such interest rate swaps were valued with a net loss of \$2,445,367 thousand and net gain of \$1,921,169 thousand, respectively.

- c. As of December 31, 2021, certain financial assets at FVTPL of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$2,215,200 thousand. The proceeds amounting to \$2,148,959 thousand, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$2,149,060 thousand before the end of January 2022. As of December 31, 2020, no financial assets at FVTPL of Cathay United Bank and its subsidiaries were sold under repurchase agreements.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
Investments in equity instrument at FVTOCI		
Stocks	\$ 176,155,083	\$ 123,365,677
Investments in debt instrument at FVTOCI		
Government bonds	112,700,665	121,984,303
Corporate bonds	103,339,355	104,379,875
Financial debentures	80,292,790	82,202,742
Overseas bonds	1,119,667,280	1,078,517,070
Asset-backed securities	10,163,330	14,299,523
Negotiable certificates of deposits	25,599,336	39,411,018
Less: Litigation deposits	(43,613)	(46,761)
Less: Deposits in the Central Bank	(1,052,601)	(1,114,990)
	<u>1,450,666,542</u>	<u>1,439,632,780</u>
	<u>\$ 1,626,821,625</u>	<u>\$ 1,562,998,457</u>

- a. These investments in equity instruments are not held for trading and thus were designated as financial assets at FVTOCI.

- b. Dividend income recognized relating to investments in equity instruments at FVTOCI for the year ended December 31, 2021 and 2020 were \$6,661,304 thousand and \$4,026,443 thousand, respectively. Those related to investment derecognized for the year ended December 31, 2021 and 2020 were \$1,153,232 thousand and \$204,065 thousand, respectively.
- c. In consideration of the investment strategy, the Group sold equity instruments at FVTOCI at fair values of \$53,831,949 thousand and \$39,292,343 thousand at the time of sale, and transferred unrealized gain of \$3,834,335 thousand and \$193,192 thousand from other equity to retained earnings for the year ended December 31, 2021 and 2020, respectively.
- d. As of December 31, 2021 and 2020, certain financial assets at FVTOCI of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$28,230,898 thousand and \$9,074,539 thousand, respectively. The proceeds amounting to \$27,600,460 thousand and \$9,175,931 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$27,614,471 thousand and \$9,189,593 thousand before the end of June 2022 and 2021, respectively.
- e. As of December 31, 2021 and 2020, Cathay Securities and its subsidiaries sold certain debt instruments at FVTOCI under repurchase agreements with notional amounts of \$2,650,000 thousand and \$2,200,000 thousand, respectively.
- f. Refer to Note 29 for the financial assets at FVTOCI that were pledged as collateral.
- g. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at FVTOCI.

9. DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2021	2020
Time deposits	\$ 6,300,361	\$ 2,553,632
Financial debentures	44,228,630	52,527,979
Corporate bonds	41,926,858	43,041,834
Government bonds	78,728,343	50,605,910
Overseas bonds	2,603,446,990	2,555,705,009
Financial asset beneficiary certificates	445,000	445,000
Asset-backed securities	40,413,469	32,298,469
Short-term notes	461,857,140	436,402,937
Less: Guarantee deposits	(1,151,573)	(1,353,429)
Less: Deposits in the Central Bank	(8,733,908)	(8,546,113)
Less: Loss allowance (Note)	<u>(775,070)</u>	<u>(2,636,690)</u>
	<u>\$ 3,266,686,240</u>	<u>\$ 3,161,044,538</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of December 31, 2021 and 2020, the amounts were \$286 thousand and \$1,258 thousand, respectively.

- a. For the year ended December 31, 2021 and 2020, the Group disposed of bonds before maturity due to increase in credit risk, which resulted in gains (losses) on disposal of \$4,327,880 thousand and \$(277,023) thousand, respectively; disposal of bonds before maturity because of infrequent sales or sales insignificant in value (either individually or in aggregate) resulted in gains on disposal of \$29,013,762 thousand and \$38,149,433 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in gains on disposal of \$4,722,448 thousand and \$1,616,634 thousand, respectively.

- b. As of December 31, 2021 and 2020, certain debt instruments at amortized cost of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$7,791,895 thousand and \$1,095,769 thousand, respectively. The proceeds amounting to \$7,412,233 thousand and \$916,127 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$7,417,746 thousand and \$915,796 thousand before February 2022 and January 2021, respectively.
- c. Refer to Note 29 for information relating to debt instruments at amortized cost pledged as collateral.
- d. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at amortized cost.

10. RECEIVABLES, NET

	December 31	
	2021	2020
Notes receivable	\$ 437,570	\$ 448,479
Accounts receivable	103,071,169	107,627,139
Interest receivables	53,454,191	53,277,785
Acceptances	1,372,808	1,074,796
Factoring receivables	4,081,459	4,924,287
Others	<u>45,570,597</u>	<u>27,171,566</u>
	207,987,794	194,524,052
Less: Loss allowance	<u>(2,506,932)</u>	<u>(2,607,888)</u>
	<u>\$ 205,480,862</u>	<u>\$ 191,916,164</u>

- a. The Group set aside an appropriate loss allowance for receivables and the movements in loss allowance for receivables were as follows:

For the year ended December 31, 2021

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Beginning balance	\$ 465,842	\$ 202,476	\$ 1,731,461	\$ 2,399,779	\$ 62,941	\$ 2,462,720
Changes of financial instruments recognized at the beginning of the current reporting year						
Transferred to Lifetime ECLs	(4,817)	132,720	(1,521)	126,382	-	126,382
Transferred to credit-impaired financial assets	(484)	(2,646)	47,604	44,474	-	44,474
Transferred to 12-month ECLs	4,443	(69,188)	(2,868)	(67,613)	-	(67,613)
Derecognition of financial assets in the period	(213,406)	(96,131)	(54,135)	(363,672)	-	(363,672)
New financial assets purchased or originated	135,256	109,758	340,681	585,695	-	585,695
Differences of impairment loss under regulations	-	-	-	-	6,728	6,728

(Continued)

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Written off as bad debt expense	\$ -	\$ -	\$ (430,910)	\$ (430,910)	\$ -	\$ (430,910)
Effects of exchange rate changes and others	31,414	11,715	28,601	71,730	-	71,730
Ending balance	<u>\$ 418,248</u>	<u>\$ 288,704</u>	<u>\$ 1,658,913</u>	<u>\$ 2,365,865</u>	<u>\$ 69,669</u>	<u>\$ 2,435,534</u> (Concluded)

For the year ended December 31, 2020

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Beginning balance	\$ 509,882	\$ 154,306	\$ 1,660,104	\$ 2,324,292	\$ 52,976	\$ 2,377,268
Changes of financial instruments recognized at the beginning of the current reporting year						
Transferred to Lifetime ECLs	(3,266)	82,897	(2,541)	77,090	-	77,090
Transferred to credit-impaired financial assets	(424)	(1,960)	137,286	134,902	-	134,902
Transferred to 12-month ECLs	2,410	(60,040)	(4,923)	(62,553)	-	(62,553)
Derecognition of financial assets in current year	(172,285)	(75,138)	(50,415)	(297,838)	-	(297,838)
New financial assets purchased or originated	108,021	79,293	366,959	554,273	-	554,273
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	9,790	9,790
Written off as bad debt expense	-	-	(507,788)	(507,788)	-	(507,788)
Effects of exchange rate changes and others	21,504	23,118	132,779	177,401	175	177,576
Ending balance	<u>\$ 465,842</u>	<u>\$ 202,476</u>	<u>\$ 1,731,461</u>	<u>\$ 2,399,779</u>	<u>\$ 62,941</u>	<u>\$ 2,462,720</u>

- b. Loss allowance for other receivables is provided by simplified approach and the reconciliation was as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Beginning balance	\$ 145,168	\$ 159,212
Provision for the year	24,311	5,980
Amounts written off	(97,769)	(20,360)
Foreign exchange	<u>(312)</u>	<u>336</u>
Ending balance	<u>\$ 71,398</u>	<u>\$ 145,168</u>

11. DISCOUNTS AND LOANS, NET

	December 31	
	2021	2020
Export negotiations	\$ 1,354,799	\$ 1,492,261
Loans	2,314,739,694	2,166,663,868
Discounts and overdrafts	1,278,734	1,557,418
Overdue loans	<u>4,872,323</u>	<u>4,546,927</u>
	2,322,245,550	2,174,260,474
Less: Loss allowance	<u>(35,130,101)</u>	<u>(32,984,269)</u>
	<u>\$ 2,287,115,449</u>	<u>\$ 2,141,276,205</u>

- As of December 31, 2021, the gross amount of domestic discounts and loans and the related loss allowance belonging to Cathay United Bank amounted to \$1,674,216,558 thousand and \$27,224,559 thousand, respectively.
- For the years ended December 31, 2021 and 2020, Cathay United Bank disposed credit assets in order to increase debt recovery, and recognized the loss arising from the derecognition of credit assets measured at amortized cost amounting to \$647,050 thousand and \$366,015 thousand, respectively.
- Refer to Note 36 for information relating to the credit risk management and impairment of discounts and loans.

12. SUBSIDIARIES

- Subsidiaries included in the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)		Notes
			December 31		
			2021	2020	
The Company	Cathay Life	Life Insurance	100.00	100.00	
The Company	Cathay United Bank	Banking	100.00	100.00	
The Company	Cathay Century	Property insurance	100.00	100.00	
The Company	Cathay Securities	Security	100.00	100.00	
The Company and Cathay Life	Cathay Venture	Venture capital	100.00	100.00	
The Company	Cathay Securities Investment Trust	Entrusted investments	100.00	100.00	
Cathay Life	Cathay Lujiazui Life	Life insurance	50.00	50.00	
Cathay Life	Cathay Life (Vietnam)	Life insurance	100.00	100.00	
Cathay Life	Lin Yuan (Shanghai) Real Estate Co., Ltd. ("Lin Yuan")	Office leasing	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	100.00	
Cathay Life	Conning Holdings Limited ("CHL")	Holding company	100.00	100.00	
Cathay Life	Cathay Industrial Research and Design Center Co., Ltd. ("Cathay Industrial R&D Center")	Real estate rental and leasing	99.00	-	Note 1
CHL	Conning U.S. Holdings, Inc.	Holding company	100.00	100.00	
CHL	Conning Asset Management Ltd.	Asset management services	100.00	100.00	
CHL	Conning (Germany) GmbH	Risk management software services	100.00	100.00	
The Company and CHL	Conning Asia Pacific Ltd.	Asset management services	100.00	100.00	
CHL	Conning Japan Ltd.	Asset management services	100.00	100.00	
CHL	Global Evolution Holding ApS	Holding company	61.15	53.13	Note 2
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	100.00	
Conning Holdings Corp.	Conning & Company ("C&C")	Holding company	100.00	100.00	

(Continued)

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)		Notes
			December 31		
			2021	2020	
C&C	Conning Inc.	Asset management services	100.00	100.00	
C&C	Goodwin Capital Advisers, Inc.	Asset management services	100.00	100.00	
C&C	Conning Investment Products, Inc.	Securities services	100.00	100.00	
C&C	Octagon Credit Investors, LLC (“Octagon”)	Asset management services	86.13	85.67	
Octagon	Octagon Credit Opportunities GP, LLC	Fund management services	100.00	100.00	
Octagon	Octagon Funds GP LLC	Fund management services	100.00	100.00	
Octagon	Octagon Funds GP II LLC	Fund management services	100.00	100.00	
Global Evolution Holding ApS	Global Evolution Financial ApS	Asset management services	99.51	99.72	
Global Evolution Financial ApS	Global Evolution Fondsmæglerelskab A/S	Asset management services	100.00	100.00	
Global Evolution Financial ApS	Mogambo2 Holding ApS	Asset management services	-	100.00	Note 3
Global Evolution Financial ApS	Global Evolution Manco S.A.	Asset management services	90.00	90.00	
Global Evolution Fondsmæglerelskab A/S	Global Evolution USA, LLC	Asset management services	100.00	100.00	
Global Evolution Fondsmæglerelskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	100.00	
Cathay Century	Cathay Insurance (Vietnam) Co., Ltd. (“Cathay Insurance (Vietnam)”)	Property insurance services	100.00	100.00	
Cathay United Bank	Indovina Bank Limited (“Indovina Bank”)	Banking	50.00	50.00	
Cathay United Bank	Cathay United Bank (Cambodia) Corporation Limited (“CUBC Bank”)	Banking	100.00	100.00	
Cathay United Bank	Cathay United Bank (China) Co., Ltd. (“CUBCN Bank”)	Banking	100.00	100.00	
Cathay Securities	Cathay Futures Co., Ltd. (“Cathay Futures”)	Futures services	99.99	99.99	
Cathay Securities	Cathay Securities (Hong Kong) Co., Ltd. (“Cathay Securities (Hong Kong)”)	Securities services	100.00	100.00	
Cathay Securities (Hong Kong)	Cathay Capital (Asia) Limited (“Cathay Capital (Asia)”)	Investment service	100.00	100.00	Note 4
Cathay Venture	Cathay Investment Inc. (“Cathay Investment”)	Venture capital	100.00	100.00	Note 5
Cathay Securities Investment Trust	Cathay Private Equity Co., Ltd. (“Cathay Private Equity”)	Private equity	100.00	100.00	

(Concluded)

Note 1: It was jointly established by Cathay Life and Ally Logistic Property Co., Ltd. on January 8, 2021.

Note 2: CHL originally held 45% equity shares in Global Evolution Holding ApS, which were recorded as investments accounted for using the equity method. On June 25, 2020, CHL acquired a further 8% equity shares, which increased its ownership interest from 45% to 53%, and obtained the control of Global Evolution Holding ApS. In addition, non-controlling interests executed the put options on the subsidiary's shares such that CHL acquired an additional 8.02% equity shares on June 24, 2021, and its ownership interest increased from 53.13% to 61.15%

Note 3: Mogambo2 Holding ApS was dissolved on October 11, 2021.

Note 4: It was established by Cathay Securities (Hong Kong) on February 24, 2020.

Note 5: Cathay Investment was resolved for dissolution by the board of directors (on behalf of shareholders) on April 27, 2021. As of December 31, 2021, the liquidation process was not completed.

b. Subsidiaries excluded from the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)		Notes
			December 31		
			2021	2020	
Cathay Life	Cathay Securities Investment Consulting Co., Ltd. (“Cathay Securities Investment Consulting”)	Security investment consulting services	100.00	100.00	

The consolidated financial statements did not include the above-mentioned subsidiary because its total assets and operating revenue were insignificant to the total assets and operating revenue of the Group.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	December 31	
	2021	2020
Investments in unconsolidated subsidiaries	\$ 699,974	\$ 637,478
Investments in associates	<u>31,914,598</u>	<u>32,398,804</u>
	<u>\$ 32,614,572</u>	<u>\$ 33,036,282</u>

a. Investments in unconsolidated subsidiaries

	December 31	
	2021	2020
Cathay Securities Investment Consulting	<u>\$ 699,974</u>	<u>\$ 637,478</u>

b. Investments in associates

	December 31	
	2021	2020
Rizal Commercial Banking Corporation	\$ 15,974,154	\$ 16,447,489
Cathay Insurance Company Limited (China)	4,824,396	4,621,539
Taiwan Finance Corp.	1,736,374	1,765,602
Dasheng IV Venture Capital Co., Ltd.	1,254,083	760,743
Dasheng Venture Capital Co., Ltd.	1,023,946	2,042,511
PSS Co., Ltd.	935,422	911,004
Ding Teng Co., Ltd.	855,187	830,172
Neo Cathay Power Corp.	731,593	704,798
Cathay Power Inc. (former Cathay Sunrise Corporation)	728,975	728,790
CMG International One Corp.	668,836	674,804
CMG International Two Corp.	663,377	671,916
CM Energy Co., Ltd.	487,829	329,516
Greenhealth Water Resources Co., Ltd.	469,273	455,862
TaiYang Solar Power Co., Ltd.	417,152	147,430
Symphox Information Co., Ltd.	386,762	403,866
CDBS Cathay Asset Management Co., Ltd.	327,780	407,101
Tien-Tai Optronics Corporation	137,144	141,287
Tiantai II Optoelectronics Co., Ltd.	133,369	135,982
Taiwan Real-estate Management Corp.	95,892	97,567
Lin Yuan Property Management Co., Ltd.	52,963	56,461
Tien-Tai Management Consulting Co., Ltd.	5,818	5,865
WK Technology Fund VI Co., Ltd.	4,273	58,499
PT Bank Mayapada Internasional Tbk	-	-
	<u>\$ 31,914,598</u>	<u>\$ 32,398,804</u>

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2021	2020
The Group's share of:		
Net income (loss)	\$ 1,552,737	\$ (12,299,709)
Other comprehensive (loss) income	<u>(1,091,662)</u>	<u>154,936</u>
Total comprehensive income (loss) for the year	<u>\$ 461,075</u>	<u>\$ (12,144,773)</u>

- 1) As the individual associates are not significant, the related financial information is disclosed aggregately. The amounts of the share of profit or loss and other comprehensive income (loss) of associates were based on non-audited financial statements.
- 2) PT Bank Mayapada Internasional Tbk, Cathay Life's associate, has encountered operating pressure and was required to increase capital by the local authority in Indonesia because one of its credit clients was involved in a fraudulent case and has been prosecuted at the beginning of 2020, as well as because of the negative impact of COVID-19 to the economy of Indonesia and the deficiencies found in financial inspections. After doing a prudent assessment, Cathay Life recognized a loss on investment in associates accounted for using the equity method of \$13,980,277 thousand for the year ended December 31, 2020.
- 3) Cathay Sunrise Corporation was renamed as Cathay Power Inc. on April 30, 2021.
- 4) The investments in associates were not pledged as collateral.

14. INVESTMENT PROPERTY

	Land	Buildings	Investment Property Under Construction	Prepayments for Buildings and Land - Investments	Total
Balance at January 1, 2020	\$ 298,205,802	\$ 104,791,226	\$ 4,546,717	\$ 1,152,363	\$ 408,696,108
Additions	-	-	3,024,854	4,105,888	7,130,742
Disposals	(313,539)	(583,867)	-	-	(897,406)
Other reclassification	5,049,551	6,075,901	(6,043,024)	(2,126,336)	2,956,092
(Loss) gain on changes in fair value of investment property	(544,903)	2,658,882	-	-	2,113,979
Foreign exchange	<u>(215,169)</u>	<u>(308,118)</u>	<u>-</u>	<u>-</u>	<u>(523,287)</u>
Balance at December 31, 2020	<u>\$ 302,181,742</u>	<u>\$ 112,634,024</u>	<u>\$ 1,528,547</u>	<u>\$ 3,131,915</u>	<u>\$ 419,476,228</u>
Balance at January 1, 2021	\$ 302,181,742	\$ 112,634,024	\$ 1,528,547	\$ 3,131,915	\$ 419,476,228
Additions	1,675,410	-	3,640,889	7,685,126	13,001,425
Disposals	(65,307)	(28,093)	-	-	(93,400)
Other reclassification	7,189,512	5,659,466	(1,757,060)	(10,574,399)	517,519
(Loss) gain on changes in fair value of investment property	(1,233,276)	2,191,111	-	-	957,835
Foreign exchange	<u>(502,128)</u>	<u>(832,015)</u>	<u>-</u>	<u>-</u>	<u>(1,334,143)</u>
Balance at December 31, 2021	<u>\$ 309,245,953</u>	<u>\$ 119,624,493</u>	<u>\$ 3,412,376</u>	<u>\$ 242,642</u>	<u>\$ 432,525,464</u>

	For the Year Ended December 31	
	2021	2020
Rental income from investment properties	\$ 10,676,406	\$ 11,594,935
Direct operating expenses from investment properties that generate rental income	(783,637)	(710,371)
Direct operating expenses from investment properties that do not generate rental income	<u>(339,357)</u>	<u>(151,083)</u>
	<u>\$ 9,553,412</u>	<u>\$ 10,733,481</u>

- a. Certain properties are held to earn rental or for capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component could not be sold separately, it would be classified as investment property only when owner occupation is lower than 5% of the property.
- b. As of December 31, 2021, the investment properties (excluding investment property under construction and prepayment for buildings and land - investments) belonging to Cathay Life amounted to \$389,643,171 thousand. Investment properties are held mainly for lease business. All the lease agreements are operating leases and the primary terms of the lease agreements are the same as general lease agreements. Rents from investment property are received annually, semi-annually, quarterly, monthly or in one lump sum. Investment properties held by Cathay Life and its subsidiaries were not pledged.
- c. The ownership of the Group's investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other's debts; the ownership of its trust property is not subject to restrictions. Besides, the Group is not involved in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.
- d. Valuation on the investment property of Cathay Life and its subsidiaries has been carried out by the following appraisers of the joint appraisal firms meeting the qualification requirements for real estate appraisers in the R.O.C., with valuation dates at December 31, 2021 and 2020 respectively.

Name of Appraisal Firms	December 31	
	2021	2020
DTZ Real Estate Appraiser Firm	Gen-yuan, Li; Chia-ho, Tsai; Chun-chun, Hu	Chang-da, Yang; Gen-yuan, Li; Chia-ho, Tsai; Chun-chun, Hu
Savills plc Real Estate Appraiser Firm	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang
REPro KnightFrank Real Estate Appraiser Firm	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu
V-LAND Real Estate Appraiser Firm	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin; Xi-Zhong, Wang; Hong-Zhi, Li	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin

(Continued)

Name of Appraisal Firms	December 31	
	2021	2020
Shang-shang Real Estate Appraiser Firm	Hong-yuan, Wang; Jian-Hao, Huang	Hong-yuan, Wang
Sinyi Real Estate Appraiser Firm	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang
Elite Real Estate Appraiser Firm	Yu-lin, Chen; Yi-huei, Luo	Yu-lin, Chen; Yi-huei, Luo
CBRE Real Estate Appraiser Firm	Fu-xue, Shi; Chih-wei, Li	Fu-xue, Shi; Chih-wei, Li
CCIS Real Estate Appraiser Firm	Zhi-Hao, Wu; Wei-Ru, Li	-
LinkU Real Estate Appraiser Firm	Lin-Yu, Lian; Sheng-Feng, Lai	-

(Concluded)

On May 11, 2020, the Insurance Bureau of the FSC issued Jin Guan Bao Tsai No. 10904917641 to amend some of the provisions of the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, which should be applied in the preparation of the financial report beginning in the first quarter of 2020. However, Cathay Life’s investment properties were mainly recognized at fair value subsequent to initial recognition before the amendment issued on May 11, 2020, and, according to the amendment, the previously-adopted appraisal approaches are applied for such assets to maintain the consistency and comparability of the financial reports for the years before and after the amendment.

The fair value is supported by observable evidence in the market. The main appraisal approaches applied include the sales comparison approach, income approach - direct capitalization method, income approach - discounted cash flow method, cost approach and the method of land development analysis. Commercial office buildings and residences are mainly valued by the sales comparison approach and income approach because of the market liquidity and comparable sales and rental cases in the neighboring areas. Hotels, department stores and marketplaces are mainly valued by the income approach - direct capitalization method and income approach - discounted cash flow method because of the stable rental income in the long term. Industrial plants for lease are valued by the sales comparison approach and cost approach. Wholesale stores located in industrial districts are valued by the cost approach since the buildings are constructed for specific purposes because fewer similar transactions could be referred to in the market. Vacant land and buildings under construction of logistics parks located in industrial and commercial integrated district are valued by cost approach. Land under construction with building permit is mainly valued by comparison approach and land development analysis. Urban renewal land under construction with building permit is valued based by comparison approach and income approach based on the allocated real estates (office buildings, hotels, etc.) under the urban renewal program.

The main inputs used are as follows:

	December 31	
	2021	2020
Direct capitalization rates (net)	0.61%-5.12%	0.84%-5.70%
Discount rates	2.35%-4.26%	3.09%-3.94%

External appraisers use market extraction method, search several comparable properties which are identical with or similar to the subject property, consider the liquidity risk and risk premium when disposed of in the future, to decide the direct capitalization rate and discount rate. The discount rate of properties acquired after May 11, 2020 were determined in accordance with the amended Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

Cathay Life and its subsidiaries recognized their investment properties at fair value subsequent to initial recognition and the related fair value are categorized as level 3 of fair value hierarchy. The fair value of investment property will decrease as either one of the main inputs, direct capitalization rate and discount rate, of the direct capitalization method increases. On the contrary, the fair value of investment property will increase if any of the main input decreases.

- e. Cathay United Bank's investment properties were appraised by qualified real estate appraisers in Taiwan according to the Technical Rules for Real Estate Valuation. The valuation dates are December 31, 2021 and 2020, respectively.

Name of Appraiser Office	December 31	
	2021	2020
REPro Knight Frank Real Estate Appraiser Firm	Hsiang-yi, Hsu; Hong-xu, Wu; Yu-hsiang, Tsai	Hsiang-yi, Hsu; Yu-hsiang, Tsai

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

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

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

According to the R.O.C. Real Estate Appraisers Association Gazette No. 5, the house tax is calculated based on the data provided by the client on the actual payment of housing tax; the reference tables of current house values assessed for each city/county to estimate the total current house value assessed. House tax is calculated based on the tax rates in the House Tax Act and the actual payment data.

Land value tax is based on the changes in the announced land values of the underlying property in the past years and the actual payment data, to further extrapolate the announced land value in the future.

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

The main inputs used are as follows:

	December 31	
	2021	2020
Direct capitalization rates	1.20%-4.04%	1.93%-3.79%
Overall capital interest rate	0.67%-1.93%	0.67%-1.93%

- 2) For reserved areas in hillside land, scenic land site and areas for agriculture, animal husbandry and forestry, there are few market transactions due to regulatory regulations, and low development efficiency, resulting in no significant change that would affect the related property market in the near future. Their fair values are determined by the method of land development analysis and comparison approach.
- f. Valuation on the investment property of Cathay Securities and its subsidiaries has been performed by the appraiser from Elite Real Estate Appraiser Firm (Yi-huei, Luo) that met the qualification requirements for real estate appraisers in the R.O.C., with valuation dates at December 31, 2021 and 2020, respectively.

The fair value of investment property is determined by income approach with significant assumptions as follows. If estimated future cash inflows increase or discount rate decreases, the fair value will increase.

	December 31	
	2021	2020
Estimated future cash inflows	\$ 444,833	\$ 445,029
Estimated future cash outflows	<u>(14,740)</u>	<u>(14,672)</u>
Estimated net cash inflows	<u>\$ 430,093</u>	<u>\$ 430,357</u>
Discount rate	2.295%	2.295%
Direct capitalization rate	2.54%	2.56%

The market rentals ranged from 4 thousand to 6 thousand per ping in the areas where the investment property is located for the year ended December 31, 2021 and 2020, respectively.

The investment properties were entirely leased under operating leases, and generated rental income of \$7,006 thousand and \$7,049 thousand for the year ended December 31, 2021 and 2020, respectively.

The estimated future cash inflows consist of rental income, interest of deposit and value of disposal at the end of the year. Rental income is estimated for the current rent and the annual growth rate of the rent. The period of benefit analysis is estimated for 10 years. Interest of deposit is estimated based on the interest rate on a 1-year time deposit of the 5 largest banks for the past five years. The value of disposal at the end of the year is estimated using the direct capitalization method. The estimated future cash outflows consist of land tax, property tax, and replacement allowance, which are estimated on the basis of current expenditures, adjustments to the future announced land value, and tax rates in accordance with the House Tax Act.

The discount rate at December 31, 2021 and 2020 are determined based on the interest rate on a 2-year time deposit of petty cash plus 5 quarters percentage points as posted by Chunghwa Post Co., Ltd., plus the risk premium, respectively.

g. Reconciliations for Level 3 fair value measurements are as follows:

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 398,420,117	\$ 390,874,044
Amount recognized in profit or loss		
Gain from investment property	957,835	2,113,979
Amount recognized in other comprehensive income		
Exchange differences resulting from translation of the financial statements of foreign operations	(1,334,143)	(523,287)
Disposals	(93,400)	(829,500)
Transfers to property and equipment	(5,517)	(62,631)
Transfers from property and equipment	1,542,462	-
Transfers from investment property under construction	1,757,060	6,043,024
Transfers from prepayment for buildings and land	<u>4,606,027</u>	<u>804,488</u>
Ending balance	<u>\$ 405,850,441</u>	<u>\$ 398,420,117</u>

The above amount excludes those measured at cost.

- h. Refer to Table 6 for the acquisition of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital.
- i. See Note 29 for information relating to investment properties pledged as collateral for short-term bank borrowings.

15. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvements	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
Cost								
Balance at January 1, 2020	\$ 71,692,186	\$ 46,606,608	\$ 8,673,295	\$ 1,098,481	\$ 127,383	\$ 12,503,689	\$ 791,729	\$ 141,493,371
Additions	-	114	807,046	110,426	6,022	442,335	1,010,498	2,376,441
Disposals	-	(101,999)	(409,982)	(761)	(5,607)	(608,227)	-	(1,126,576)
Reclassification	(2,926,264)	(257,553)	187,843	31,889	2,631	413,135	(761,386)	(3,310,305)
Others	(2,400)	-	-	-	-	-	-	(2,400)
Foreign exchange	<u>(30,237)</u>	<u>(625)</u>	<u>(69,205)</u>	<u>(12,248)</u>	<u>(6,190)</u>	<u>(17,998)</u>	<u>(1,170)</u>	<u>(137,673)</u>
Balance at December 31, 2020	<u>\$ 68,732,685</u>	<u>\$ 46,246,545</u>	<u>\$ 9,188,997</u>	<u>\$ 1,227,787</u>	<u>\$ 124,239</u>	<u>\$ 12,732,934</u>	<u>\$ 1,039,671</u>	<u>\$ 139,292,858</u>
Depreciation and impairment								
Balance at January 1, 2020	\$ 103,134	\$ 22,932,481	\$ 5,883,294	\$ 685,957	\$ 86,835	\$ 9,946,299	\$ -	\$ 39,638,000
Depreciation	-	915,617	849,559	108,587	10,657	688,012	-	2,572,432
Disposals	-	(42,500)	(405,408)	(761)	(5,491)	(589,190)	-	(1,043,350)
Others	-	(231,430)	10	3,507	-	1,476	-	(226,437)
Foreign exchange	<u>-</u>	<u>(3,258)</u>	<u>(28,684)</u>	<u>(3,002)</u>	<u>(4,228)</u>	<u>(13,747)</u>	<u>-</u>	<u>(52,919)</u>
Balance at December 31, 2020	<u>\$ 103,134</u>	<u>\$ 23,570,910</u>	<u>\$ 6,298,771</u>	<u>\$ 794,288</u>	<u>\$ 87,773</u>	<u>\$ 10,032,850</u>	<u>\$ -</u>	<u>\$ 40,887,726</u>
Carrying amount at December 31, 2020	<u>\$ 68,629,551</u>	<u>\$ 22,675,635</u>	<u>\$ 2,890,226</u>	<u>\$ 433,499</u>	<u>\$ 36,466</u>	<u>\$ 2,700,084</u>	<u>\$ 1,039,671</u>	<u>\$ 98,405,132</u>
Cost								
Balance at January 1, 2021	\$ 68,732,685	\$ 46,246,545	\$ 9,188,997	\$ 1,227,787	\$ 124,239	\$ 12,732,934	\$ 1,039,671	\$ 139,292,858
Additions	-	120	1,012,459	115,468	6,638	380,871	1,213,348	2,728,904
Disposals	-	(537)	(609,584)	(19,120)	(8,314)	(213,951)	-	(851,506)
Reclassification	809,379	(1,614,273)	609,261	76,531	6,370	(27,020)	(710,645)	(850,397)
Others	(1,687)	-	-	-	-	-	-	(1,687)
Foreign exchange	<u>(15,482)</u>	<u>(17,369)</u>	<u>(47,086)</u>	<u>(16,881)</u>	<u>(3,282)</u>	<u>(17,636)</u>	<u>(912)</u>	<u>(118,648)</u>
Balance at December 31, 2021	<u>\$ 69,524,895</u>	<u>\$ 44,614,486</u>	<u>\$ 10,154,047</u>	<u>\$ 1,383,785</u>	<u>\$ 125,651</u>	<u>\$ 12,855,198</u>	<u>\$ 1,541,462</u>	<u>\$ 140,199,524</u>

(Continued)

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvements	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
Depreciation and impairment								
Balance at January 1, 2021	\$ 103,134	\$ 23,570,910	\$ 6,298,771	\$ 794,288	\$ 87,773	\$ 10,032,850	\$ -	\$ 40,887,726
Depreciation	-	890,599	945,944	109,956	10,037	698,330	-	2,654,866
Disposals	-	(116)	(602,706)	(19,120)	(8,313)	(209,668)	-	(839,923)
Others	-	(384,005)	285,957	627	-	(218,382)	-	(315,803)
Foreign exchange	-	(4,896)	(20,797)	(7,598)	(2,236)	(4,081)	-	(39,608)
Balance at December 31, 2021	<u>\$ 103,134</u>	<u>\$ 24,072,492</u>	<u>\$ 6,907,169</u>	<u>\$ 878,153</u>	<u>\$ 87,261</u>	<u>\$ 10,299,049</u>	<u>\$ -</u>	<u>\$ 42,347,258</u>
Carrying amount at December 31, 2021	<u>\$ 69,421,761</u>	<u>\$ 20,541,994</u>	<u>\$ 3,246,878</u>	<u>\$ 505,632</u>	<u>\$ 38,390</u>	<u>\$ 2,556,149</u>	<u>\$ 1,541,462</u>	<u>\$ 97,852,266</u>

(Concluded)

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

Buildings and construction	1-70 years
Computer equipment	3-10 years
Leasehold improvements	3-6 years or lease term
Transportation equipment	3-7 years
Other equipment	2-22 years

Property and equipment were not pledged as collateral.

16. LEASE AGREEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amount</u>		
Buildings	\$ 4,262,741	\$ 4,042,404
Office equipment	10,652	13,109
Machine equipment	1,971	5,135
Transportation equipment	<u>87,412</u>	<u>77,895</u>
	<u>\$ 4,362,776</u>	<u>\$ 4,138,543</u>
Right-of-use assets presented as investment properties	<u>\$ 9,958,120</u>	<u>\$ 8,548,824</u>
	<u>For the Year Ended December 31</u>	<u>For the Year Ended December 31</u>
	2021	2020
Additions to right-of-use assets	<u>\$ 1,484,481</u>	<u>\$ 1,789,366</u>
Depreciation expense for right-of-use assets		
Buildings	\$ 1,396,516	\$ 1,399,162
Office equipment	10,671	5,119
Machine equipment	1,150	1,657
Transportation equipment	<u>48,250</u>	<u>48,210</u>
	<u>\$ 1,456,587</u>	<u>\$ 1,454,148</u>

b. Lease liabilities

	December 31	
	2021	2020
Carrying amount	<u>\$ 14,721,170</u>	<u>\$ 13,011,637</u>

Range of discount rates for lease liabilities is as follows:

	December 31	
	2021	2020
Buildings	0.04%-8.57%	0.33%-8.57%
Office equipment	0.42%-4.76%	0.42%-4.76%
Machine equipment	0.36%-4.15%	0.70%-4.15%
Transportation equipment	0.22%-4.35%	0.67%-4.43%
Investment property - superficies right	2.82%-4.00%	2.82%-3.71%

17. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
Cost							
Balance at January 1, 2020	\$ 5,796,439	\$ 37,659,600	\$ 394,961	\$ 3,548,412	\$ 18,924,948	\$ 211,890	\$ 66,536,250
Acquisition through business combination (Note 38)	-	-	-	2,467,576	3,463,356	-	5,930,932
Addition - acquired separately	510,889	-	-	-	-	-	510,889
Disposal	(472,829)	-	-	-	-	-	(472,829)
Reclassification	381,797	-	-	-	-	-	381,797
Foreign exchange	(9,636)	-	(20,965)	(284,187)	(545,524)	(11,217)	(871,529)
Balance at December 31, 2020	<u>\$ 6,206,660</u>	<u>\$ 37,659,600</u>	<u>\$ 373,996</u>	<u>\$ 5,731,801</u>	<u>\$ 21,842,780</u>	<u>\$ 200,673</u>	<u>\$ 72,015,510</u>
Amortization and impairment							
Balance at January 1, 2020	\$ 4,147,171	\$ 9,357,224	\$ -	\$ 1,583,626	\$ -	\$ 177,257	\$ 15,265,278
Amortization	747,891	2,079,383	-	485,836	-	18,726	3,331,836
Disposal	(466,569)	-	-	-	-	-	(466,569)
Foreign exchange	(5,896)	-	-	(101,466)	-	(10,080)	(117,442)
Balance at December 31, 2020	<u>\$ 4,422,597</u>	<u>\$ 11,436,607</u>	<u>\$ -</u>	<u>\$ 1,967,996</u>	<u>\$ -</u>	<u>\$ 185,903</u>	<u>\$ 18,013,103</u>
Carrying amount at December 31, 2020	<u>\$ 1,784,063</u>	<u>\$ 26,222,993</u>	<u>\$ 373,996</u>	<u>\$ 3,763,805</u>	<u>\$ 21,842,780</u>	<u>\$ 14,770</u>	<u>\$ 54,002,407</u>
Cost							
Balance at January 1, 2021	\$ 6,206,660	\$ 37,659,600	\$ 373,996	\$ 5,731,801	\$ 21,842,780	\$ 200,673	\$ 72,015,510
Addition - acquired separately	733,320	-	-	-	-	-	733,320
Disposal	(566,419)	-	-	-	-	-	(566,419)
Reclassification	335,955	-	-	-	-	-	335,955
Other	-	-	-	(172,492)	368,174	-	195,682
Foreign exchange	(11,409)	-	(10,731)	(153,010)	(330,361)	(5,767)	(511,278)
Balance at December 31, 2021	<u>\$ 6,698,107</u>	<u>\$ 37,659,600</u>	<u>\$ 363,265</u>	<u>\$ 5,406,299</u>	<u>\$ 21,880,593</u>	<u>\$ 194,906</u>	<u>\$ 72,202,770</u>
Amortization and impairment							
Balance at January 1, 2021	\$ 4,422,597	\$ 11,436,607	\$ -	\$ 1,967,996	\$ -	\$ 185,903	\$ 18,013,103
Amortization	822,090	2,079,383	-	372,154	-	12,715	3,286,342
Disposal	(566,419)	-	-	-	-	-	(566,419)
Foreign exchange	(7,600)	-	-	(60,759)	-	(5,480)	(73,839)
Balance at December 31, 2021	<u>\$ 4,670,668</u>	<u>\$ 13,515,990</u>	<u>\$ -</u>	<u>\$ 2,279,391</u>	<u>\$ -</u>	<u>\$ 193,138</u>	<u>\$ 20,659,187</u>
Carrying amount at December 31, 2021	<u>\$ 2,027,439</u>	<u>\$ 24,143,610</u>	<u>\$ 363,265</u>	<u>\$ 3,126,908</u>	<u>\$ 21,880,593</u>	<u>\$ 1,768</u>	<u>\$ 51,543,583</u>

a. Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years
Franchises	6.5 or 20 years
Customer relationships	5-15 years
Other intangible assets	3-6 years

b. The acquisition and primary movements in goodwill were as follows:

1) Cathay Life its subsidiaries

Cathay Life and its subsidiaries recognized goodwill in the acquisitions (1) of all assets, liabilities and operations except reserved assets and liabilities of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. on July 1, 2015; (2) of 100% interest in Conning Holdings Limited on September 18, 2015; (3) of 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of the Group) on February 1, 2016; and (4) of 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020. As of December 31, 2021 and 2020, the carrying amounts of goodwill were \$13,324,628 thousand, \$13,278,169 thousand, respectively.

An annual impairment test for goodwill is performed regularly. Cathay Life and its subsidiaries estimated the recoverable amount of the cash-generating unit that the goodwill is allocated to for the purpose of impairment test. The recoverable amount is calculated by applying a proper discount rate. Since the recoverable amount is higher than the book value of the cash-generating unit that the goodwill was allocated to, no impairment is incurred for goodwill.

2) Cathay United Bank

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

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

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

18. COMMERCIAL PAPER PAYABLE, NET

	December 31	
	2021	2020
Nominal amount	\$ 63,470,000	\$ 39,520,000
Less: Discount on short-term bills payable	<u>(834)</u>	<u>(82)</u>
	<u>\$ 63,469,166</u>	<u>\$ 39,519,918</u>
Interest rate range	0.28%-0.50%	0.23%-0.35%

19. DEPOSITS AND REMITTANCES

	December 31	
	2021	2020
Checking deposits	\$ 17,580,377	\$ 15,533,633
Demand deposits	795,879,514	694,644,715
Demand savings deposits	1,267,338,737	1,102,957,219
Time deposits	429,061,978	433,098,232
Time savings deposits	354,855,029	359,917,919
Negotiable certificates of deposit	4,665,005	7,516,122
Outward remittances and remittances payable	<u>2,579,413</u>	<u>2,131,223</u>
	<u>\$ 2,871,960,053</u>	<u>\$ 2,615,799,063</u>

20. BONDS PAYABLE

	December 31	
	2021	2020
Subordinated financial debentures	\$ 46,800,000	\$ 53,800,000
Cumulative perpetual subordinated corporate bonds	45,000,000	45,000,000
Unsecured corporate bonds	<u>50,000,000</u>	<u>50,000,000</u>
	<u>\$ 141,800,000</u>	<u>\$ 148,800,000</u>

a. Subordinated financial debentures

	December 31	
	2021	2020
First issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: March 2021	\$ -	\$ 1,500,000
Second issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: June 2021	-	2,500,000
First issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	4,200,000	4,200,000
Second issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: August 2022	5,600,000	5,600,000
First issue of subordinated financial debentures in 2013; fixed rate at 1.70%; maturity: April 2023	9,900,000	9,900,000
First issue of subordinated financial debentures in 2014; fixed rate at 1.70%; maturity: May 2021	-	3,000,000
First issue of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000
Second issue of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000
Second issue of subordinated financial debentures in 2017; fixed rate at 1.50%; maturity: April 2024	<u>2,400,000</u>	<u>2,400,000</u>
	<u>\$ 46,800,000</u>	<u>\$ 53,800,000</u>

b. Cumulative perpetual subordinated corporate bonds

- 1) Pursuant to Order No. Securities-TPEX-Bond-10600099421 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on May 12, 2017 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$35,000,000 thousand.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: Perpetual.
 - d) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year from the issue date.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - g) Form of bonds: Book-entry securities.
- 2) Pursuant to Order No. Securities-TPEX-Bond-10800055731 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on June 26, 2019 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$10,000,000 thousand.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: Perpetual.
 - d) Coupon rate: Fixed rate of 3%.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - g) Form of bonds: Book-entry securities.

c. Unsecured corporate bonds

- 1) Pursuant to Order No. Securities-TPEX-Bond-10800038242 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on May 8, 2019 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$20,000,000 thousand, which is divided into A Note of \$4,000,000 thousand, B Note of \$4,000,000 thousand and C Note of \$12,000,000 thousand by issue periods.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
 - d) Coupon rate: Fixed rate of 0.83% for A Note, 0.93% for B Note and 1.04% for C Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Form of bonds: Book-entry securities.
- 2) Pursuant to Order No. Securities-TPEX-Bond-10900064782 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on June 23, 2020 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$8,900,000 thousand, which is divided into A Note of \$1,900,000 thousand, B Note of \$6,500,000 thousand and C Note of \$500,000 thousand by issue periods.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
 - d) Coupon rate: Fixed rate of 0.59% for A Note, 0.64% for B Note and 0.67% for C Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Form of bonds: Book-entry securities.
- 3) Pursuant to Order No. Securities-TPEX-Bond-10900108202 of the Taipei Exchange, Cathay Financial Holdings issued its second unsecured corporate bonds on September 8, 2020 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$21,100,000 thousand, which is divided into A Note of \$2,400,000 thousand, B Note of \$7,800,000 thousand, C Note of \$2,500,000 thousand and D Note of \$8,400,000 thousand by period issued.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A Note is 5 years, B Note is 6 years, C Note is 7 years and D Note is 10 years.
 - d) Coupon rate: Fixed rate of 0.61% for A Note, 0.64% for B Note, 0.66% for C Note and 0.70% for D Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.

f) Form of bonds: Book-entry securities.

21. PROVISIONS

	December 31	
	2021	2020
Insurance liability		
Unearned premium reserve	\$ 34,802,057	\$ 32,513,604
Loss reserve	23,598,653	22,026,118
Policy reserve	6,334,959,642	5,999,277,822
Special reserve	13,674,763	13,706,823
Premium deficiency reserve	9,808,215	13,806,541
Reserve for insurance contracts with the nature of financial products	15,188,788	13,731,508
Reserve for foreign exchange valuation	9,053,726	14,820,865
Other reserve	<u>1,865,925</u>	<u>1,876,925</u>
	6,442,951,769	6,111,760,206
Provisions for employee benefits	4,091,659	4,051,931
Other reserve	<u>1,215,928</u>	<u>1,261,082</u>
	<u>\$ 6,448,259,356</u>	<u>\$ 6,117,073,219</u>

As of December 31, 2021, policy reserve belonging to Cathay Life amounted to \$6,284,636,754 thousand.

a. Cathay Life and its subsidiaries

The details and changes of Cathay Life and its subsidiaries' insurance contracts and financial instruments with discretionary participation features are summarized below:

1) Unearned premium reserve

	December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 64,522	\$ -	\$ 64,522
Individual injury insurance	7,539,766	-	7,539,766
Individual health insurance	10,584,652	-	10,584,652
Group insurance	1,188,450	-	1,188,450
Investment-linked insurance	<u>118,841</u>	<u>-</u>	<u>118,841</u>
	19,496,231	-	19,496,231
Less ceded unearned premium reserve			
Individual life insurance	880,519	-	880,519
Individual injury insurance	21,575	-	21,575
Individual health insurance	<u>229,227</u>	<u>-</u>	<u>229,227</u>
	<u>1,131,321</u>	<u>-</u>	<u>1,131,321</u>
	<u>\$ 18,364,910</u>	<u>\$ -</u>	<u>\$ 18,364,910</u>

	December 31, 2020		
		Financial Instruments with Discretionary Participation Features	Total
	Insurance Contracts		
Individual life insurance	\$ 73,271	\$ -	\$ 73,271
Individual injury insurance	7,313,660	-	7,313,660
Individual health insurance	9,966,083	-	9,966,083
Group insurance	1,306,110	-	1,306,110
Investment-linked insurance	<u>116,825</u>	<u>-</u>	<u>116,825</u>
	<u>18,775,949</u>	<u>-</u>	<u>18,775,949</u>
Less ceded unearned premium reserve			
Individual life insurance	878,870	-	878,870
Individual injury insurance	25,638	-	25,638
Individual health insurance	<u>208,531</u>	<u>-</u>	<u>208,531</u>
	<u>1,113,039</u>	<u>-</u>	<u>1,113,039</u>
	<u>\$ 17,662,910</u>	<u>\$ -</u>	<u>\$ 17,662,910</u>

The changes in unearned premium reserve are summarized below:

	For the Year Ended December 31, 2021		
		Financial Instruments with Discretionary Participation Features	Total
	Insurance Contracts		
Beginning balance	\$ 18,775,949	\$ -	\$ 18,775,949
Provision	19,496,422	-	19,496,422
Recovery	(18,773,833)	-	(18,773,833)
Reclassification	-	-	-
Foreign exchange	<u>(2,307)</u>	<u>-</u>	<u>(2,307)</u>
Ending balance	<u>19,496,231</u>	<u>-</u>	<u>19,496,231</u>
Less ceded unearned premium reserve			
Beginning balance	1,113,039	-	1,113,039
Increase	<u>18,282</u>	<u>-</u>	<u>18,282</u>
Ending balance	<u>1,131,321</u>	<u>-</u>	<u>1,131,321</u>
	<u>\$ 18,364,910</u>	<u>\$ -</u>	<u>\$ 18,364,910</u>

	For the Year Ended December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 17,832,203	\$ -	\$ 17,832,203
Provision	18,774,771	-	18,774,771
Recovery	(17,858,671)	-	(17,858,671)
Reclassification	25,878	-	25,878
Foreign exchange	<u>1,768</u>	<u>-</u>	<u>1,768</u>
Ending balance	<u>18,775,949</u>	<u>-</u>	<u>18,775,949</u>
Less ceded unearned premium reserve			
Beginning balance	894,878	-	894,878
Increase	<u>218,161</u>	<u>-</u>	<u>218,161</u>
Ending balance	<u>1,113,039</u>	<u>-</u>	<u>1,113,039</u>
	<u>\$ 17,662,910</u>	<u>\$ -</u>	<u>\$ 17,662,910</u>

2) Loss reserve

	December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 2,964,152	\$ 31,747	\$ 2,995,899
Filed but not paid	44,557	-	44,557
Not yet filed			
Individual injury insurance	88,214	-	88,214
Filed but not paid	1,978,486	-	1,978,486
Not yet filed			
Individual health insurance	1,534,710	-	1,534,710
Filed but not paid	3,398,768	-	3,398,768
Not yet filed			
Group insurance	92,359	-	92,359
Filed but not paid	1,422,405	-	1,422,405
Not yet filed			
Investment-linked insurance	207,053	-	207,053
Filed but not paid	<u>930</u>	<u>-</u>	<u>930</u>
Not yet filed	<u>11,731,634</u>	<u>31,747</u>	<u>11,763,381</u>
Less ceded loss reserve	35,496	-	35,496
Individual life insurance	12	-	12
Individual injury insurance	11,607	-	11,607
Individual health insurance	<u>4,382</u>	<u>-</u>	<u>4,382</u>
Group insurance	<u>51,497</u>	<u>-</u>	<u>51,497</u>
	<u>\$ 11,680,137</u>	<u>\$ 31,747</u>	<u>\$ 11,711,884</u>

	December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance			
Filed but not paid	\$ 3,002,905	\$ 35,590	\$ 3,038,495
Not yet filed	38,807	-	38,807
Individual injury insurance			
Filed but not paid	40,812	-	40,812
Not yet filed	1,952,214	-	1,952,214
Individual health insurance			
Filed but not paid	1,654,400	-	1,654,400
Not yet filed	3,284,612	-	3,284,612
Group insurance			
Filed but not paid	69,091	-	69,091
Not yet filed	1,863,008	-	1,863,008
Investment-linked insurance			
Filed but not paid	221,863	-	221,863
Not yet filed	551	-	551
	<u>12,128,263</u>	<u>35,590</u>	<u>12,163,853</u>
Less ceded loss reserve			
Individual life insurance	46,636	-	46,636
Individual injury insurance	29	-	29
Individual health insurance	21,914	-	21,914
Group insurance	3,144	-	3,144
	<u>71,723</u>	<u>-</u>	<u>71,723</u>
	<u>\$ 12,056,540</u>	<u>\$ 35,590</u>	<u>\$ 12,092,130</u>

The changes in loss reserve are summarized below:

	For the Year Ended December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 12,128,263	\$ 35,590	\$ 12,163,853
Provision	11,896,280	31,747	11,928,027
Recovery	(12,276,317)	(35,590)	(12,311,907)
Foreign exchange	(16,592)	-	(16,592)
Ending balance	<u>11,731,634</u>	<u>31,747</u>	<u>11,763,381</u>
Less ceded loss reserve			
Beginning balance	71,723	-	71,723
Increase	47,770	-	47,770
Decrease	(67,950)	-	(67,950)
Foreign exchange	(46)	-	(46)
Ending balance	<u>51,497</u>	<u>-</u>	<u>51,497</u>
	<u>\$ 11,680,137</u>	<u>\$ 31,747</u>	<u>\$ 11,711,884</u>

For the Year Ended December 31, 2020			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 11,011,412	\$ 31,200	\$ 11,042,612
Provision	12,122,303	35,590	12,157,893
Recovery	(10,994,063)	(31,200)	(11,025,263)
Foreign exchange	<u>(11,389)</u>	<u>-</u>	<u>(11,389)</u>
Ending balance	<u>12,128,263</u>	<u>35,590</u>	<u>12,163,853</u>
Less ceded loss reserve			
Beginning balance	24,014	-	24,014
Increase	109,559	-	109,559
Decrease	(61,856)	-	(61,856)
Foreign exchange	<u>6</u>	<u>-</u>	<u>6</u>
Ending balance	<u>71,723</u>	<u>-</u>	<u>71,723</u>
	<u>\$ 12,056,540</u>	<u>\$ 35,590</u>	<u>\$ 12,092,130</u>

3) Policy reserve

December 31, 2021			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance (Note 1)	\$ 5,443,891,473	\$ 3,673	\$ 5,443,895,146
Injury insurance	7,497,332	-	7,497,332
Health insurance	869,807,903	-	869,807,903
Annuity insurance	1,312,175	10,396,632	11,708,807
Investment-linked insurance	<u>1,564,260</u>	<u>-</u>	<u>1,564,260</u>
Total (Note 2)	<u>6,324,073,143</u>	<u>10,400,305</u>	<u>6,334,473,448</u>
Less ceded policy reserve			
Life insurance	376,139	-	376,139
Health insurance	<u>18,976</u>	<u>-</u>	<u>18,976</u>
	<u>395,115</u>	<u>-</u>	<u>395,115</u>
	<u>\$ 6,323,678,028</u>	<u>\$ 10,400,305</u>	<u>\$ 6,334,078,333</u>

	December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance (Note 1)	\$ 5,178,748,267	\$ 3,810	\$ 5,178,752,077
Injury insurance	7,058,104	-	7,058,104
Health insurance	796,516,850	-	796,516,850
Annuity insurance	1,381,226	14,175,381	15,556,607
Investment-linked insurance	<u>936,020</u>	<u>-</u>	<u>936,020</u>
Total (Note 2)	<u>5,984,640,467</u>	<u>14,179,191</u>	<u>5,998,819,658</u>
Less ceded policy reserve			
Life insurance	406,053	-	406,053
Health insurance	<u>19,465</u>	<u>-</u>	<u>19,465</u>
	<u>425,518</u>	<u>-</u>	<u>425,518</u>
	<u>\$ 5,984,214,949</u>	<u>\$ 14,179,191</u>	<u>\$ 5,998,394,140</u>

Note 1: Allowance for doubtful account pertinent to 3% of business tax cut and recovery of reserve for catastrophic event are included.

Note 2: Total policy reserve including policy reserve-payables to the insured amounted to \$6,334,959,547 thousand and \$5,999,277,703 thousand as of December 31, 2021 and 2020, respectively.

The changes in policy reserve are summarized below:

	For the Year Ended December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 5,984,640,467	\$ 14,179,191	\$ 5,998,819,658
Provision	604,703,479	85,175	604,788,654
Recovery	(220,995,822)	(3,863,924)	(224,859,746)
Reclassification	43,213	-	43,213
Foreign exchange	<u>(44,318,194)</u>	<u>(137)</u>	<u>(44,318,331)</u>
Ending balance	<u>6,324,073,143</u>	<u>10,400,305</u>	<u>6,334,473,448</u>
Less ceded policy reserve			
Beginning balance	425,518	-	425,518
Increase	81,738	-	81,738
Decrease	(108,730)	-	(108,730)
Foreign exchange	<u>(3,411)</u>	<u>-</u>	<u>(3,411)</u>
Ending balance	<u>395,115</u>	<u>-</u>	<u>395,115</u>
	<u>\$ 6,323,678,028</u>	<u>\$ 10,400,305</u>	<u>\$ 6,334,078,333</u>

	For the Year Ended December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 5,572,026,192	\$ 20,479,782	\$ 5,592,505,974
Provision	676,665,532	157,530	676,823,062
Recovery	(204,297,672)	(6,458,184)	(210,755,856)
Reclassification	92,400	-	92,400
Foreign exchange	(59,845,985)	63	(59,845,922)
Ending balance	<u>5,984,640,467</u>	<u>14,179,191</u>	<u>5,998,819,658</u>
Less ceded policy reserve			
Beginning balance	421,465	-	421,465
Increase	89,028	-	89,028
Decrease	(90,296)	-	(90,296)
Foreign exchange	5,321	-	5,321
Ending balance	<u>425,518</u>	<u>-</u>	<u>425,518</u>
	<u>\$ 5,984,214,949</u>	<u>\$ 14,179,191</u>	<u>\$ 5,998,394,140</u>

4) Special reserve

	December 31, 2021			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Participating policies				
dividends reserve	\$ (41,854)	\$ -	\$ -	\$ (41,854)
Dividend risk reserve	43,589	-	-	43,589
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,735</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,059</u>
	December 31, 2020			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Participating policies				
dividends reserve	\$ (53,476)	\$ -	\$ -	\$ (53,476)
Dividend risk reserve	54,928	-	-	54,928
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,776</u>

The changes in special reserve are summarized below:

For the Year Ended December 31, 2021				
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Beginning balance	\$ 1,452	\$ -	\$ 11,083,324	\$ 11,084,776
Provision for participating policies dividends reserve	22,335	-	-	22,335
Recovery of participating policies dividends reserve	(10,713)	-	-	(10,713)
Recovery of dividend risk reserve	<u>(11,339)</u>	<u>-</u>	<u>-</u>	<u>(11,339)</u>
Ending balance	<u>\$ 1,735</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,059</u>

For the Year Ended December 31, 2020				
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Beginning balance	\$ 1,300	\$ -	\$ 11,083,324	\$ 11,084,624
Provision for participating policies dividends reserve	14,694	-	-	14,694
Recovery of participating policies dividends reserve	(11,270)	-	-	(11,270)
Recovery of dividend risk reserve	<u>(3,272)</u>	<u>-</u>	<u>-</u>	<u>(3,272)</u>
Ending balance	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,776</u>

5) Premium deficiency reserve

December 31, 2021			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 8,570,062	\$ -	\$ 8,570,062
Individual injury insurance	3,300	-	3,300
Individual health insurance	1,234,787	-	1,234,787
Group insurance	<u>66</u>	<u>-</u>	<u>66</u>
	<u>\$ 9,808,215</u>	<u>\$ -</u>	<u>\$ 9,808,215</u>

	December 31, 2020		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Individual life insurance	\$ 12,569,742	\$ -	\$ 12,569,742
Individual injury insurance	934	-	934
Individual health insurance	1,225,954	-	1,225,954
Group insurance	<u>5,713</u>	<u>-</u>	<u>5,713</u>
	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>

The changes in premium deficiency reserve are summarized below:

	For the Year Ended December 31, 2021		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Beginning balance	\$ 13,802,343	\$ -	\$ 13,802,343
Provision	-	-	-
Recovery	(3,863,053)	-	(3,863,053)
Foreign exchange	<u>(131,075)</u>	<u>-</u>	<u>(131,075)</u>
Ending balance	<u>\$ 9,808,215</u>	<u>\$ -</u>	<u>\$ 9,808,215</u>

	For the Year Ended December 31, 2020		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Beginning balance	\$ 19,679,457	\$ -	\$ 19,679,457
Provision	5,619	-	5,619
Recovery	(5,716,962)	-	(5,716,962)
Foreign exchange	<u>(165,771)</u>	<u>-</u>	<u>(165,771)</u>
Ending balance	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>

6) Other reserve

	December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Others	<u>\$ 1,865,925</u>	<u>\$ -</u>	<u>\$ 1,865,925</u>

	December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Others	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>

The changes in other reserve are summarized below:

	For the Year Ended December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 1,876,925	\$ -	\$ 1,876,925
Recovery	<u>(11,000)</u>	<u>-</u>	<u>(11,000)</u>
Ending balance	<u>\$ 1,865,925</u>	<u>\$ -</u>	<u>\$ 1,865,925</u>

	For the Year Ended December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 1,873,141	\$ -	\$ 1,873,141
Provision	<u>3,784</u>	<u>-</u>	<u>3,784</u>
Ending balance	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>

7) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Features	
	December 31	
	2021	2020
Unearned premium reserve	\$ 19,496,231	\$ 18,775,949
Policy reserve	6,334,959,547	5,999,277,703
Premium deficiency reserve	9,808,215	13,802,343
Other reserve	<u>1,865,925</u>	<u>1,876,925</u>
Book value of insurance liabilities	<u>\$ 6,366,129,918</u>	<u>\$ 6,033,732,920</u>
Estimated present value of cash flows	<u>\$ 5,607,152,746</u>	<u>\$ 5,225,717,939</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>

Note 1: Shown by liability adequacy test range (integrated contracts).

Note 2: Loss reserve and special reserve are not included in the liability adequacy test. Loss reserve is determined based on claims incurred before the valuation date and is therefore not included in the test.

Note 3: Cathay Life has settled the acquisition of Global Life and Singfor Life. Thus, the value of the acquired business, i.e., other reserves, shall be considered when calculating the book value of insurance liability included in the liability adequacy test.

Note 4: There is no merger or transfer of insurance contracts for Cathay Lujiazui Life and Cathay Life (Vietnam). Thus, the book value of related intangible assets shall not be deducted from the book value of insurance liability for liability adequacy reserve test.

Cathay Life's liability adequacy testing methodology is listed as follows:

	December 31, 2021	December 31, 2020
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing
Significant assumptions		
a. Information of policies	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.

(Continued)

	December 31, 2021	December 31, 2020
b. Discount rate	Under the asset allocation situation on September 30, 2021, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2020; with neutral assumptions for the discount rate after 30 years.	Under the asset allocation situation on September 30, 2020, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2019; with neutral assumptions for the discount rate after 30 years. (Concluded)

Cathay Lujiazui Life's liability adequacy testing methodology is listed as follows:

	December 31, 2021	December 31, 2020
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing
Significant assumptions		
a. Information of policies	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.
b. Discount rate	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2020; with neutral assumptions for the discount rate after 30 years.	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2019; with neutral assumptions for the discount rate after 30 years.

Cathay Life (Vietnam)'s liability adequacy testing methodology is listed as follows:

	December 31, 2021	December 31, 2020
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing
Significant assumptions		
a. Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.
b. Discount rate	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.

8) Reserve for insurance contracts with the nature of financial products

Cathay Life and its subsidiaries issued financial instruments without discretionary participation features and recognized a reserve for insurance contracts with the nature of financial products. As of December 31, 2021 and 2020, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

	December 31	
	2021	2020
Life insurance	\$ 14,095,296	\$ 12,793,432
Investment-linked insurance	<u>1,093,492</u>	<u>938,076</u>
	<u>\$ 15,188,788</u>	<u>\$ 13,731,508</u>
	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 13,731,508	\$ 10,932,008
Premiums received	3,936,515	5,195,938
Claims and payments	(3,469,466)	(3,302,901)
Net provision of statutory reserve	1,052,640	787,429
Foreign exchange	<u>(62,409)</u>	<u>119,034</u>
Ending balance	<u>\$ 15,188,788</u>	<u>\$ 13,731,508</u>

9) Reserve for foreign exchange valuation

a) The hedging strategy and risk exposure

Based on the principle of risk control and to maintain the consistent level of reserve for foreign exchange valuation, Cathay Life consistently adjusts the hedge ratios and risk exposure position under the risk control.

b) Reconciliation for reserve for foreign exchange valuation

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 14,820,865	\$ 18,000,877
Provision:		
Compulsory reserve	7,479,726	8,433,364
Additional reserve	<u>2,135,119</u>	<u>11,153,852</u>
	9,614,845	19,587,216
Recovery	<u>(15,381,984)</u>	<u>(22,767,228)</u>
Ending balance	<u>\$ 9,053,726</u>	<u>\$ 14,820,865</u>

c) Effects due to reserve for foreign exchange valuation

	For the Year Ended December 31, 2021		
Item	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 134,900,371	\$ 139,514,082	\$ 4,613,711
Earnings per share	9.99	10.34	0.35
Reserve for foreign exchange valuation	-	9,053,726	9,053,726
Equity attributable to owners of the Company	905,678,230	902,038,146	(3,640,084)

	For the Year Ended December 31, 2020		
Item	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 72,035,451	\$ 74,579,460	\$ 2,544,009
Earnings per share	5.21	5.41	0.20
Reserve for foreign exchange valuation	-	14,820,865	14,820,865
Equity attributable to owners of the Company	901,315,011	893,061,216	(8,253,795)

b. Cathay Century and its subsidiaries

1) Unearned insurance premium reserve

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

December 31, 2021				
Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ 1,875,676	\$ 241,506	\$ 1,196,644	\$ 920,538
Marine insurance	195,031	17,467	143,329	69,169
Land and air insurance	6,264,140	19,060	226,099	6,057,101
Liability insurance	1,087,179	3,918	295,440	795,657
Guarantee insurance	55,444	4,592	35,439	24,597
Other property insurance	1,515,244	41,080	1,192,079	364,245
Accident insurance	1,596,107	11,674	92,817	1,514,964
Health insurance	425,727	1,071	206,791	220,007
Policy-oriented residential earthquake insurance	230,777	29,569	230,777	29,569
Compulsory automobile liability insurance	<u>1,237,536</u>	<u>453,028</u>	<u>742,522</u>	<u>948,042</u>
	<u>\$ 14,482,861</u>	<u>\$ 822,965</u>	<u>\$ 4,361,937</u>	<u>\$ 10,943,889</u>
December 31, 2020				
Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ 1,841,551	\$ 182,263	\$ 1,008,169	\$ 1,015,645
Marine insurance	218,842	10,934	155,705	74,071
Land and air insurance	5,671,965	16,831	195,817	5,492,979
Liability insurance	852,796	1,833	269,694	584,935
Guarantee insurance	49,397	9,133	27,245	31,285
Other property insurance	1,303,665	41,314	925,174	419,805
Accident insurance	1,527,427	6,378	83,125	1,450,680
Health insurance	61,680	815	7	62,488
				(Continued)

December 31, 2020				
Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Policy-oriented residential earthquake insurance	\$ 225,463	\$ 26,857	\$ 225,463	\$ 26,857
Compulsory automobile liability insurance	<u>1,227,564</u>	<u>460,947</u>	<u>736,539</u>	<u>951,972</u>
	<u>\$ 12,980,350</u>	<u>\$ 757,305</u>	<u>\$ 3,626,938</u>	<u>\$ 10,110,717</u> (Concluded)

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

For the Year Ended December 31				
	2021		2020	
	Unearned Premium Reserve	Ceded Unearned Premium Reserve	Unearned Premium Reserve	Ceded Unearned Premium Reserve
Beginning balance	\$ 13,737,655	\$ 3,626,938	\$ 12,736,870	\$ 3,199,204
Provision	15,307,114	4,362,505	13,743,797	3,629,651
Recovery	(13,763,608)	(3,634,266)	(12,750,980)	(3,201,587)
Foreign exchange	<u>24,665</u>	<u>6,760</u>	<u>7,968</u>	<u>(330)</u>
Ending balance	<u>\$ 15,305,826</u>	<u>\$ 4,361,937</u>	<u>\$ 13,737,655</u>	<u>\$ 3,626,938</u>

2) Loss reserve

a) Loss reserve and ceded loss reserve

December 31, 2021				
Items	Loss Reserve		Ceded Loss Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Filed not yet paid	\$ 5,930,391	\$ 1,129,732	\$ 2,735,737	\$ 4,324,386
Not yet filed	<u>4,324,824</u>	<u>450,325</u>	<u>1,384,117</u>	<u>3,391,032</u>
	<u>\$ 10,255,215</u>	<u>\$ 1,580,057</u>	<u>\$ 4,119,854</u>	<u>\$ 7,715,418</u>

December 31, 2020				
Items	Loss Reserve		Ceded Loss Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Filed not yet paid	\$ 4,577,293	\$ 786,091	\$ 1,582,443	\$ 3,780,941
Not yet filed	<u>4,043,812</u>	<u>455,069</u>	<u>1,238,524</u>	<u>3,260,357</u>
	<u>\$ 8,621,105</u>	<u>\$ 1,241,160</u>	<u>\$ 2,820,967</u>	<u>\$ 7,041,298</u>

b) Net changes in loss reserve and ceded loss reserve

For the year ended December 31, 2021

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Filed not yet paid	\$ 5,951,860	\$ 4,597,432	\$ 1,129,732	\$ 786,091	\$ 1,698,069
Not yet filed	<u>4,303,574</u>	<u>4,023,236</u>	<u>450,325</u>	<u>455,069</u>	<u>275,594</u>
	<u>\$ 10,255,434</u>	<u>\$ 8,620,668</u>	<u>\$ 1,580,057</u>	<u>\$ 1,241,160</u>	<u>\$ 1,973,663</u>

Items	Ceded Reinsurance Business		Net Changes in Loss Reserve
	Provision (6)	Recovery (7)	(8)=(6)-(7)
Filed not yet paid	\$ 2,744,665	\$ 1,590,645	\$ 1,154,020
Not yet filed	<u>1,375,858</u>	<u>1,230,100</u>	<u>145,758</u>
	<u>\$ 4,120,523</u>	<u>\$ 2,820,745</u>	<u>\$ 1,299,778</u>

For the year ended December 31, 2020

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Filed not yet paid	\$ 4,596,763	\$ 4,114,470	\$ 786,091	\$ 680,547	\$ 587,837
Not yet filed	<u>4,025,214</u>	<u>4,103,229</u>	<u>455,069</u>	<u>458,050</u>	<u>(80,996)</u>
	<u>\$ 8,621,977</u>	<u>\$ 8,217,699</u>	<u>\$ 1,241,160</u>	<u>\$ 1,138,597</u>	<u>\$ 506,841</u>

Items	Ceded Reinsurance Business		Net Changes in
	Provision (6)	Recovery (7)	Loss Reserve (8)=(6)-(7)
Filed not yet paid	\$ 1,592,425	\$ 1,250,248	\$ 342,177
Not yet filed	<u>1,229,150</u>	<u>1,199,002</u>	<u>30,148</u>
	<u>\$ 2,821,575</u>	<u>\$ 2,449,250</u>	<u>\$ 372,325</u>

c) Details of claims filed but not yet paid and claim not yet filed of policyholders

Insurance Type	December 31, 2021		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 3,279,459	\$ 28,876	\$ 3,308,335
Marine insurance	408,187	167,516	575,703
Land and air insurance	1,683,367	1,310,307	2,993,674
Liability insurance	585,673	690,307	1,275,980
Guarantee insurance	53,279	33,866	87,145
Other property insurance	461,388	116,077	577,465
Accident insurance	134,164	508,005	642,169
Health insurance	7,923	110,734	118,657
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>446,683</u>	<u>1,809,461</u>	<u>2,256,144</u>
	<u>\$ 7,060,123</u>	<u>\$ 4,775,149</u>	<u>\$ 11,835,272</u>

Insurance Type	December 31, 2020		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,524,317	\$ 35,616	\$ 1,559,933
Marine insurance	293,296	100,993	394,289
Land and air insurance	1,685,167	1,305,013	2,990,180
Liability insurance	623,958	628,515	1,252,473
Guarantee insurance	71,574	32,880	104,454
Other property insurance	528,177	105,129	633,306
Accident insurance	116,574	512,901	629,475
Health insurance	3,117	31,063	34,180
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>517,204</u>	<u>1,746,771</u>	<u>2,263,975</u>
	<u>\$ 5,363,384</u>	<u>\$ 4,498,881</u>	<u>\$ 9,862,265</u>

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

Insurance Type	December 31, 2021		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,683,310	\$ 11,282	\$ 1,694,592
Marine insurance	275,098	100,501	375,599
Land and air insurance	68,792	35,728	104,520
Liability insurance	327,424	268,882	596,306
Guarantee insurance	13,775	16,353	30,128
Other property insurance	232,315	44,182	276,497
Accident insurance	5,789	31,251	37,040
Health insurance	283	25,968	26,251
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>128,951</u>	<u>849,970</u>	<u>978,921</u>
	<u>\$ 2,735,737</u>	<u>\$ 1,384,117</u>	<u>\$ 4,119,854</u>

Insurance Type	December 31, 2020		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 518,834	\$ 7,832	\$ 526,666
Marine insurance	182,974	60,591	243,565
Land and air insurance	51,255	36,432	87,687
Liability insurance	352,700	241,410	594,110
Guarantee insurance	31,736	15,059	46,795
Other property insurance	260,734	43,816	304,550
Accident insurance	5,914	31,743	37,657
Health insurance	-	-	-
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>178,296</u>	<u>801,641</u>	<u>979,937</u>
	<u>\$ 1,582,443</u>	<u>\$ 1,238,524</u>	<u>\$ 2,820,967</u>

- e) Reconciliation of loss reserve and ceded loss reserve

	For the Year Ended December 31			
	2021		2020	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	\$ 9,862,265	\$ 2,820,967	\$ 9,357,750	\$ 2,450,072
Provision	11,835,491	4,120,523	9,863,137	2,821,576
Recovery	(9,861,828)	(2,820,745)	(9,356,296)	(2,449,251)
Foreign exchange	<u>(656)</u>	<u>(891)</u>	<u>(2,326)</u>	<u>(1,430)</u>
Ending balance	<u>\$ 11,835,272</u>	<u>\$ 4,119,854</u>	<u>\$ 9,862,265</u>	<u>\$ 2,820,967</u>

3) Special reserve

a) Special reserve for compulsory automobile liability insurance

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 865,038	\$ 1,122,321
Provision	117,823	1,281
Recovery	<u>(131,439)</u>	<u>(258,564)</u>
Ending balance	<u>\$ 851,422</u>	<u>\$ 865,038</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, each property insurance company shall set aside NT\$30 per insurance policy as a special reserve from the insurers' business expenses in its own compulsory automobile liability insurance business starting from April 1, 2021. 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 first be offset with the special reserve; 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.

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

	For the Year Ended December 31, 2021		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	\$ 411,992	\$ 1,345,017	\$ 1,757,009
Provision	-	-	-
Recovery	<u>(18,727)</u>	<u>-</u>	<u>(18,727)</u>
Ending balance	<u>\$ 393,265</u>	<u>\$ 1,345,017</u>	<u>\$ 1,738,282</u>

	For the Year Ended December 31, 2020		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	\$ 430,719	\$ 1,345,017	\$ 1,775,736
Provision	-	-	-
Recovery	<u>(18,727)</u>	<u>-</u>	<u>(18,727)</u>
Ending balance	<u>\$ 411,992</u>	<u>\$ 1,345,017</u>	<u>\$ 1,757,009</u>

If the notice for the improvement of the reserves of natural disaster insurance (commercial-business earthquake, typhoon and flood insurances) for property insurance enterprises, notice for enhancing the reserves of residential earthquake insurance pool members and regulations governing the reserves of nuclear energy insurance are not applied, there is impact on the Cathay Century Insurance and its subsidiaries' pre-tax income/loss and the special reserve under liabilities and equity would decrease by \$18,727 thousand and \$18,727 thousand, decrease by \$1,429,782 thousand and \$1,448,509 thousand and increase by \$310,139 thousand and \$371,511 thousand for the year ended December 31, 2021 and 2020, respectively. Earnings per share for the year ended December 31, 2021 and 2020 both decreased by \$0.06 when the notice was not applied to Century Insurance and its subsidiaries.

4) Premium deficiency reserve

a) Premium deficiency reserve and ceded premium deficiency reserve

December 31, 2021				
Insurance Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ -	\$ -	\$ -	\$ -
Marine insurance	-	-	-	-
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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2020				
Insurance Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ -	\$ -	\$ -	\$ -
Marine insurance	3,082	916	-	3,998
Land and air insurance	118	82	-	200
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ 3,200</u>	<u>\$ 998</u>	<u>\$ -</u>	<u>\$ 4,198</u>

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

For the Year Ended December 31, 2021									
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marine insurance	-	3,082	-	916	(3,998)	-	-	-	(3,998)
Land and air insurance	-	118	-	82	(200)	-	-	-	(200)
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 3,200</u>	<u>\$ -</u>	<u>\$ 998</u>	<u>\$ (4,198)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,198)</u>
For the Year Ended December 31, 2020									
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marine insurance	3,082	12	916	613	3,373	-	-	-	3,373
Land and air insurance	118	-	82	1,400	(1,200)	-	-	-	(1,200)
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,200</u>	<u>\$ 12</u>	<u>\$ 998</u>	<u>\$ 2,013</u>	<u>\$ 2,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,173</u>

c) Reconciliation of premium deficiency reserve and ceded premium deficiency reserve

For the Year Ended December 31			
	2021		2020
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve
Beginning balance	\$ 4,198	\$ -	\$ 2,025
Provision	-	-	4,198
Recovery	(4,198)	-	(2,025)
Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,198</u>

5) Policy reserve

a) Details of policy reserve and ceded policy reserve

December 31, 2021

Insurance Type	Policy Reserve		Ceded Policy Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	\$ 95	\$ -	\$ -	\$ 95

December 31, 2020

Insurance Type	Policy Reserve		Ceded Policy Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	\$ 119	\$ -	\$ -	\$ 119

b) Net changes in policy reserve and ceded policy reserve

For the year ended December 31, 2021

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision	Recovery	Provision	Recovery	(5)=(1)-(2)+(3)-(4)
	(1)	(2)	(3)	(4)	(3)-(4)
Health insurance	\$ 40	\$ 64	\$ -	\$ -	\$ (24)

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

For the year ended December 31, 2020

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision	Recovery	Provision	Recovery	(5)=(1)-(2)+(3)-(4)
	(1)	(2)	(3)	(4)	(3)-(4)
Health insurance	\$ 81	\$ 41	\$ -	\$ -	\$ 40

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

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company and its domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Subsidiaries in mainland China and other foreign countries adopted pension plans which are defined contribution plans and make contributions in accordance with local government regulations.

b. Defined benefit plans

The defined benefit plans adopted by the Company, Cathay Life, Cathay United Bank, Cathay Century, Cathay Securities, Cathay Futures, Cathay Securities Investment Trust and Cathay Venture in accordance with the Labor Standards Law are 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 and its subsidiaries in the ROC contribute amounts equal to 2% 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy.

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 19,123,827	\$ 20,530,826
Fair value of plan assets	<u>(23,403,382)</u>	<u>(23,345,747)</u>
Net defined benefit assets	<u>\$ (4,279,555)</u>	<u>\$ (2,814,921)</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	<u>\$ 20,564,339</u>	<u>\$ (23,663,947)</u>	<u>\$ (3,099,608)</u>
Service cost			
Current service cost	492,390	-	492,390
Interest expense (income)	<u>139,547</u>	<u>(163,224)</u>	<u>(23,677)</u>
Recognized in profit or loss	<u>631,937</u>	<u>(163,224)</u>	<u>468,713</u>
Return on plan assets (excluding amounts included in net interest)	-	(501,266)	(501,266)
Actuarial loss (gain)			
Changes in demographic assumptions	(1,230)	-	(1,230)
Changes in financial assumptions	710,105	-	710,105
Experience adjustments	<u>375,838</u>	<u>-</u>	<u>375,838</u>
Recognized in other comprehensive income	<u>1,084,713</u>	<u>(501,266)</u>	<u>583,447</u>
Contributions from the employer	-	(764,003)	(764,003)
Benefits paid	(1,750,158)	1,746,693	(3,465)
Exchange differences	<u>(5)</u>	<u>-</u>	<u>(5)</u>
Balance at December 31, 2020	<u>20,530,826</u>	<u>(23,345,747)</u>	<u>(2,814,921)</u>
Service cost			
Current service cost	463,826	-	463,826
Interest expense (income)	<u>65,689</u>	<u>(74,723)</u>	<u>(9,034)</u>
Recognized in profit or loss	<u>529,515</u>	<u>(74,723)</u>	<u>454,792</u>
Return on plan assets (excluding amounts included in net interest)	-	(1,069,976)	(1,069,976)
Actuarial loss (gain)			
Changes in demographic assumptions	308,323	-	308,323
Changes in financial assumptions	(432,916)	-	(432,916)
Experience adjustments	<u>(174,024)</u>	<u>-</u>	<u>(174,024)</u>
Recognized in other comprehensive income	<u>(298,617)</u>	<u>(1,069,976)</u>	<u>(1,368,593)</u>
Contributions from the employer	-	(542,608)	(542,608)
Benefits paid	(1,637,433)	1,629,672	(7,761)
Exchange differences	<u>(464)</u>	<u>-</u>	<u>(464)</u>
Balance at December 31, 2021	<u>\$ 19,123,827</u>	<u>\$ (23,403,382)</u>	<u>\$ (4,279,555)</u>

Through the defined benefit plan under the labor standards law, the Group is exposed to the following risks:

- 1) Investment risk: The discount rate for determining the present value of the defined benefit obligation is based on the government bond yield. If the actual return on investment of the retirement fund assets is lower than the yield, the insufficiency of defined benefit liabilities will increase. The retirement fund assets which are managed by the Bureau of Labor Funds, Ministry of Labor are deposited in the labor retirement fund accounts, whose investment management and operations are all managed by the government. Therefore, the Company has no control over the investment of the retirement fund assets.
- 2) Interest rate risk: A decrease in the government bond yield will increase the present value of the defined benefit obligation. The interest rate risk is the main source of risk in the retirement benefit plan.

- 3) Longevity risk: In the calculation of the present value of the defined benefit obligation, the estimated mortality rate during the employee service period is based on 100% of the fifth life table (2011TSO) of the life insurance industry. If the actual mortality rate is lower than the estimated rate, the present value of the defined benefit obligation will increase.
- 4) Salary adjustment risk: In the calculation of the present value of the defined benefit obligation, the salary of an employee at the time of retirement is based on the assumed annual salary increase rate. If the actual adjustment to the employee's salary is higher than the assumed rate in the future, the present value of the defined benefit obligation will increase.

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:

	December 31	
	2021	2020
Discount rate	0.65%-0.77%	0.31%-0.38%
Expected rate of salary increase	1.50%-3.50%	1.50%-3.00%

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:

	December 31	
	2021	2020
Discount rate		
0.25% increase	<u>\$ (373,221)</u>	<u>\$ (471,216)</u>
0.25% decrease	<u>\$ 392,244</u>	<u>\$ 493,374</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 746,966</u>	<u>\$ 947,043</u>
0.5% decrease	<u>\$ (707,010)</u>	<u>\$ (897,940)</u>

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

	December 31	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 541,814</u>	<u>\$ 760,570</u>
Average duration of the defined benefit obligation	7.4-14.1 years	8.5-15.1 years

c. Employee preferential interest deposit plan

Cathay United Bank's obligations on preferential interest deposits for current employees and those retired employees and current employees after retirement are handled in accordance with Cathay United Bank's internal rules. Under the Regulations Governing the Preparation of Financial Reports by Public Banks, the excess interest generated from the post-employment preferential deposit interest rate over the market rate should be actuarially determined.

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 673,225	\$ 586,625
Fair value of plan assets	<u>-</u>	<u>-</u>
Net defined benefit liabilities	<u>\$ 673,225</u>	<u>\$ 586,625</u>

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

	Present Value of the Defined Benefit Obligation
Balance at January 1, 2020	<u>\$ 620,011</u>
Net interest expense (income)	<u>22,921</u>
Recognized in profit or loss	<u>22,921</u>
Remeasurement	
Experience adjustments	111,362
Changes in financial assumptions	<u>(77,728)</u>
Recognized in other comprehensive income	<u>33,634</u>
Benefits paid	<u>(89,941)</u>
Balance at December 31, 2020	<u>586,625</u>
Net interest expense (income)	<u>21,671</u>
Recognized in profit or loss	<u>21,671</u>
Remeasurement	
Experience adjustments	118,750
Changes in demographic assumptions	<u>41,731</u>
Recognized in other comprehensive income	<u>160,481</u>
Benefits paid	<u>(95,552)</u>
Balance at December 31, 2021	<u>\$ 673,225</u>

Under Order No. 10110000850 issued by the FSC, effective March 15, 2012, the actuarial assumptions used in the determination of the employee benefits expense of the post-employment preferential deposits were as follows:

	December 31	
	2021	2020
Discount rate	4.00%	4.00%
Return on deposit	2.00%	2.00%
Withdrawal rate of post-employment preferential deposits	1.00%	1.00%

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

	December 31	
	2021	2020
Discount rates		
0.5% increase	\$ (33,661)	\$ (28,158)
0.5% decrease	\$ 37,027	\$ 30,505
Mortality rates		
Adjusted to 105%	\$ (6,059)	\$ (5,866)
Adjusted to 95%	\$ 6,059	\$ 6,453
Excess interest rates of employee preferential interest deposits		
0.5% increase	\$ 178,405	\$ 149,157
0.5% decrease	\$ (178,405)	\$ (149,157)

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

	December 31	
	2021	2020
Expected contributions to the plan for the next year	\$ 97,278	\$ 89,723
Average duration of the defined benefit obligation	10.2 years	10.3 years

23. OTHER FINANCIAL ASSETS AND LIABILITIES

	December 31	
	2021	2020
<u>Other financial assets</u>		
Separate account insurance product assets	\$ 724,210,234	\$ 641,684,568
Others	<u>16,896,792</u>	<u>18,863,407</u>
	<u>\$ 741,107,026</u>	<u>\$ 660,547,975</u>
<u>Other financial liabilities</u>		
Separate account insurance product liabilities	\$ 724,210,234	\$ 641,684,568
Principal received from the sale of structured products	31,603,958	40,034,992
Others	<u>8,094,006</u>	<u>11,040,724</u>
	<u>\$ 763,908,198</u>	<u>\$ 692,760,284</u>

- a. The related accounts of Cathay Life's separate account insurance products were summarized as follows:

	December 31	
	2021	2020
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 536,869	\$ 447,744
Financial assets at FVTPL	716,214,583	632,843,466
Other receivables	<u>7,345,361</u>	<u>8,264,484</u>
	<u>\$ 724,096,813</u>	<u>\$ 641,555,694</u>
<u>Separate account insurance product liabilities</u>		
Other payables	\$ 319,598	\$ 701,555
Reserve for separate accounts - insurance contracts	306,089,604	277,388,301
Reserve for separate accounts - investment contracts	<u>417,687,611</u>	<u>363,465,838</u>
	<u>\$ 724,096,813</u>	<u>\$ 641,555,694</u>
	For the Year Ended December 31	
	2021	2020
<u>Separate account insurance product income</u>		
Premium income	\$ 62,250,599	\$ 61,477,595
Interest income	1,453	1,558
Gains from financial assets at FVTPL	20,892,861	22,709,729
Foreign exchange losses	<u>(5,214,085)</u>	<u>(10,823,926)</u>
	<u>\$ 77,930,828</u>	<u>\$ 73,364,956</u>
<u>Separate account insurance product expenses</u>		
Claims and payments	\$ 13,149,183	\$ 8,933,740
Cash surrender value	29,823,154	26,526,902
Provision of separate account reserve	30,342,120	34,035,776
Administrative expenses	4,763,801	4,007,503
Non-operating income and expenses	<u>(147,430)</u>	<u>(138,965)</u>
	<u>\$ 77,930,828</u>	<u>\$ 73,364,956</u>

For the year ended December 31, 2021 and 2020, the rebates earned from counterparties due to the business of separate account insurance products were \$824,512 thousand and \$815,077 thousand, respectively, which were recorded under fee income.

- b. The related accounts of Cathay Lujiazui Life's separate account insurance products were summarized as follows:

	December 31	
	2021	2020
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 10,758	\$ 4,845
Financial assets at FVTPL	102,651	123,985
Others	<u>12</u>	<u>44</u>
	<u>\$ 113,421</u>	<u>\$ 128,874</u>
<u>Separate account insurance product liabilities</u>		
Other payables	\$ 7	\$ 1,723
Reserve for separate accounts - insurance contracts	<u>113,414</u>	<u>127,151</u>
	<u>\$ 113,421</u>	<u>\$ 128,874</u>
	For the Year Ended December 31	
	2021	2020
<u>Separate account insurance product income</u>		
Premium income	\$ 51	\$ 150
(Losses) gains from financial assets at FVTPL	(11,418)	31,003
Interest income	<u>33</u>	<u>50</u>
	<u>\$ (11,334)</u>	<u>\$ 31,203</u>
<u>Separate account insurance product expenses</u>		
Cash surrender value	\$ 256	\$ 19,729
(Reversal) provision of separate account reserve	(13,175)	8,176
Others	<u>1,585</u>	<u>3,298</u>
	<u>\$ (11,334)</u>	<u>\$ 31,203</u>

24. EQUITY

- a. Share capital

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>18,000,000</u>	<u>18,000,000</u>
Shares authorized	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>
Number of shares issued and fully paid (in thousands)		
Ordinary shares	<u>13,169,210</u>	<u>13,169,210</u>
Preference shares	<u>1,533,300</u>	<u>1,533,300</u>
Shares issued	<u>\$ 147,025,102</u>	<u>\$ 147,025,102</u>

Ordinary shares issued, which have a par value of \$10, carry one vote per share and carry a right to dividends.

Issuance of preference shares

- 1) On September 9, 2016, the board of directors resolved the capital raising through issuance of Series A Preference Shares. The Company issued 833,300 thousand preference shares, with a par value of \$10 per share and total amount of \$8,333,000 thousand, and the issue price was \$60 per share. The capital raising was approved by the FSC Jin Guan Zheng Fa No. 1050041628 on October 25, 2016. The base date of capital increase was December 8, 2016. All issued shares were registered and recognized as equity. The rights and obligations of Series A Preference Shares are as follows:
 - a) 3.8% per annum for Series A Preference Shares (7-year IRS 1.06%+2.74%) calculated pursuant to the issue price per share. Interest rate per annum will be reset on the day after the 7th year from the issue date ("Issue Date") and the day after each subsequent 7-year period hereafter. The record date for reset of interest rate shall be 2 business days before the interest reset day for financial institutions in Taipei. The 7-year IRS rate shall be the arithmetic mean of 7-year IRS quotations as published by Reuters, PYTWDFIX and COSMOS3 at 11:00 a.m. of the day of the record date for reset of interest rate (must be a business day for Taipei's financial institutions). If the above quotations cannot be obtained on the record date for reset of interest rate, the interest rate shall be decided by the issuer in good faith, taking into account the reasonable market trends.
 - b) If there are retained earnings, before the issuer can distribute dividends for Series A Preference Shares, the Company shall first: (i) pay all taxes and dues (ii) offset its losses in previous years (iii) set aside legal reserve, or set aside or reverse special reserve and (iv) the distribution of the remaining portion, if any, will first be distributed as preference share dividends.
 - c) The Company has the sole discretion to distribute dividends of Series A Preference Shares, including its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for Series A Preference Share dividends, or preference share dividend distribution would render the Company's CAR ratio below the level required by law or by the authorities. The Company's cancellation of preference share dividend distribution shall not be deemed an event of default. Series A Preference Shares are non-cumulative. Undeclared or under-declared dividends are not cumulative, and are not paid in subsequent years with profit.
 - d) Dividends for Series A Preference Shares are distributed once a year in cash. After shareholders' approval of the issuer's financial statements at its annual shareholders' meeting, the board of directors may set the record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption (such as the shareholders' approval of dividends declaration on shareholders meeting) shall be calculated pursuant to the actual issued days of the given year.
 - e) Except for receipt of dividends at the aforementioned dividend rate in Paragraph (a), holders of Preference Shares cannot participate in the distribution of cash or stock dividends to holders of common shares from profit or additional paid-in capital.
 - f) Holders of Series A Preference Shares shall have the same priority as holders of all subsequently issued preference shares in liquidation, which are prior to holders of ordinary shares but subordinated to general creditors, to the extent of the issuance amount.
 - g) Holders of Series A Preference Shares have no voting rights at the annual shareholders' meeting, and cannot elect directors. However, holders of Series A Preference Shares have voting rights at the meeting of Series A Preference Shareholders, and at the annual shareholders' meeting on items relating to the rights of Series A Preference Shareholders.

- h) Holders of Series A Preference Shares cannot convert the said preference shares to ordinary shares, and have no right to request the Company for redemption of Series A Preference Shares.
 - i) Through issuance of perpetual preferred stock, on the day after the 7th year from the issue date, the Company may redeem all or part of the outstanding Series A Preference Shares at the issue price. Rights and obligations of the unredeemed Series A Preference Shares shall remain the same as mentioned above.
- 2) On February 9, 2018, the board of directors resolved the capital raising through issuance of Series B Preference Shares. The Company issued 700,000 thousand preference shares, with a par value of \$10 per share and total amount of \$7,000,000 thousand, and the issue price was \$60 per share. The capital raising was approved by the FSC Jin Guan Zheng Fa No. 1070313814 on May 10, 2018. The base date of capital increase was June 27, 2018. All issued shares were registered and recognized as equity. The rights and obligations of Series B Preference Shares are as follows:
- a) 3.55% per annum for Series B Preference Shares (7-year IRS 1.1675%+2.3825%) calculated pursuant to the issue price per share. The interest rate per annum will be reset on the day after the 7th year from the issue date (“Issue Date”) and the day after each subsequent 7-year period hereafter. The record date for interest reset shall be 2 business days before the interest reset day for financial institutions in Taipei. The 7-year IRS rate shall be the arithmetic mean of 7-year IRS quotations as published by Reuters, TAIFXIRS and COSMOS3 at 11:00 a.m. of the day of reset record date (must be a business day for Taipei’s financial institutions). If the above quotations cannot be obtained on the record date for reset of interest rate, the interest rate shall be decided by the issuer in good faith, taking into account the reasonable market trends.
 - b) If there are retained earnings, before the issuer can distribute dividends for Series B Preference Shares, the Company shall first: (i) pay all taxes and dues (ii) offset its losses in previous years (iii) set aside legal reserve, or set aside or reverse special reserve and (iv) the distribution of the remaining portion, if any, will first be distributed as preference share dividend.
 - c) The Company has the sole discretion to distribute dividend of the Series B Preference Shares, including its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for Series B Preference Share dividends, or preference share dividend distribution would render the Company’s CAR ratio below the level required by law or by the authorities. The Company’s cancellation of preference share dividend distribution shall not be deemed an event of default. Series B Preference Shares are non-cumulative. Undeclared or under-declared dividends are not cumulative, and are not paid in subsequent years with profit.
 - d) Dividends for Series A Preference Shares are distributed once a year in cash. After shareholders’ approval of the issuer’s financial statements at its annual shareholders’ meeting, the board of directors may set the record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption (such as the shareholders’ approval of dividends declaration on shareholders meeting) shall be calculated pursuant to the actual issued days of the given year.
 - e) Except for receipt of dividends at the aforementioned dividend rate in Paragraph (a), holders of Preference Shares cannot participate in the distribution of cash or stock dividends to holders of common shares from the profit or additional paid-in capital.
 - f) Holders of Series B Preference Shares shall have the same priority as holders of all subsequently issued preference share in liquidation, which are prior to holders of ordinary shares but subordinated to general creditors, to the extent of the issuance amount.

- g) Holders of Series B Preference Shares have no voting rights at the annual shareholders' meeting, and cannot elect directors. However, holders of Series B Preference Shares have voting rights at the shareholders' meeting of Series B Preference Shareholders, and at the annual shareholders' meeting on items relating to rights of Series B Preference Shareholders.
- h) Holders of Series B Preference Shares cannot convert the said preference shares to ordinary shares, and have no right to request the Company for redemption of Series B Preference Shares.
- i) Through the issuance of perpetual preferred stock, on the day after the 7th year from the issue date, the Company may redeem all or part of the outstanding Series B Preference Shares at the issue price. Rights and obligations of the unredeemed Series B Preference Shares shall remain the same as mentioned above.

Issuance of overseas depositary receipts

The Company's shares have been listed on the Taiwan Stock Exchange in accordance with relevant regulations since the Company was incorporated on December 31, 2001. Since July 29, 2003, the Company has listed a portion of its ordinary shares on the Luxembourg Stock Exchange in the form of Global Depositary Shares (GDSs).

b. Capital surplus

- 1) Capital surplus comprises the following:

	December 31	
	2021	2020
Additional paid-in capital	\$ 172,905,009	\$ 172,905,009
Treasury share transactions	2,539,377	2,539,377
Additional paid-in capital - employee stock options	497,629	497,629
Conversion of convertible bonds	1,144,486	1,144,486
Others	<u>157,887</u>	<u>169,552</u>
	<u>\$ 177,244,388</u>	<u>\$ 177,256,053</u>

- 2) The capital surplus recorded during the conversion of shares of financial institutions may be distributed as cash dividends according to the fourth paragraph of Article 47 of the Financial Holding Company Act and other related requirements if not restricted by other regulations or may be transferred to capital in the year of conversion with the proportion of the transfer not limited by Article 72-1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The unrestricted retained earnings of the financial institution presents the remaining balance after the appropriation of legal reserve or special reserve as required by law.

c. Retained earnings and dividends policy

In order for the Company to continue to expand and increase profitability in line with its long-term financial strategy and future demand for capital, the Company adopted a residual dividend policy in framing a proposal for the distribution of annual earnings for the purpose of sustainable development.

Under the dividends policy as set forth in the Company's articles ("Articles"), when 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 of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, the payment of preferred dividends, and then any remaining profit (earning of current year) 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. When declaring the distribution of dividends, the Company should retain the funds for distribution of stock dividends, and the excess may be distributed in the form of cash dividends. However, the total distribution shall be no less than 30% of annual earnings, and the cash dividends shall be no less than 10% of the total dividends declared for the year. For the policies on the distribution of employees' compensation and remuneration of directors in the Articles, refer to employees' compensation and remuneration of directors in Note 25 e.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve 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.

The appropriations of earnings for 2020 and 2019 which were approved in the shareholders' meeting on July 23, 2021 and June 12, 2020, respectively, were as follows:

	Appropriation of Earnings	
	2020	2019
Legal reserve	\$ 7,504,207	\$ 5,844,843
Special reserve provision (reversal)	1,025,611	(71,928,090)
Cash dividends of ordinary shares	32,923,025	26,338,420
Cash dividends of preference shares	3,390,924	3,390,924

d. Special reserves

	December 31	
	2021	2020
Special reserve transferred from reserve for trading default and for trading loss (1)	\$ 333,598	\$ 333,598
Special reserve reclassified from liability (2)	3,744,467	3,744,467
Special reserve for appropriation of IFRSs (3)	2,994,565	2,994,565
Special reserve for appropriation of investment properties (4)	108,879,082	108,057,969
Special reserve transferred from insurance liabilities (5)	<u>34,764,311</u>	<u>34,764,311</u>
	<u>\$ 150,716,023</u>	<u>\$ 149,894,910</u>

- 1) Cathay United Bank, Cathay Securities and Cathay Futures reclassified the appropriated default losses reserve and trading losses reserve as of December 31, 2010 as special reserve according to the relevant regulations. The special reserve can only be used to offset the accumulated deficit or transferred to capital stock (limited to 50% of the special reserve) once the special reserve reaches one-half of the paid-in capital. The Company set aside a special reserve of \$333,598 thousand in 2011.
- 2) According to the Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises, for the special reserves for catastrophic event and for fluctuation of risk as of January 1, 2012, amounting to \$9,022,812 thousand, Cathay Life transferred half of the reserves amounting to \$4,511,405 thousand, net of tax effect, to special reserve under retained earnings amounting to \$3,744,467 thousand; half of the reserves were kept as the initial amount of reserve for foreign exchange valuation. The Company set aside a special reserve of \$3,744,467 thousand in 2013.

- 3) At the first-time adoption of IFRSs, Cathay Life chose to use fair values as the deemed costs of investment properties in accordance with Article 32 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the increments on property revaluation should be offset by other negative effects on the first-time adoption of IFRSs. The remaining increments on property revaluation should be recovered as special reserve under liabilities and the portion of increments on property revaluation used for offsetting other negative effects is recognized as retained earnings. In accordance with Bao (Tsai) No. 10202508140, the abovementioned adjustments of retained earnings amounting to \$2,994,565 thousand should be set aside as special reserve under equity following Jin Guan Bao Tsai No. 10102508861. The Company set aside a special reserve of \$2,994,565 thousand in 2013.
- 4) In 2014, the Group changed the subsequent measurement of investment properties from the cost model to the fair value model. According to Jin-Guan-Zheng-Fa No. 1030006415, in order to maintain a sound and robust financial structure of a publicly issued company, the Group appropriated a special reserve at the amount that was the same as the net increase arising the first-time application of subsequent measurement for investment property at fair value and transferred it to retained earnings.
- 5) Cathay Life transferred insurance liabilities of \$34,764,311 thousand to special reserve in accordance with Jin Guan Bao Tsai No. 10402029590. The Company set aside a special reserve of \$34,764,311 thousand in 2015.
- e. Other equity
- 1) Exchange differences on translation of financial statements of foreign operations

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ (15,464,009)	\$ (13,319,620)
Recognized for the year	(2,629,950)	(2,051,478)
Share of associates accounted for using the equity method	(925,570)	(216,895)
Tax effects	367,278	123,984
Other comprehensive loss recognized for the year	(3,188,242)	(2,144,389)
Ending balance	\$ (18,652,251)	\$ (15,464,009)

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

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 106,207,840	\$ 68,319,953
Recognized for the year	(43,071,268)	72,893,158
Share of associates accounted for using the equity method	(202,923)	327,440
Reclassification adjustments		
Disposal of debt instruments	(26,532,879)	(28,739,603)
Tax effects	14,567,114	(6,399,916)
Other comprehensive income recognized for the year	(55,239,956)	38,081,079
Changes in associates accounted for using the equity method	(2,076)	-
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	(3,834,335)	(193,192)
Ending balance	\$ 47,131,473	\$ 106,207,840

3) Gain (loss) on hedging instruments

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 347,871	\$ 331,930
Recognized for the year	(86,019)	82,834
Reclassification adjustments		
Hedged item that affects profit or loss	72,338	(69,571)
Tax effects	1,661	2,678
Other comprehensive (loss) income recognized for the year	(12,020)	15,941
Ending balance	<u>\$ 335,851</u>	<u>\$ 347,871</u>

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

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ (1,478,705)	\$ (1,850,508)
Recognized for the year	736,634	464,755
Tax effects	(147,326)	(92,952)
Other comprehensive income recognized for the year	589,308	371,803
Ending balance	<u>\$ (889,397)</u>	<u>\$ (1,478,705)</u>

5) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ (1,966,279)	\$ (1,507,864)
Recognized for the year	1,208,112	(617,081)
Share of associate accounted for using the equity method	41,842	45,276
Tax effects	(249,805)	113,390
Other comprehensive loss recognized for the year	1,000,149	(458,415)
Ending balance	<u>\$ (966,130)</u>	<u>\$ (1,966,279)</u>

6) Property revaluation surplus

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 11,097,089	\$ 11,240,314
Recognized for the year		
Revaluation on property	332,149	-
Tax effects	(82,404)	-
Other comprehensive income recognized for the year	249,745	-
Transferred to retained earnings	(64,925)	(143,225)
Ending balance	<u>\$ 11,281,909</u>	<u>\$ 11,097,089</u>

7) Other comprehensive income (loss) on reclassification using the overlay approach

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 102,511,617	\$ 57,968,675
Recognized for the year		
Unrealized gain	75,725,482	124,052,903
Reclassification adjustments		
Disposal of financial instruments	(115,202,768)	(74,760,595)
Tax effects	1,730,340	(4,749,366)
Other comprehensive (loss) income recognized for the year	<u>(37,746,946)</u>	<u>44,542,942</u>
Ending balance	<u>\$ 64,764,671</u>	<u>\$ 102,511,617</u>

8) Other equity - other

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ (3,944,303)	\$ -
Initial recognition of put options on subsidiaries' share	-	(3,944,303)
Actual execution of put options on subsidiaries' share	731,017	-
Other	<u>(11,103)</u>	<u>-</u>
Ending balance	<u>\$ (3,224,389)</u>	<u>\$ (3,944,303)</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 11,714,465	\$ 10,279,814
Attributed to non-controlling interests		
Net profit for the year	1,375,228	1,378,763
Exchange differences on translation of financial statements of foreign operations	(212,332)	(167,572)
Unrealized gain on financial assets at FVTOCI	120,291	139,670
Other comprehensive income (loss) on reclassification using the overlay approach	164,141	(142,568)
Acquisition of non-controlling interests in subsidiaries (Note 38)	-	1,415,021
Actual acquisition of interests in subsidiaries	(176,506)	-
Others	<u>(984,706)</u>	<u>(1,188,663)</u>
Ending balance	<u>\$ 12,000,581</u>	<u>\$ 11,714,465</u>

25. NET PROFIT FOR THE YEAR

a. Net gain on service fee and commission fee

	For the Year Ended December 31	
	2021	2020
Service fee revenue	\$ 35,429,425	\$ 28,443,874
Commission fee revenue	<u>9,316,350</u>	<u>7,546,599</u>
	<u>44,745,775</u>	<u>35,990,473</u>
Service fee expense	(10,757,706)	(7,849,627)
Commission fee expense	<u>(21,339,406)</u>	<u>(20,896,778)</u>
	<u>(32,097,112)</u>	<u>(28,746,405)</u>
	<u>\$ 12,648,663</u>	<u>\$ 7,244,068</u>

b. Net income on insurance operations

	For the Year Ended December 31	
	2021	2020
Retained premiums earned	\$ 517,861,188	\$ 597,956,518
Separate account insurance product income	<u>77,919,494</u>	<u>73,396,159</u>
	<u>595,780,682</u>	<u>671,352,677</u>
Claims and payments	(298,320,041)	(283,718,673)
Separate account insurance product expenses	(77,919,494)	(73,396,159)
Others	<u>(1,057,529)</u>	<u>(1,239,534)</u>
	<u>(377,297,064)</u>	<u>(358,354,366)</u>
	<u>\$ 218,483,618</u>	<u>\$ 312,998,311</u>

c. Net changes in insurance liability reserves

	For the Year Ended December 31	
	2021	2020
Net change in loss reserve	\$ (310,185)	\$ (1,219,443)
Net change in policy reserve	(379,955,876)	(466,068,514)
Net change in premium deficiency reserve	3,867,251	5,709,171
Net change in special reserve	32,060	275,858
Net change in other reserves	11,000	(3,784)
Net change in reserve for insurance contracts with the nature of financial products	<u>(1,052,640)</u>	<u>(787,429)</u>
	<u>\$(377,408,390)</u>	<u>\$(462,094,141)</u>

d. Employee benefit expenses

	For the Year Ended December 31	
	2021	2020
Short-term benefits		
Salaries	\$ 58,401,769	\$ 57,661,162
Labor and health insurance expenses	4,748,926	4,589,390
Post-employment benefits	2,212,130	2,357,726
Remuneration of directors	280,517	227,892
Others	<u>1,418,139</u>	<u>1,589,297</u>
	<u>\$ 67,061,481</u>	<u>\$ 66,425,467</u>
An analysis of employee benefit expenses by function		
Profit from operations	\$ 13,355,013	\$ 13,764,335
Operating expenses	<u>53,706,468</u>	<u>52,661,132</u>
	<u>\$ 67,061,481</u>	<u>\$ 66,425,467</u>

As of December 31, 2021 and 2020, the total number of employees in the Group was 57,100 and 57,848, respectively.

For the year ended December 31, 2021 and 2020, the average number of the Group's employees was 57,612 and 57,350, respectively, including 44 and 38 directors not concurrently serving as employees.

e. Compensation of employees and remuneration of directors

According to the Articles, if there is a profit in the current year, the Company should distribute 0.01% to 0.05% of the profit in the current year as compensation of employees, and no more than 0.05% of the profit in the current year as remuneration of directors. However, the Company has to first cover accumulated losses, if any.

The compensation of employees and remuneration of directors for 2021 and 2020, which were accrued at the rates of 0.01% and no higher than 0.05%, respectively, and resolved by the Company's board of directors on March 11, 2022 and March 10, 2021, respectively, were as follows:

	For the Year Ended December 31	
	2021	2020
	Cash	Cash
Compensation of employees	\$ 14,057	\$ 7,713
Remuneration of directors	2,700	2,700

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

There was no significant difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2020 and 2019.

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

f. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Right-of-use assets	\$ 1,456,587	\$ 1,454,148
Property and equipment	2,654,866	2,572,432
Intangible assets	<u>3,286,342</u>	<u>3,331,836</u>
	<u>\$ 7,397,795</u>	<u>\$ 7,358,416</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 4,111,453</u>	<u>\$ 4,026,580</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 3,286,342</u>	<u>\$ 3,331,836</u>

26. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 14,419,447	\$ 22,018,512
Adjustments for prior years	(539,469)	56,884
Additional tax on unappropriated earnings	1,509,915	2,624,086
Others	5,181,989	343,682
Deferred tax		
In respect of the current year	(2,026,429)	(19,396,008)
Adjustments for prior years	<u>91,608</u>	<u>10,402</u>
Income tax expense recognized in profit or loss	<u>\$ 18,637,061</u>	<u>\$ 5,657,558</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$ 159,526,371</u>	<u>\$ 81,615,781</u>
Income tax calculated at the Company's statutory rate (20%)	\$ 31,905,274	\$ 16,323,156
Tax-exempt income	(20,033,332)	(14,145,961)
Nondeductible expenses in determining taxable income	126,306	60,889
Effect of tax on investment properties measured at fair value	414,288	864,638
Additional income tax under the Alternative Minimum Tax Act	5,999,141	16,519
Effect of different tax rates of entities in the Group operating in other jurisdictions	182,586	80,955
Adjustments for prior years' tax	(447,860)	67,189
Income tax on unappropriated earnings	1,509,915	2,624,086
Others	<u>(1,019,257)</u>	<u>(233,913)</u>
Income tax expense recognized in profit or loss	<u>\$ 18,637,061</u>	<u>\$ 5,657,558</u>

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2021	2020
Current tax		
Derecognition of equity instruments at FVTOCI	\$ 370,685	\$ 38,200
Deferred tax		
Derecognition of equity instruments at FVTOCI	(370,685)	(38,200)
Capital surplus	2,033	-
Retained earnings	<u>6,726</u>	<u>-</u>
Income tax recognized directly in equity	<u>\$ 8,759</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ (147,326)	\$ (92,952)
Exchange differences on the translation of financial statements of foreign operations	367,278	123,984
Unrealized loss (gain) on financial assets at FVTOCI	14,551,659	(6,415,178)
Loss on hedging instruments	1,661	2,678
Remeasurement of defined benefit plans	(241,544)	123,338
Property revaluation surplus	(82,404)	-
Shares of associates accounted for using the equity method	7,194	5,314
Other comprehensive loss (income) on reclassification using overlay approach	<u>1,730,340</u>	<u>(4,749,366)</u>
Income tax benefit (expense) recognized in other comprehensive income	<u>\$ 16,186,858</u>	<u>\$ (11,002,182)</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Property and equipment	\$ 952,449	\$ (175,258)	\$ -	\$ -	\$ -	\$ 777,191
Investment properties	(25,132,575)	(1,527,223)	(82,404)	-	18,399	(26,723,803)
Financial assets at FVTPL	(5,824,152)	2,735,131	(154,036)	-	(152)	(3,243,209)
Financial assets at FVTPL reclassified using the overlay approach	(13,247,368)	-	753,090	-	-	(12,494,278)
Equity instruments at FVTOCI	(1,095,806)	-	660,777	(329,126)	-	(764,155)
Debt instruments at FVTOCI	(18,364,951)	(68,284)	13,780,262	-	-	(4,652,973)
Financial assets at amortized cost	(86,345)	11,931	-	-	-	(74,414)
						(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Others	Closing Balance
Financial liabilities at FVTPL	\$ 2,318,537	\$ (1,733,477)	\$ -	\$ -	\$ -	\$ 585,060
Goodwill and franchises	(751,912)	(36,615)	-	-	-	(788,527)
Defined benefit assets	(560,459)	(19,164)	(273,640)	-	-	(853,263)
Preferential savings deposits	117,324	(14,775)	32,096	-	-	134,645
Investments accounted for using the equity method	1,355,745	(298,561)	191,607	8,759	1,546	1,259,096
Lease liabilities	122,427	28,516	-	-	-	150,943
Unrealized foreign exchange losses (gains)	51,262,690	2,970,513	1,270,735	(41,559)	6	55,462,385
Allowance for doubtful accounts	2,080,541	275,325	-	-	-	2,355,866
Others	518,956	(230,763)	8,371	-	(693,697)	(397,133)
Unused benefit of tax loss	<u>18,905</u>	<u>17,525</u>	<u>-</u>	<u>-</u>	<u>(389)</u>	<u>36,041</u>
Net deferred tax assets (liabilities)	<u>\$ (6,315,994)</u>	<u>\$ 1,934,821</u>	<u>\$ 16,186,858</u>	<u>\$ (361,926)</u>	<u>\$ (674,287)</u>	<u>\$ 10,769,472</u>
Deferred tax assets	<u>\$ 61,507,384</u>					<u>\$ 63,746,198</u>
Deferred tax liabilities	<u>\$ (67,823,378)</u>					<u>\$ (52,976,726)</u>

(Concluded)

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Property and equipment	\$ 979,616	\$ (27,167)	\$ -	\$ -	\$ -	\$ 952,449
Investment properties	(23,071,382)	(2,095,941)	-	-	34,748	(25,132,575)
Financial assets at FVTPL	(5,632,667)	(98,338)	(92,952)	-	(195)	(5,824,152)
Financial assets at FVTPL reclassified using the overlay approach	(6,802,327)	-	(6,445,041)	-	-	(13,247,368)
Equity instruments at FVTOCI	(1,280,408)	-	187,418	(2,816)	-	(1,095,806)
Debt instruments at FVTOCI	(11,790,400)	68,080	(6,642,631)	-	-	(18,364,951)
Financial assets at amortized cost	(93,898)	7,553	-	-	-	(86,345)
Financial liabilities at FVTPL	572,859	1,745,678	-	-	-	2,318,537
Goodwill and franchises	(715,296)	(36,616)	-	-	-	(751,912)
Defined benefit assets	(615,878)	(61,208)	116,627	-	-	(560,459)
Preferential savings deposits	124,001	(13,404)	6,727	-	-	117,324
Investments accounted for using the equity method	(1,343,831)	2,659,647	38,237	-	1,692	1,355,745
Lease liabilities	1,839,673	(1,717,246)	-	-	-	122,427
Right-of-use assets	(1,790,340)	1,790,340	-	-	-	-
Unrealized foreign exchange losses (gains)	27,207,494	22,263,796	1,826,772	(35,384)	12	51,262,690
Allowance for doubtful accounts	1,641,107	439,434	-	-	-	2,080,541
Others	(123,418)	554,043	2,661	-	85,670	518,956
Unused benefit of tax loss	<u>6,346,450</u>	<u>(6,093,045)</u>	<u>-</u>	<u>-</u>	<u>(234,500)</u>	<u>18,905</u>
Net deferred tax assets (liabilities)	<u>\$ (14,548,645)</u>	<u>\$ 19,385,606</u>	<u>\$ (11,002,182)</u>	<u>\$ (38,200)</u>	<u>\$ (112,573)</u>	<u>\$ (6,315,994)</u>
Deferred tax assets	<u>\$ 40,595,612</u>					<u>\$ 61,507,384</u>
Deferred tax liabilities	<u>\$ (55,144,257)</u>					<u>\$ (67,823,378)</u>

- e. Deductible temporary difference for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Deductible temporary differences	<u>\$ 2,067,192</u>	<u>\$ 2,679,802</u>

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2021 comprised:

Unused Amount	Expiry Year
\$ 122	2027
2,173	2028
12,597	2029
11,918	2030
<u>24,685</u>	2031
<u>\$ 51,495</u>	

g. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$3,154,210 thousand and \$2,298,804 thousand, respectively.

h. Income tax assessments

The income tax returns of the Group assessed by the tax authorities were as follows:

	Year of Assessment	Note
The Company	2015	-
Cathay Life	2015	In the process of administrative remedy for 2015
Cathay United Bank	2015	In the process of administrative remedy for 2014 and 2015
Cathay Century	2015	-
Cathay Securities	2015	In the process of administrative remedy for 2014 and 2015
Cathay Venture	2015	-
Cathay Securities Investment Trust	2015	-
Cathay Futures	2018	-
Cathay Private Equity	2019	-

In accordance with Article 49 of the Financial Holding Company Act, the Company and all subsidiaries which has existed for the entire 12 months of a tax year elected to jointly file income tax return and surtax on undistributed retained earnings with the Company as the taxpayer.

27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2021	2020
Basic earnings per share	<u>\$ 10.34</u>	<u>\$ 5.41</u>

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

Net Income for the Period

	For the Year Ended December 31	
	2021	2020
Net income for the period attributable to owners of the Company	\$ 139,514,082	\$ 74,579,460
Less: Dividends on preference shares	<u>(3,390,924)</u>	<u>(3,390,924)</u>
Earnings used in the computation of basic earnings per share	<u>\$ 136,123,158</u>	<u>\$ 71,188,536</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>13,169,210</u>	<u>13,169,210</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. The Group's compensation of employees did not cause any significant changes in the earnings and weighted average number of ordinary shares used to calculate the diluted earnings per share.

28. RELATED-PARTY TRANSACTIONS

- a. The names and categories of the related parties who engaged in transactions with the Group in the reporting periods are as follows:

Related Party Name	Related Party Category
Cathay Life	Subsidiary
Cathay United Bank	Subsidiary
Cathay Century	Subsidiary
Cathay Securities	Subsidiary
Cathay Securities Investment Trust	Subsidiary
Cathay Venture	Subsidiary
Cathay Lujiazui Life	Subsidiary
Cathay Life (Vietnam)	Subsidiary
Conning Asia Pacific Ltd.	Subsidiary
Cathay Securities Investment Consulting	Subsidiary
Cathay Investment	Subsidiary
Lin Yuan	Subsidiary
Conning Holdings Limited	Subsidiary
Cathay Woolgate Exchange Holding 1 Limited	Subsidiary
Cathay Woolgate Exchange Holding 2 Limited	Subsidiary
Cathay Walbrook Holding 1 Limited	Subsidiary
Cathay Walbrook Holding 2 Limited	Subsidiary

(Continued)

Related Party Name	Related Party Category
Octagon Credit Investors, LLC	Subsidiary
Cathay Insurance (Vietnam)	Subsidiary
Indovina Bank	Subsidiary
CUBC Bank	Subsidiary
CUBCN Bank	Subsidiary
Cathay Futures	Subsidiary
Cathay Private Equity	Subsidiary
Cathay Industrial R&D Center	Subsidiary
Cathay Securities (Hong Kong) Limited	Subsidiary
Cathay Capital (Asia)	Subsidiary
Global Evolution Holding ApS	Subsidiary (associate before June 2020)
Taiwan Real-estate Management Corp.	Associate
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
CM Energy Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate (other related party before May 2020)
Cathay Power Inc.	Associate
Neo Cathay Power Corp.	Associate
CMG International One Corp.	Associate
CMG International Two Corp.	Associate
Seaward Card Co., Ltd.	Other related party
Vietinbank	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Funds managed by Cathay Securities Investment Trust	Other related party
Private Equity Funds managed by Cathay Private Equity	Other related party
Funds managed by Global Evolution Holding ApS	Other related party
Funds managed by Octagon Credit Investors, LLC	Other related party
Bonds managed by Octagon Credit Investors, LLC	Other related party
San Ching Engineering Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party
ThinkPower Information Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Hong-Sui Co., Ltd.	Other related party
Bowl Cut Entertainment Co., Ltd.	Other related party
Cymlin Co., Ltd.	Other related party
Cymder Co., Ltd.	Other related party
Retail Forest Co., Ltd.	Other related party before July 2021
Sino Greenergy Group	Other related party
Cathay Cultural Foundation	Other related party
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cathay Life Insurance Employees' Welfare Committee	Other related party

(Continued)

Related Party Name	Related Party Category
Cathay United Bank Employees' Welfare Committee	Other related party
Cathay Real Estate Development Employees' Welfare Committee	Other related party
Hsin Chung Co., Ltd.	Other related party
Tian-Ji Power Co., Ltd.	Other related party
Jinhua Realty Co., Ltd.	Other related party
Pai Hsing Investment Co., Ltd.	Other related party
Bannan Realty Co., Ltd.	Other related party
De Jin Co., Ltd.	Other related party
Yi Ru Capital Co., Ltd.	Other related party
FundRich Securities Co., Ltd.	Other related party
Daiwa - Cathay Capital Markets Co., Ltd.	Other related party
CDIB & PARTNERS Investment Holding Corporation	Other related party
Cathay Real Estate Management Co., Ltd.	Other related party
Liang-Ting Co., Ltd.	Other related party
Hongtai Energy Co., Ltd.	Other related party
Others	Other related party

(Concluded)

b. Significant transactions with related parties were as follows:

All significant intragroup transactions have been eliminated in the consolidated financial statements. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows:

1) Transactions with banks

a) Due from commercial banks

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party				
Vietinbank	\$ 53,977	\$ 372	\$ 519,903	\$ 5,256

b) Due to commercial banks

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party				
Vietinbank	\$ 17,825	\$ 1	\$ 20,040	\$ 10,117

c) Investments in financial debentures (financial assets at FVTOCI)

Name	December 31	
	2021	2020
Other related party Vietinbank	\$ 365,738	\$ 384,663

Name	Interest Income For the Year Ended December 31	
	2021	2020
Other related party Vietinbank	\$ 24,885	\$ 31,156

2) Balance of shares issued by related parties

Name	December 31	
	2021	2020
Associate PSS Co., Ltd.	\$ 14,038	\$ 19,318
Other related party Cathay Real Estate Development Co., Ltd.	1,321,447	1,437,071
CDIB & PARTNERS Investment Holding Corporation	880,740	827,820
Daiwa - Cathay Capital Markets Co., Ltd.	144,600	139,200
Cathay Healthcare Management Co., Ltd.	106,920	145,035
	<u>2,453,707</u>	<u>2,549,126</u>
	\$ 2,467,745	\$ 2,568,444

Refer to Note 13 for the balances of investment in associates.

3) Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Year Ended December 31	
		2021	2020
Subsidiary Cathay Securities Investment Consulting	Ordinary shares	\$ -	\$ 230,000
Associate TaiYang Solar Power Co., Ltd.	Ordinary shares	279,500	118,150
CM Energy Co., Ltd.	Ordinary shares	135,000	45,000
PSS Co., Ltd.	Ordinary shares	-	51,386
Lin Yuan Property Management Co., Ltd.	Ordinary shares	-	50,649
		<u>414,500</u>	<u>265,185</u>
		\$ 414,500	\$ 495,185

4) Receivable

Name	December 31	
	2021	2020
Associate		
Cathay Power Inc.	\$ 4,316	\$ 4
Neo Cathay Power Corp.	<u>3,182</u>	<u>79</u>
	<u>7,498</u>	<u>83</u>
Other related party		
Funds managed by Cathay Securities Investment Trust	255,172	212,495
Tian-Ji Power Co., Ltd.	5,121	3,687
Cathay Hospitality Management Co., Ltd.	<u>617</u>	<u>4,664</u>
	<u>260,910</u>	<u>220,846</u>
	<u>\$ 268,408</u>	<u>\$ 220,929</u>

5) Loans

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Associate				
TaiYang Solar Power Co., Ltd.	\$ 59,939	\$ 1,258	\$ 65,244	\$ 1,409
Taiwan Real-estate Management Corp.	<u>33,000</u>	<u>528</u>	<u>33,000</u>	<u>533</u>
	<u>92,939</u>	<u>1,786</u>	<u>98,244</u>	<u>1,942</u>
Other related party				
Sino Greenenergy Group	75,465	1,647	83,012	1,878
Others	<u>3,112,399</u>	<u>41,092</u>	<u>2,980,147</u>	<u>39,028</u>
	<u>3,187,864</u>	<u>42,739</u>	<u>3,063,159</u>	<u>40,906</u>
	<u>\$ 3,280,803</u>	<u>\$ 44,525</u>	<u>\$ 3,161,403</u>	<u>\$ 42,848</u>

6) Deposits

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary				
Cathay Securities Investment Consulting	\$ 563,928	\$ 173	\$ 502,217	\$ 388
Associate				
Lin Yuan Property Management Co., Ltd.	267,301	1,178	270,481	1,387
CMG International Two Corp.	167,291	2	9,802	1
Symphox Information Co., Ltd.	156,393	132	407,037	427
CMG International One Corp.	120,208	1	6,666	1
CM Energy Co., Ltd.	116,468	24	50,160	2
	<u>827,661</u>	<u>1,337</u>	<u>744,146</u>	<u>1,818</u>
Other related party				
Cathay Life Insurance Employees' Welfare Committee	2,381,744	16,982	2,198,909	17,881
Cathay United Bank Employees' Welfare Committee	760,605	30,847	760,170	31,356
Funds managed by Cathay Securities Investment Trust	695,215	35	35,341	-
Cathay United Bank Foundation	541,531	4,189	530,444	4,560
Cathay Real Estate Development Employees' Welfare Committee	438,380	3,506	413,825	3,560
Cathay Real Estate Development Co., Ltd.	290,378	28	370,758	18
Cathay Charity Foundation	281,451	1,918	274,178	2,026
Cathay Medical Care Corp.	218,988	48	210,060	42
Cathay Cultural Foundation	210,741	1,598	209,366	1,711
Bannan Realty Co., Ltd.	190,289	30	338,238	16
Cathay Hospitality Management Co., Ltd.	163,365	10	189,776	11
Pai Hsing Investment Co., Ltd.	142,416	129	177,062	743
Yua-Yung Marketing (Taiwan) Co., Ltd.	121,802	211	140,277	291
Cathay Real Estate Management Co., Ltd.	100,559	580	98,631	696
Ally Logistic Property Co., Ltd.	95,032	10	147,229	9
Jinhua Realty Co., Ltd.	34,274	23	167,867	6
De Jin Co., Ltd.	28,972	12	636,153	31
Others	<u>8,365,272</u>	<u>47,048</u>	<u>8,506,952</u>	<u>53,303</u>
	<u>15,061,014</u>	<u>107,204</u>	<u>15,405,236</u>	<u>116,260</u>
	<u>\$ 16,452,603</u>	<u>\$ 108,714</u>	<u>\$ 16,651,599</u>	<u>\$ 118,466</u>

7) Property transactions

- a) Cathay Life and its subsidiaries' significant transactions from undertaking contracted projects with related parties are listed below:

Name	For the Year Ended December 31			
	2021		2020	
	Items	Amount	Items	Amount
Associate				
Lin Yuan Property Management Co., Ltd.	International Building, etc.	\$ 9,771	International Building, etc.	\$ 6,645
Other related party				
Ally Logistic Property Co., Ltd.	Yangmei Erchongxi Warehouse, etc.	1,694,037	Yangmei Logistics Park, etc.	1,142,914
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	1,213,455	THSR Taoyuan Commercial Park, etc.	1,051,289
		<u>2,907,492</u>		<u>2,194,203</u>
		<u>\$ 2,917,263</u>		<u>\$ 2,200,848</u>

As of December 31, 2021 and 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$2,607,361 thousand and \$2,569,290 thousand, respectively.

As of December 31, 2021 and 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$7,316,509 thousand and \$7,393,657 thousand, respectively.

- b) Real-estate rental (Cathay Life and its subsidiaries as lessor)

Name	Rental Income	
	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Securities Investment Consulting	\$ 9,865	\$ 9,728
Associate		
Symphox Information Co., Ltd.	32,850	38,409
Lin Yuan Property Management Co., Ltd.	<u>19,463</u>	<u>19,411</u>
	<u>52,313</u>	<u>57,820</u>
Other related party		
Ally Logistic Property Co., Ltd.	798,609	752,523
Cathay Medical Care Corp.	191,996	191,271
Cathay Hospitality Management Co., Ltd.	157,748	179,016
Cathay Hospitality Consulting Co., Ltd.	140,144	119,033
Cathay Healthcare Management Co., Ltd.	65,679	69,896
Yua-Yung Marketing (Taiwan) Co., Ltd.	31,546	22,003
Hong-Sui Co., Ltd.	27,467	27,339
Cathay Real Estate Development Co., Ltd.	18,121	19,008
Hsin Chung Co., Ltd.	11,619	3,226
Cymder Co., Ltd.	7,280	692
San Ching Engineering Co., Ltd.	6,473	5,908
Cathay United Bank Foundation	4,812	5,249
Hongtai Energy Co., Ltd.	3,442	700
Liang-Ting Co., Ltd.	3,159	3,124
Retail Forest Co., Ltd.	<u>2,028</u>	<u>8,621</u>
	<u>1,470,123</u>	<u>1,407,609</u>
	<u>\$ 1,532,301</u>	<u>\$ 1,475,157</u>

Name	Guarantee Deposits Received	
	December 31	
	2021	2020
Associate		
Symphox Information Co., Ltd.	\$ 8,000	\$ 8,000
Other related party		
Cathay Hospitality Management Co., Ltd.	188,597	186,584
Cathay Hospitality Consulting Co., Ltd.	182,277	180,473
Ally Logistic Property Co., Ltd.	143,424	142,869
Cathay Healthcare Management Co., Ltd.	21,113	20,384
Cathay Medical Care Corp.	11,447	11,435
Retail Forest Co., Ltd.	5,745	5,745
Hong-Sui Co., Ltd.	4,740	5,145
Yua-Yung Marketing (Taiwan) Co., Ltd.	4,552	3,487
Cathay Real Estate Development Co., Ltd.	4,215	4,090
Cymlin Co., Ltd.	4,081	4,081
Hsin Chung Co., Ltd.	3,072	3,072
	<u>573,263</u>	<u>567,365</u>
	<u>\$ 581,263</u>	<u>\$ 575,365</u>

Lease periods and collection of rentals are in compliance with the lease contracts. Lease periods are usually between 2 to 5 years and rentals are collected on a monthly basis.

c) Lease arrangements

Name	Acquisition of Right-of-use Assets	
	For the Year Ended December 31	
	2021	2020
Other related party		
Yi Ru Capital Co., Ltd.	\$ 8,402	\$ -
Ally Logistic Property Co., Ltd.	7,420	-
Cathay Real Estate Development Co., Ltd.	-	35,856
	<u>\$ 15,822</u>	<u>\$ 35,856</u>
Name	Lease Liabilities	
	December 31	
	2021	2020
Other related party		
Cathay Real Estate Development Co., Ltd.	\$ 13,152	\$ 32,427
Ally Logistic Property Co., Ltd.	6,022	-
Yi Ru Capital Co., Ltd.	5,271	-
	<u>\$ 24,445</u>	<u>\$ 32,427</u>

		Guarantee Deposits Paid	
		December 31	
	Name	2021	2020
	Other related party		
	Cathay Real Estate Development Co., Ltd.	\$ 4,446	\$ 4,446
d)	Acquisition of computer equipment and software		
		For the Year Ended December 31	
	Name	2021	2020
	Other related party		
	ThinkPower Information Co., Ltd.	\$ 16,593	\$ 9,622
e)	Disposal of property and equipment		
		Disposal Proceeds	
		For the Year Ended December 31	
	Name	2021	2020
	Associate		
	Symphox Information Co., Ltd.	\$ -	\$ 4,313
8)	Guarantee deposits received		
		December 31	
	Name	2021	2020
	Associate		
	Lin Yuan Property Management Co., Ltd.	\$ 5,000	\$ 5,000
	Other related party		
	Ally Logistic Property Co., Ltd.	1,486,507	293,285
	San Ching Engineering Co., Ltd.	968,577	979,284
		<u>2,455,084</u>	<u>1,272,569</u>
		\$ 2,460,084	\$ 1,277,569
9)	Payables		
		December 31	
	Name	2021	2020
	Subsidiary		
	Cathay Securities Investment Consulting	\$ 30,963	\$ 30,788
	Associate		
	Symphox Information Co., Ltd.	42,332	88,822
	Other related party		
	Seaward Card Co., Ltd.	30,880	35,533
	Funds managed by Cathay Securities Investment Trust	5,096	3,922
		<u>35,976</u>	<u>39,455</u>
		\$ 109,271	\$ 159,065

10) Balance of bonds managed by related parties

Name	December 31	
	2021	2020
Other related party		
Bonds managed by Octagon Credit Investors, LLC	\$ 4,888,088	\$ 5,006,641

11) Balances of funds managed by related parties

Name	December 31	
	2021	2020
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ 72,315,513	\$ 70,300,473
Funds managed by Global Evolution Holding ApS	2,782,079	2,864,685
Funds managed by Octagon Credit Investors, LLC	2,075,270	870,939
Private Equity Funds managed by Cathay Private Equity	<u>1,251,757</u>	<u>1,055,921</u>
	<u>\$ 78,424,619</u>	<u>\$ 75,092,018</u>

12) Balances of related parties' discretionary management investment

Name	December 31	
	2021	2020
Other related party		
Cathay Charity Foundation	\$ 134,136	\$ 110,045
Cathay Cultural Foundation	<u>61,874</u>	<u>58,230</u>
	<u>\$ 196,010</u>	<u>\$ 168,275</u>

13) Service fee income

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Securities Investment Consulting	\$ 38,995	\$ 18,610
Other related party		
Cathay Real Estate Development Co., Ltd.	<u>7,706</u>	<u>6,911</u>
	<u>\$ 46,701</u>	<u>\$ 25,521</u>

14) Premium income

Name	For the Year Ended December 31	
	2021	2020
Associate		
Cathay Power Inc.	\$ 9,413	\$ 8,266
Neo Cathay Power Corp.	6,777	8,120
Lin Yuan Property Management Co., Ltd.	<u>3,466</u>	<u>3,098</u>
	<u>19,656</u>	<u>19,484</u>
Other related party		
Cathay Medical Care Corp.	63,128	55,128
ThinkPower Information Co., Ltd.	21,548	28
San Ching Engineering Co., Ltd.	12,096	10,901
Cathay Real Estate Development Co., Ltd.	10,579	9,746
Tian-Ji Power Co., Ltd.	7,095	3,687
Hong-Sui Co., Ltd.	6,967	4,117
Cathay Hospitality Consulting Co., Ltd.	5,410	5,219
Yua-Yung Marketing (Taiwan) Co., Ltd.	4,300	3,663
Cathay Hospitality Management Co., Ltd.	1,001	5,102
Others	<u>313,907</u>	<u>447,657</u>
	<u>446,031</u>	<u>545,248</u>
	<u>\$ 465,687</u>	<u>\$ 564,732</u>

15) Net other non-interest income

Name	For the Year Ended December 31	
	2021	2020
<u>Other non-interest income</u>		
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ 2,792,767	\$ 2,328,614
Private Equity Funds managed by Cathay Private Equity	65,865	43,272
Cathay Healthcare Management Co., Ltd.	5,564	5,537
Cathay Medical Care Corp.	4,010	995
Cathay Hospitality Consulting Co., Ltd.	<u>3,528</u>	<u>3,719</u>
	<u>\$ 2,871,734</u>	<u>\$ 2,382,137</u>
<u>Other non-interest expense</u>		
Associate		
Global Evolution Holding Aps	\$ -	\$ 14,163
Other related party		
Daiwa - Cathay Capital Markets Co., Ltd.	<u>3,802</u>	<u>-</u>
	<u>\$ 3,802</u>	<u>\$ 14,163</u>

16) Operating expenses

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Securities Investment Consulting	\$ 123,346	\$ 124,212
Associate		
Lin Yuan Property Management Co., Ltd.	879,190	816,462
Symphox Information Co., Ltd.	711,581	818,717
	<u>1,590,771</u>	<u>1,635,179</u>
Other related party		
Seaward Card Co., Ltd.	295,537	302,416
ThinkPower Information Co., Ltd.	48,833	11,757
Bowl Cut Entertainment Co., Ltd.	42,300	42,300
Cathay Healthcare Management Co., Ltd.	15,569	38,818
Cathay Medical Care Corp.	10,125	2,573
Cathay Real Estate Development Co., Ltd.	9,497	8,356
FundRich Securities Co., Ltd.	8,765	2,736
San Ching Engineering Co., Ltd.	4,537	3,900
	<u>435,163</u>	<u>412,856</u>
	<u>\$ 2,149,280</u>	<u>\$ 2,172,247</u>

17) Guarantees on duties and contracts

December 31, 2021

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party					
Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 63,513</u>	<u>\$ 63,513</u>	<u>\$ 43</u>	0.65%-0.8%	Demand deposits

December 31, 2020

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party					
Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 68,190</u>	<u>\$ 54,673</u>	<u>\$ 28</u>	0.65%-0.8%	Demand deposits

18) Remuneration of key management personnel

Name	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 1,416,671	\$ 1,123,712
Post-employment benefits	24,273	21,757
Other long-term employee benefits	<u>15</u>	<u>92</u>
	<u>\$ 1,440,959</u>	<u>\$ 1,145,561</u>

Key management personnel includes the chairman, vice chairman, directors, supervisors, general managers, senior vice general managers and vice general managers.

c. The Company

1) Cash in banks

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary				
Cathay United Bank	<u>\$ 47,839</u>	<u>\$ 78</u>	<u>\$ 209,849</u>	<u>\$ 144</u>

2) Receivables

Name	Nature of Transaction	December 31	
		2021	2020
Subsidiary			
Cathay United Bank	Integrated income tax, etc.	\$ 513,935	\$ 771,804
Cathay Securities	Integrated income tax	373,017	218,953
Cathay Securities Investment Trust	Integrated income tax	269,811	186,069
Cathay Century	Integrated income tax, etc.	238,909	356,009
Cathay Life	Integrated income tax, etc.	<u>70,989</u>	<u>6,206,423</u>
		<u>\$ 1,466,661</u>	<u>\$ 7,739,258</u>

3) Guarantee deposits paid

Name	December 31	
	2021	2020
Subsidiary		
Cathay Life	<u>\$ 33,301</u>	<u>\$ 29,781</u>

4) Financial assets at FVTPL

Name	December 31	
	2021	2020
Subsidiary Cathay Life	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

5) Payable

Name	Nature of Transaction	December 31	
		2021	2020
Subsidiary Cathay Life	Integrated income tax	<u>\$ 5,253,915</u>	<u>\$ -</u>

6) Lease agreements

a) Acquisition of right-of-use assets

Name	For the Year Ended December 31	
	2021	2020
Subsidiary Cathay Life	\$ -	\$ 249,573
Other related party Ally Logistic Property Co., Ltd.	<u>7,420</u>	<u>-</u>
	<u>\$ 7,420</u>	<u>\$ 249,573</u>

b) Lease liabilities

Name	December 31	
	2021	2020
Subsidiary Cathay Life	\$ 113,076	\$ 239,100
Other related party Ally Logistic Property Co., Ltd.	<u>6,022</u>	<u>-</u>
	<u>\$ 119,098</u>	<u>\$ 239,100</u>

c) Lease expense

Name	For the Year Ended December 31	
	2021	2020
Subsidiary Cathay Life	<u>\$ 15,185</u>	<u>\$ 65,325</u>

7) Interest income

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Life	\$ <u>1,260,000</u>	\$ <u>1,260,000</u>

8) Operating expenses

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Life	\$ 16,843	\$ 16,149
Cathay United Bank	6,793	28,487
Cathay Securities	-	14,800
	<u>23,636</u>	<u>59,436</u>
Associate		
Symphox Information Co., Ltd.	4,293	7,243
Lin Yuan Property Management Co., Ltd.	4,106	2,186
	<u>8,399</u>	<u>9,429</u>
Other related party		
Bowl Cut Entertainment Co., Ltd.	42,300	42,300
ThinkPower Information Co., Ltd.	34,283	2,837
Seaward Card Co., Ltd.	7,919	7,129
	<u>84,502</u>	<u>52,266</u>
	<u>\$ 116,537</u>	<u>\$ 121,131</u>

9) Operating income

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay United Bank	\$ 6,088	\$ 6,000
Cathay Life	5,400	5,400
Cathay Century	<u>4,500</u>	<u>4,500</u>
	<u>\$ 15,988</u>	<u>\$ 15,900</u>

10) Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Year Ended December 31	
		2021	2020
Subsidiary			
Cathay Securities	Ordinary shares	\$ <u>-</u>	\$ <u>1,200,000</u>

- d. Significant transactions between subsidiaries and related parties that are more than \$100 million

Significant intragroup transactions have been eliminated in the consolidated financial statements.

1) Cathay Life and its subsidiaries

a) Property transactions

Property transactions between Cathay Life and related parties are in the nature of undertaking contracted projects, trade, lease, and software appliance transactions. The terms of such transactions are based on market surveys, the contracted terms of both parties and public bidding.

- i. Significant transactions from undertaking contracted projects with related parties are listed below:

Name	For the Year Ended December 31			
	2021		2020	
	Items	Amount	Items	Amount
Other related party				
Ally Logistic Property Co., Ltd.	Yangmei Erchongxi Warehouse, etc.	\$ 1,694,037	Yangmei Logistics Park, etc.	\$ 1,142,914
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	<u>1,213,455</u>	THSR Taoyuan Commercial Park, etc.	<u>1,051,289</u>
		<u>\$ 2,907,492</u>		<u>\$ 2,194,203</u>

As of December 31, 2021 and 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$2,607,361 thousand and \$2,569,290 thousand, respectively.

As of December 31, 2021 and 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$7,316,509 thousand and \$7,393,657 thousand, respectively.

- ii. Real-estate rental

Name	Rental Income	
	For the Year Ended December 31	
	2021	2020
The Company		
Cathay Financial Holdings	<u>\$ 140,758</u>	<u>\$ 123,238</u>
Subsidiary		
Cathay United Bank	727,756	726,237
Cathay Century	<u>112,768</u>	<u>109,922</u>
	<u>840,524</u>	<u>836,159</u>
Other related party		
Ally Logistic Property Co., Ltd.	798,609	752,523
Cathay Medical Care Corp.	191,996	191,271
Cathay Hospitality Management Co., Ltd.	157,748	179,016
Cathay Hospitality Consulting Co., Ltd.	<u>140,144</u>	<u>119,033</u>
	<u>1,288,497</u>	<u>1,241,843</u>
	<u>\$ 2,269,779</u>	<u>\$ 2,201,240</u>

Name	Guarantee Deposits Received	
	December 31	
	2021	2020
Subsidiary		
Cathay United Bank	\$ 187,202	\$ 186,446
Other related party		
Cathay Hospitality Management Co., Ltd.	188,597	186,584
Cathay Hospitality Consulting Co., Ltd.	182,277	180,473
Ally Logistic Property Co., Ltd.	143,424	142,869
	<u>514,298</u>	<u>509,926</u>
	\$ 701,500	\$ 696,372

Lease periods are usually between 2 to 5 years and rentals are collected on a monthly basis.

b) Shares transactions

Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Year Ended	
		December 31	
		2021	2020
Subsidiary			
Cathay Securities	Ordinary shares	\$ -	\$ 230,000
Investment Consulting			
Associate			
TaiYang Solar Power Co., Ltd.	Ordinary shares	279,500	118,150
CM Energy Co., Ltd.	Ordinary shares	135,000	45,000
		<u>414,500</u>	<u>163,150</u>
		\$ 414,500	\$ 393,150

c) Balance of shares issued by related parties

Name	Nature of Transaction	December 31	
		2021	2020
Other related party			
Cathay Real Estate Development Co., Ltd.	Ordinary shares	\$ 1,321,447	\$ 1,436,792
CDIB & PARTNERS Investment Holding Corporation	Ordinary shares	880,740	827,820
Daiwa - Cathay Capital Markets Co., Ltd.	Ordinary shares	144,600	139,200
		<u>2,346,787</u>	<u>2,403,812</u>

d) Cash in banks

Name	Nature of Transaction	December 31	
		2021	2020
Subsidiary			
Cathay United Bank	Demand deposits	\$ 42,819,111	\$ 23,114,154
	Time deposits	1,280,477	1,068,004
	Checking deposits	209,910	349,239
	Security deposits	6	6
		<u>44,309,504</u>	<u>24,531,403</u>
Indovina Bank	Time deposits	1,817,844	815,802
	Demand deposits	<u>12,382</u>	<u>19,863</u>
		<u>1,830,226</u>	<u>835,665</u>
		<u>\$ 46,139,730</u>	<u>\$ 25,367,068</u>

For the year ended December 31, 2021 and 2020, the interest income earned from above bank deposits in Indovina Bank Limited were \$131,557 thousand, \$26,147 thousand, respectively.

e) Loans

Name	For the Year Ended December 31, 2021		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 999,575</u>	0.75%-3.17%	<u>\$ 821,274</u>
Name	For the Year Ended December 31, 2020		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 873,711</u>	0.75%-3.17%	<u>\$ 801,894</u>

f) Balance of bonds managed by related parties

Name	December 31	
	2021	2020
Other related party		
Bonds managed by Octagon Credit Investors, LLC	<u>\$ 4,888,088</u>	<u>\$ 5,006,641</u>

g) Balance of funds managed by related parties

Name	Item	December 31	
		2021	2020
Other related party			
Funds managed by			
Octagon Credit	Market value	\$ 2,075,270	\$ 870,939
Investors, LLC	Cost	\$ 2,041,381	\$ 894,337
Funds managed by			
Global Evolution	Market value	\$ 2,782,079	\$ 2,864,685
Holding ApS	Cost	\$ 2,440,596	\$ 2,606,653
Funds managed by			
Cathay Securities	Market value	\$ 70,780,361	\$ 68,737,375
Investment Trust	Cost	\$ 71,263,962	\$ 65,853,768
Private Equity Funds			
managed by	Market value	\$ 1,215,634	\$ 1,034,236
Cathay Private Equity	Cost	\$ 1,190,055	\$ 989,445

h) Balance of discretionary management investments

Name	December 31	
	2021	2020
Subsidiary		
Cathay Securities Investment Trust	\$ 343,737,780	\$ 312,835,430

i) Other receivables

Name	December 31	
	2021	2020
The Company		
Cathay Financial Holdings (Note)	\$ 5,253,915	\$ -

Note: Receivables are refundable taxes under the integrated income tax system.

j) Guarantee deposits paid (for future transactions)

Name	December 31	
	2021	2020
Subsidiary		
Cathay Futures	\$ 2,234,611	\$ 1,897,019

k) Guarantee deposits received

Name	December 31	
	2021	2020
Other related party		
Ally Logistic Property Co., Ltd.	\$ 1,486,507	\$ 293,285
San Ching Engineering Co., Ltd.	968,577	979,284
	\$ 2,455,084	\$ 1,272,569

l) Other payables

Name	December 31	
	2021	2020
The Company		
Cathay Financial Holdings (Note)	\$ 70,989	\$ 6,206,423
Subsidiary		
Cathay United Bank	<u>185,415</u>	<u>350,640</u>
	<u>\$ 256,404</u>	<u>\$ 6,557,063</u>

Note: The payables are comprised of remuneration of directors and supervisors, accrued interests of bonds payable and tax payable under the integrated income tax system.

m) Bonds payable

Name	December 31	
	2021	2020
The Company		
Cathay Financial Holdings	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

n) Premium income

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay United Bank	\$ 112,901	\$ 123,336
Other related party		
Others	<u>313,907</u>	<u>447,657</u>
	<u>\$ 426,808</u>	<u>\$ 570,993</u>

o) Insurance expense

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Century	<u>\$ 110,131</u>	<u>\$ 115,639</u>

p) Other operating income

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Securities Investment Trust	<u>\$ 171,268</u>	<u>\$ 153,354</u>

q) Other operating costs

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay United Bank	\$ 1,100,121	\$ 1,070,664
Cathay Securities Investment Trust	<u>466,712</u>	<u>288,106</u>
	<u>\$ 1,566,833</u>	<u>\$ 1,358,770</u>

r) Finance costs

Name	For the Year Ended December 31	
	2021	2020
The Company		
Cathay Financial Holdings	<u>\$ 1,260,000</u>	<u>\$ 1,260,000</u>

The finance costs consist of interest expenses accrued from bonds payable.

s) Operating expenses

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay United Bank	\$ 6,367,493	\$ 5,483,925
Cathay Securities Investment Consulting	<u>123,346</u>	<u>124,212</u>
	<u>6,490,839</u>	<u>5,608,137</u>
Associate		
Lin Yuan Property Management Co., Ltd.	828,679	798,050
Symphox Information Co., Ltd.	<u>165,198</u>	<u>200,032</u>
	<u>993,877</u>	<u>998,082</u>
	<u>\$ 7,484,716</u>	<u>\$ 6,606,219</u>

t) Non-operating income

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Century	\$ 674,904	\$ 671,489
Cathay United Bank	<u>189,892</u>	<u>185,220</u>
	<u>\$ 864,796</u>	<u>\$ 856,709</u>

Non-operating income was mainly generated from Cathay Life and its subsidiaries' integrated promotion activities.

u) Others

As of December 31, 2021 and 2020, the nominal amounts of the financial instruments transacted between Cathay Life and Cathay United Bank are summarized as follows (in thousands of each currency):

Name	December 31	
	2021	2020
SWAP	<u>US\$ 2,885,000</u>	<u>US\$ 3,498,000</u>
CCS	<u>NT\$ 100,000</u>	<u>NT\$ -</u>

2) Cathay United Bank and its subsidiaries

a) Loans and Deposits

December 31, 2021

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	29	\$ 166,949	\$ 14,126	V	\$ -	None	None	\$ 37	\$ 356
Self-used housing mortgage loans	267	2,517,693	2,253,770	V	-	Real estate, stocks and certificates of deposits	None	941	28,127

December 31, 2020

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	31	\$ 157,056	\$ 10,897	V	\$ -	None	None	\$ (14)	\$ 178
Self-used housing mortgage loans	278	2,414,396	2,127,714	V	-	Real estate, certificates of deposits and demand deposits	None	4,930	27,052

Deposits

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
The Company				
Cathay Financial Holdings	<u>\$ 47,839</u>	<u>\$ 78</u>	<u>\$ 209,849</u>	<u>\$ 144</u>
Subsidiary				
Cathay Life	42,128,322	6,003	23,235,022	14,426
Cathay Securities	14,241,811	1,846	3,913,465	2,948
Cathay Century	2,432,503	415	2,010,221	4,195
Cathay Life (Vietnam)	1,830,226	131,557	835,754	26,147
Lin Yuan	1,395,380	38,262	1,221,708	33,087
Cathay Industrial R&D Center	713,251	228	-	-
Cathay Securities Investment Consulting	563,928	173	502,217	388
Cathay Futures	360,353	643	1,138,851	4,857
Cathay Insurance (Vietnam)	243,871	14,584	243,219	5,353
Cathay Securities	159,611	69	167,389	85
Cathay Venture	<u>55,273</u>	<u>20</u>	<u>103,380</u>	<u>4</u>
	<u>64,124,529</u>	<u>193,800</u>	<u>33,371,226</u>	<u>91,490</u>

(Continued)

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Associate				
Lin Yuan Property Management Co., Ltd.	\$ 267,301	\$ 1,178	\$ 270,481	\$ 1,387
CMG International Two Corp.	167,291	2	9,802	1
Symphox Information Co., Ltd.	156,393	132	407,037	427
CMG International One Corp.	120,208	1	6,666	1
CM Energy Co., Ltd.	<u>116,468</u>	<u>24</u>	<u>50,160</u>	<u>2</u>
	<u>827,661</u>	<u>1,337</u>	<u>744,146</u>	<u>1,818</u>
Other related party				
Cathay Life Insurance Employees' Welfare Committee	2,381,744	16,982	2,198,909	17,881
Cathay United Bank Employees' Welfare Committee	760,605	30,847	760,170	31,356
Funds managed by Cathay Securities Investment Trust	695,215	35	35,341	-
Cathay United Bank Foundation	541,531	4,189	530,444	4,560
Cathay Real Estate Development Employees' Welfare Committee	438,380	3,506	413,825	3,560
Cathay Real Estate Development Co., Ltd.	290,378	28	370,758	18
Cathay Charity Foundation	281,451	1,918	274,178	2,026
Cathay Medical Care Corp.	218,988	48	210,060	42
Cathay Cultural Foundation	210,741	1,598	209,366	1,711
Bannan Realty Co., Ltd.	190,289	30	338,238	16
Cathay Hospitality Management Co., Ltd.	163,365	10	189,776	11
Pai Hsing Investment Co., Ltd.	142,416	129	177,062	743
Yua-Yung Marketing (Taiwan) Co., Ltd.	121,802	211	140,277	291
Cathay Real Estate Management Co., Ltd.	100,559	580	98,631	696
Ally Logistic Property Co., Ltd.	95,032	10	147,229	9
Jinhua Realty Co., Ltd.	34,274	23	167,867	6
De Jin Co., Ltd.	28,972	12	636,153	31
Others	<u>8,365,272</u>	<u>47,048</u>	<u>8,506,952</u>	<u>53,303</u>
	<u>15,061,014</u>	<u>107,204</u>	<u>15,405,236</u>	<u>116,260</u>
	<u>\$ 80,061,043</u>	<u>\$ 302,419</u>	<u>\$ 49,730,457</u>	<u>\$ 209,712</u>
				(Concluded)

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income
<u>Due from banks</u>				
Other related party				
Vietinbank	\$ 53,977	\$ 372	\$ 519,903	\$ 5,256

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

b) Investments in financial debentures (financial assets at FVTOCI)

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party				
Vietinbank	\$ 365,738	\$ 24,885	\$ 384,663	\$ 31,156

c) Derivatives

December 31, 2021

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2020.09.29-2022.09.28	\$ 79,885,650	\$ (231,691)	Valuation adjustment for financial assets at FVTPL	\$ 2,154
					Valuation adjustment for FVTPL financial liabilities	(593,855)
	SWAP - exchange between customers (USD)	2021.04.29-2023.05.04	2,769,000	1,481	Valuation adjustment for financial assets at FVTPL	8,500
					Valuation adjustment for FVTPL financial liabilities	(10,551)
Cathay Century	SWAP - exchange between customers (USD)	2020.10.08-2022.07.28	2,636,088	(3,252)	Valuation adjustment for financial assets at FVTPL	72
					Valuation adjustment for FVTPL financial liabilities	(19,146)

December 31, 2020

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2020.02.21-2021.12.09	\$ 99,720,984	\$ (707,642)	Valuation adjustment for financial assets at FVTPL	\$ 97,688
					Valuation adjustment for FVTPL financial liabilities	(2,315,173)
Cathay Century	SWAP - exchange between customers (USD)	2020.01.09-2021.11.17	2,713,962	55	Valuation adjustment for financial assets at FVTPL	1,025
					Valuation adjustment for FVTPL financial liabilities	(57,209)

d) Lease agreements

		Acquisition of Right-of-use Assets	
		For the Year Ended December 31	
	Name	2021	2020
Subsidiary			
	Cathay Life	\$ 1,973	\$ 565,589
		Lease Liabilities	
		December 31	
	Name	2021	2020
Subsidiary			
	Cathay Life	\$ 1,114,777	\$ 1,825,007
		Guarantee Deposits Paid	
		December 31	
	Name	2021	2020
Subsidiary			
	Cathay Life	\$ 187,202	\$ 186,446

e) Others

		For the Year Ended December 31	
		2021	2020
<u>Service fee revenue</u>			
Subsidiary			
	Cathay Life	\$ 7,460,774	\$ 6,527,644
	Cathay Securities	320,255	167,851
	Cathay Century	215,418	143,411
<u>General expenses</u>			
Subsidiary			
	Cathay Life	189,892	185,220
Associate			
	Symphox Information Co., Ltd.	463,970	521,593
Other related party			
	Seaward Card Co., Ltd.	213,439	219,953
<u>Payment of insurance expenses</u>			
Subsidiary			
	Cathay Century	162,782	168,070
	Cathay Life	112,901	123,336

Item/Name	December 31	
	2021	2020
<u>Receivables for insurance commission</u>		
Subsidiary		
Cathay Life	\$ 185,415	\$ 350,640
<u>Guarantee deposits paid</u>		
Subsidiary		
Cathay Futures	559,180	267,303
<u>Payables from integrated tax</u>		
The Company		
Cathay Financial Holdings	507,935	765,804

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

3) Cathay Century and its subsidiaries

a) Business transactions

Item	Name	For the Year Ended December 31	
		2021	2020
Premium income	Subsidiary		
	Cathay United Bank	\$ 162,782	\$ 168,070
	Cathay Life	110,131	115,639
Operating costs			
Marketing expenses	Subsidiary		
	Cathay Life	663,151	658,336
	Cathay United Bank	117,777	113,825

b) Payables to related parties

Item	Name	December 31	
		2021	2020
Other payables	The Company		
	Cathay Financial Holdings	\$ 238,909	\$ 356,009
	(Note)		

Note: Including income tax payable under the integrated income tax system, and remuneration of directors and supervisors.

The balance of the outstanding payables to related parties did not provide guaranteed.

c) Cash in bank

Item	Name	December 31	
		2021	2020
Checking deposits and demand deposits	Subsidiary		
	Cathay United Bank	\$ 2,412,487	\$ 1,845,214
	Indovina Bank	10,489	6,151
Time deposits	Subsidiary		
	Indovina Bank	240,811	237,068
	Cathay United Bank	<u>20,016</u>	<u>165,007</u>
		<u>\$ 2,683,803</u>	<u>\$ 2,253,440</u>

d) Financial assets at FVTPL (beneficiary certificates)

Name	December 31	
	2021	2020
Other related party		
Funds managed by Cathay Securities Investment Trust	<u>\$ 1,112,216</u>	<u>\$ 1,119,265</u>

e) Balance of discretionary management investments

Name	December 31	
	2021	2020
Subsidiary		
Cathay Securities Investment Trust	<u>\$ 1,673,486</u>	<u>\$ 1,357,146</u>

f) Lease agreements

Name	Acquisition of Right-of-use Assets For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Life	<u>\$ 241,114</u>	<u>\$ 930</u>

Name	Lease Liabilities December 31	
	2021	2020
Subsidiary		
Cathay Life	<u>\$ 203,745</u>	<u>\$ 71,586</u>

g) SWAP

The nominal amount of the derivative instruments between Cathay Century and related parties are listed below:

Name	December 31	
	2021	2020
Subsidiary		
Cathay United Bank	<u>US\$ 95,200</u>	<u>US\$ 95,200</u>
	<u>EUR 750</u>	<u>EUR 750</u>

4) Cathay Securities and its subsidiaries

a) Cash in bank

Name	December 31	
	2021	2020
Subsidiary		
Cathay United Bank	<u>\$ 14,336,986</u>	<u>\$ 4,108,990</u>

Cash in bank includes cash and cash equivalents, receivable for underwriting of securities, and pending settlement money and restricted assets recorded under other current assets. Restricted assets are the time deposits that were pledged as collateral.

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

b) Customer's margin accounts

Name	December 31	
	2021	2020
Subsidiary		
Cathay United Bank	<u>\$ 265,339</u>	<u>\$ 943,420</u>

c) Futures trader's equity

Name	December 31	
	2021	2020
Subsidiary		
Cathay Life	\$ 2,234,611	\$ 1,897,019
Cathay Securities Investment Trust (Note)	1,151,933	1,491,081
Cathay United Bank	<u>559,180</u>	<u>267,303</u>
	<u>\$ 3,945,724</u>	<u>\$ 3,655,403</u>

Note: The balances include those of investment trust funds managed by Cathay Securities Investment Trust.

d) Other payables

		December 31	
		2021	2020
The Company			
Cathay Financial Holdings (Note)		<u>\$ 373,017</u>	<u>\$ 218,953</u>

Note: The payables consist of tax payable under the integrated income tax system.

e) Lease agreement

		Acquisition of right-of-use assets	
		For the Year Ended December 31	
		2021	2020
	Name		
Subsidiary			
Cathay Life		<u>\$ 142,860</u>	<u>\$ 20,938</u>

		Lease liabilities	
		December 31	
		2021	2020
	Name		
Subsidiary			
Cathay Life		<u>\$ 143,275</u>	<u>\$ 58,226</u>

f) Brokerage service fee income

		For the Year Ended December 31	
		2021	2020
	Name		
Subsidiary			
Cathay Life		<u>\$ 209,283</u>	<u>\$ 149,778</u>

g) Other operating expense

		For the Year Ended December 31	
		2021	2020
	Name		
Subsidiary			
Cathay United Bank		<u>\$ 320,255</u>	<u>\$ 167,851</u>

h) Shares transactions - issuance of shares for cash

		For the Year Ended December 31	
		2021	2020
Name	Items		
The Company			
Cathay Financial Holdings	Ordinary shares	<u>\$ -</u>	<u>\$ 1,200,000</u>

5) Cathay Securities Investment Trust

a) Cash and cash equivalents

Name	December 31	
	2021	2020
Subsidiary		
Cathay United Bank	<u>\$ 141,266</u>	<u>\$ 137,531</u>

b) Accounts receivable

Name	December 31	
	2021	2020
Other related party		
Funds managed by Cathay Securities Investment Trust	<u>\$ 255,172</u>	<u>\$ 209,165</u>

c) Accounts payable

Name	December 31	
	2021	2020
The Company		
Cathay Financial Holdings (Note)	<u>\$ 269,811</u>	<u>\$ 186,069</u>

Note: The payables consist of tax payable under the integrated income tax system.

d) Balance of discretionary management investments

Name	December 31	
	2021	2020
Subsidiary		
Cathay Life	\$ 343,737,780	\$ 312,835,430
Cathay Century	<u>1,673,486</u>	<u>1,357,146</u>
	<u>345,411,266</u>	<u>314,192,576</u>
Other related party		
Cathay Charity Foundation	<u>134,136</u>	<u>110,045</u>
	<u>\$ 345,545,402</u>	<u>\$ 314,302,621</u>

e) Management fee income

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Life	\$ 466,712	\$ 288,106
Other related party		
Funds managed by Cathay Securities Investment Trust	<u>2,792,767</u>	<u>2,328,614</u>
	<u>\$ 3,259,479</u>	<u>\$ 2,616,720</u>

f) Operating expense

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Conning Asia Pacific Ltd.	\$ 147,739	\$ 136,618
Cathay Life	<u>109,541</u>	<u>91,030</u>
	<u>\$ 257,280</u>	<u>\$ 227,648</u>

6) Cathay Venture

a) Cash and cash equivalents

Name	December 31	
	2021	2020
Subsidiary		
Cathay United Bank	<u>\$ 55,381</u>	<u>\$ 104,758</u>

b) Financial assets at FVTPL

Name	December 31	
	2021	2020
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ 341,394	\$ 414,858
Cathay Healthcare Management Co., Ltd.	<u>106,920</u>	<u>145,035</u>
	<u>\$ 448,314</u>	<u>\$ 559,893</u>

29. PLEDGED ASSETS

The Group's assets pledged as collateral or with limited use are summarized below:

Item	Description	December 31	
		2021	2020
Time deposits and guarantee deposits paid	Capital guarantee, serving as deposits paid, settlement accounts, overdraft guarantee, collateral for lease of real estate, collateral for court guarantees, provisions for business and collateral	\$ 15,654,179	\$ 15,410,561
Due from the Central Bank (deposit reserves - general accounts)	(Note)	6,000,000	6,000,000
Financial assets at FVTPL	Collateral for securities lending and guarantee for future transactions	-	3,273,608
Financial assets at FVTOCI	Provisions for business and collateral	-	12,006,501

(Continued)

Item	Description	December 31	
		2021	2020
Debt instrument at amortized cost	Provisions for business and collateral	\$ 57,689,894	\$ 45,525,409
Investment properties	Short-term loans	<u>291,175</u>	<u>291,175</u>
		<u>\$ 79,635,248</u>	<u>\$ 82,507,254</u> (Concluded)

Note: Due from the Central Bank of Cathay United Banks and its subsidiaries had been used as collaterals to apply for financing of project loans to small and medium enterprises affected by the COVID-19.

30. COMMITMENTS AND CONTINGENT LIABILITIES

a. Cathay United Bank

Lee & Li, attorneys-at-law, alleged that the embezzlement case of Liu Wei-Chieh (an employee of Lee & Li), which occurred in October 2003 was caused by the negligence of Cathay United Bank in its operation, and the plaintiff claimed damages from Cathay United Bank in the amount of approximately \$991,002 thousand. The case has been pending in the court since July 2007, and Cathay United Bank won favorable decisions in both the first and second instances. Although the Supreme Court reversed the original second-instance judgments, Cathay United Bank again won a favorable decision in the second instance on August 25, 2021. Lee & Li is currently appealing to the Supreme Court. Both Cathay United Bank and its attorneys hold that this case will not have a material adverse effect on the financial position of Cathay United Bank.

b. As of December 31, 2021 and 2020, Cathay United Bank and its subsidiaries had the following material commitments for entrusted items and guarantees:

	December 31	
	2021	2020
Trust and security held for safekeeping	\$ 912,272,287	\$ 781,995,797
Collection and payment on behalf of customers	30,506,950	33,483,521
Book-entry for government bonds and depository for short-term marketable securities under management	388,239,044	450,195,466
Entrusted financial management business	11,589,694	11,968,703
Guarantees on duties and contracts	18,242,569	17,071,951
Unused commercial letters of credit	8,182,407	6,914,811
Irrevocable loan commitments	172,956,246	191,900,154
Unused credit card line commitments	686,356,039	662,041,965
Financial guarantee contracts	1,568,438	1,577,528

c. As of December 31, 2021, the remaining capital commitments for the contracted private equity fund of Cathay Life was NT\$829,500 thousand, US\$4,903,138 thousand, EUR375,770 thousand and GBP1,547 thousand.

31. FINANCIAL STATEMENTS OF CATHAY FINANCIAL HOLDING CO., LTD.

Cathay Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

ASSETS	December 31		LIABILITIES AND EQUITY	December 31	
	2021	2020		2021	2020
CASH AND CASH EQUIVALENTS	\$ 633,233	\$ 915,274	COMMERCIAL PAPER PAYABLE, NET	\$ 58,510,000	\$ 38,250,000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	36,260,000	36,445,500	PAYABLES	6,024,616	696,079
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	143,491	116,200	CURRENT TAX LIABILITIES	7,057,511	19,849,285
RECEIVABLES, NET	1,466,748	7,739,321	BONDS PAYABLE	50,000,000	50,000,000
CURRENT TAX ASSETS	4,102,282	4,650,365	PROVISIONS	749,874	766,414
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	981,855,958	953,059,879	LEASE LIABILITIES	124,980	249,631
PROPERTY AND EQUIPMENT, NET	55,225	58,912	DEFERRED TAX LIABILITIES	266,714	266,714
RIGHT-OF-USE ASSETS	123,677	249,272	OTHER LIABILITIES	<u>579</u>	<u>163,886</u>
DEFERRED TAX ASSETS	35,604	25,397	Total liabilities	<u>122,734,274</u>	<u>110,242,009</u>
OTHER ASSETS	<u>96,202</u>	<u>43,105</u>	EQUITY		
			Share capital		
			Ordinary shares	131,692,102	131,692,102
			Preference shares	15,333,000	15,333,000
			Capital surplus	177,244,388	177,256,053
			Retained earnings		
			Legal reserve	59,471,895	51,967,688
			Special reserve	150,716,023	149,894,910
			Unappropriated earnings	267,799,001	169,606,342
			Other equity	<u>99,781,737</u>	<u>197,311,121</u>
			Total equity	<u>902,038,146</u>	<u>893,061,216</u>
TOTAL	<u>\$ 1,024,772,420</u>	<u>\$ 1,003,303,225</u>	TOTAL	<u>\$ 1,024,772,420</u>	<u>\$ 1,003,303,225</u>

Cathay Financial Holding Co., Ltd.

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

	For the Year Ended December 31	
	2021	2020
REVENUE		
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 141,760,801	\$ 76,787,053
Other operating income	<u>1,298,450</u>	<u>2,480,733</u>
Total revenue	<u>143,059,251</u>	<u>79,267,786</u>
EXPENSES AND LOSSES		
Operating expenses	(1,766,470)	(1,638,721)
Other expenses and losses	<u>(736,471)</u>	<u>(511,379)</u>
Total expenses and losses	<u>(2,502,941)</u>	<u>(2,150,100)</u>
INCOME BEFORE TAX	140,556,310	77,117,686
INCOME TAX EXPENSE	<u>(1,042,228)</u>	<u>(2,538,226)</u>
NET INCOME	<u>139,514,082</u>	<u>74,579,460</u>
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	(10,692)	(1,395)
Gain on equity instruments at fair value through other comprehensive income	27,291	9,496
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	12,233,990	4,245,540
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,139	279
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	<u>(106,600,690)</u>	<u>76,155,041</u>
Other comprehensive (loss) income for the period, net of income tax	<u>(94,347,962)</u>	<u>80,408,961</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 45,166,120</u>	<u>\$ 154,988,421</u>
EARNINGS PER SHARE		
Basic	<u>\$10.34</u>	<u>\$5.41</u>

Cathay Financial Holding Co., Ltd.

Statements of Changes in Equity
(In Thousands of New Taiwan Dollars)

	Other Equity														
	Share Capital			Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach	Others	Total Equity
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings									
BALANCE AT JANUARY 1, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,256,976	\$ 46,122,845	\$ 221,977,672	\$ 58,181,890	\$ (13,319,620)	\$ 68,319,953	\$ 331,930	\$ (1,850,508)	\$ (1,507,864)	\$ 11,240,314	\$ 57,968,675	\$ -	\$ 771,747,365
Appropriation of 2019 earnings															
Legal reserve	-	-	-	5,844,843	-	(5,844,843)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(71,928,090)	71,928,090	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(26,338,420)	-	-	-	-	-	-	-	-	(26,338,420)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(923)	-	-	-	-	-	-	-	-	-	-	-	(923)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,944,303)	(3,944,303)
Net income for the year ended December 31, 2020	-	-	-	-	-	74,579,460	-	-	-	-	-	-	-	-	74,579,460
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	(2,144,389)	38,081,079	15,941	371,803	(458,415)	-	44,542,942	-	80,408,961
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	74,579,460	(2,144,389)	38,081,079	15,941	371,803	(458,415)	-	44,542,942	-	154,988,421
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	193,192	-	(193,192)	-	-	-	-	-	-	-
Others	-	-	-	-	(154,672)	297,897	-	-	-	-	-	(143,225)	-	-	-
BALANCE AT DECEMBER 31, 2020	131,692,102	15,333,000	177,256,053	51,967,688	149,894,910	169,606,342	(15,464,009)	106,207,840	347,871	(1,478,705)	(1,966,279)	11,097,089	102,511,617	(3,944,303)	893,061,216
Appropriation of 2020 earnings															
Legal reserve	-	-	-	7,504,207	-	(7,504,207)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,025,611	(1,025,611)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(32,923,025)	-	-	-	-	-	-	-	-	(32,923,025)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(11,665)	-	-	(26,903)	-	(2,076)	-	-	-	-	-	-	(40,644)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(554,511)	-	-	-	-	-	-	-	719,914	165,403
Net income for the year ended December 31, 2021	-	-	-	-	-	139,514,082	-	-	-	-	-	-	-	-	139,514,082
Other comprehensive (loss) income for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(3,188,242)	(55,239,956)	(12,020)	589,308	1,000,149	249,745	(37,746,946)	-	(94,347,962)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	139,514,082	(3,188,242)	(55,239,956)	(12,020)	589,308	1,000,149	249,745	(37,746,946)	-	45,166,120
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	-	3,834,335	-	(3,834,335)	-	-	-	-	-	-	-
Others	-	-	-	-	(204,498)	269,423	-	-	-	-	-	(64,925)	-	-	-
BALANCE AT DECEMBER 31, 2021	<u>\$ 131,692,102</u>	<u>\$ 15,333,000</u>	<u>\$ 177,244,388</u>	<u>\$ 59,471,895</u>	<u>\$ 150,716,023</u>	<u>\$ 267,799,001</u>	<u>\$ (18,652,251)</u>	<u>\$ 47,131,473</u>	<u>\$ 335,851</u>	<u>\$ (889,397)</u>	<u>\$ (966,130)</u>	<u>\$ 11,281,909</u>	<u>\$ 64,764,671</u>	<u>\$ (3,224,389)</u>	<u>\$ 902,038,146</u>

Cathay Financial Holding Co., Ltd.

Statements of Cash Flows
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 140,556,310	\$ 77,117,686
Adjustments for:		
Depreciation expenses	141,502	72,436
Loss (gain) on of financial assets at fair value through profit or loss	185,500	(1,176,000)
Interest income	(1,271,181)	(1,261,303)
Dividend income	(7,265)	(5,512)
Interest expenses	521,517	481,797
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(141,760,801)	(76,787,053)
Loss on disposal and retirement of property and equipment	338	103
Changes in operating assets and liabilities		
Receivables	-	(15,900)
Other assets	(300)	5,857
Payables	76,472	101,752
Provisions	635	4,894
Other liabilities	(46)	(5)
Cash used in operations	(1,557,319)	(1,461,248)
Interest received	1,271,155	1,261,320
Dividends received	7,265	5,512
Interest paid	(535,387)	(384,538)
Income tax paid	(1,960,532)	(45,357)
Net cash used in operating activities	<u>(2,774,818)</u>	<u>(624,311)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity the method	-	(1,200,000)
Acquisition of property and equipment	(9,649)	(15,961)
Disposal of property and equipment	127	-
(Increase) decrease in other assets	(38,846)	289
Dividends received	<u>18,722,781</u>	<u>12,381,325</u>
Net cash generated from investing activities	<u>18,674,413</u>	<u>11,165,653</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payable	20,260,000	(10,230,000)
Issuance of corporate bonds	-	30,000,000
Repayments of the principal portion of lease liabilities	(127,687)	(61,417)
Dividends paid	<u>(36,313,949)</u>	<u>(29,729,344)</u>
Net cash used in financing activities	<u>(16,181,636)</u>	<u>(10,020,761)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(282,041)	520,581
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>915,274</u>	<u>394,693</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>\$ 633,233</u></u>	<u><u>\$ 915,274</u></u>

32. INFORMATION OF THE COMPANY'S SUBSIDIARIES

a. Condensed balance sheets and condensed statements of comprehensive income

Cathay Life Insurance Co., Ltd.

Condensed Balance Sheets (In Thousands of New Taiwan Dollars)

Assets	December 31	
	2021	2020
Cash and cash equivalents	\$ 447,821,607	\$ 504,040,612
Receivables	68,442,213	64,212,928
Financial assets at fair value through profit or loss	1,539,516,819	1,331,633,589
Financial assets at fair value through other comprehensive income	1,308,701,595	1,222,680,832
Financial assets at amortized cost	2,681,488,333	2,649,363,807
Financial assets for hedging	500,642	146,959
Investments accounted for using the equity method	103,702,207	89,577,714
Investment property	475,726,866	464,528,398
Loans	490,205,575	491,769,348
Reinsurance assets	2,232,832	2,087,931
Property and equipment	28,314,253	26,750,271
Right-of-use assets	384,896	524,444
Intangible assets	27,549,955	29,509,337
Deferred tax assets	58,336,053	56,453,457
Other assets	28,590,504	29,493,153
Separate account insurance product assets	<u>724,096,813</u>	<u>641,555,694</u>
Total	<u>\$ 7,985,611,163</u>	<u>\$ 7,604,328,474</u>
Liabilities		
Payables	\$ 17,099,854	\$ 24,648,142
Current tax liabilities	160,141	160,145
Financial liabilities at fair value through profit or loss	3,050,197	11,687,067
Financial liabilities for hedging	-	90,971
Bonds payable	80,000,000	80,000,000
Insurance liabilities	6,337,609,905	6,018,792,456
Reserve for insurance contracts with the nature of financial products	1,165,040	1,010,156
Reserve for foreign exchange valuation	9,053,726	14,820,865
Provisions	56,245	56,245
Lease liabilities	9,160,097	9,279,631
Deferred tax liabilities	52,878,793	67,447,866
Other liabilities	16,837,440	21,051,872
Separate account insurance product liabilities	<u>724,096,813</u>	<u>641,555,694</u>
Total liabilities	<u>7,251,168,251</u>	<u>6,890,601,110</u>
Equity		
Share capital	58,515,274	58,515,274
Capital surplus	60,594,868	60,606,533
Retained earnings	529,717,909	416,092,528
Other equity	<u>85,614,861</u>	<u>178,513,029</u>
Total equity	<u>734,442,912</u>	<u>713,727,364</u>
Total	<u>\$ 7,985,611,163</u>	<u>\$ 7,604,328,474</u>

Cathay Life Insurance Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 914,869,993	\$ 906,260,419
Operating costs	(769,618,791)	(837,328,341)
Operating expenses	<u>(22,215,769)</u>	<u>(20,564,071)</u>
Operating income	123,035,433	48,368,007
Non-operating income and expenses	<u>1,563,640</u>	<u>1,582,615</u>
Profit before income tax	124,599,073	49,950,622
Income tax (expense) benefit	<u>(12,368,278)</u>	<u>1,793,972</u>
Net income	112,230,795	51,744,594
Other comprehensive (loss) income	<u>(91,640,006)</u>	<u>77,309,213</u>
Total comprehensive income	<u>\$ 20,590,789</u>	<u>\$ 129,053,807</u>
Basic earnings per share	<u>\$19.18</u>	<u>\$8.84</u>

Cathay Lujiazui Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Cash and cash equivalents	\$ 1,852,041	\$ 2,329,605
Receivables	1,201,703	964,148
Financial assets at fair value through profit or loss	61,882,646	49,511,070
Financial assets at amortized cost	1,598,444	1,086,092
Loans	1,881,390	1,358,558
Reinsurance assets	146,165	112,760
Property and equipment	124,619	103,434
Right-of-use assets	482,014	254,266
Intangible assets	36,614	36,835
Other assets	2,652,013	2,663,475
Separate account insurance product assets	<u>113,421</u>	<u>128,874</u>
Total	<u>\$ 71,971,070</u>	<u>\$ 58,549,117</u>
 Liabilities		
Payables	\$ 1,930,185	\$ 1,832,778
Current tax liabilities	-	23,981
Insurance liabilities	42,119,906	31,436,348
Reserve for insurance contracts with the nature of financial instruments	14,023,748	12,721,352
Lease liabilities	476,031	263,942
Deferred tax liabilities	51,473	-
Other liabilities	168,016	109,553
Separate account insurance product liabilities	<u>113,421</u>	<u>128,874</u>
Total liabilities	<u>58,882,780</u>	<u>46,516,828</u>
 Equity		
Capital	13,497,155	13,497,155
Retained earnings	(621,075)	(1,400,823)
Other equity	<u>212,210</u>	<u>(64,043)</u>
Total equity	<u>13,088,290</u>	<u>12,032,289</u>
Total	<u>\$ 71,971,070</u>	<u>\$ 58,549,117</u>

Cathay Lujiazui Life Insurance Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 18,345,788	\$ 16,810,496
Operating costs	(15,643,108)	(13,363,144)
Operating expenses	<u>(1,998,723)</u>	<u>(1,721,692)</u>
Operating income	703,957	1,725,660
Non-operating income and expenses	<u>(7,629)</u>	<u>1,279</u>
Profit before income tax	696,328	1,726,939
Income tax benefit (expense)	<u>83,420</u>	<u>(237,354)</u>
Net income	779,748	1,489,585
Other comprehensive income (loss)	<u>276,253</u>	<u>(171,539)</u>
Total comprehensive income	<u>\$ 1,056,001</u>	<u>\$ 1,318,046</u>
Basic earnings per share	Note	Note

Note: Cathay Lujiazui Life is a limited company, and no information is disclosed accordingly.

Cathay Life Insurance Company (Vietnam)

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Cash and cash equivalents	\$ 7,542,688	\$ 748,475
Receivables	845,623	585,819
Financial assets at fair value through profit or loss	19,132,941	15,074,158
Financial assets at amortized cost	4,505,033	1,336,764
Loans	125,084	92,258
Property and equipment	14,213	19,522
Right-of-use assets	143,836	106,662
Intangible assets	2,840	3,323
Other assets	<u>99,376</u>	<u>85,727</u>
Total	<u>\$ 32,411,634</u>	<u>\$ 18,052,708</u>
 Liabilities		
Payables	\$ 246,485	\$ 214,666
Insurance liabilities	9,248,547	6,752,746
Lease liabilities	<u>140,702</u>	103,759
Total liabilities	<u>9,635,734</u>	<u>7,071,171</u>
 Equity		
Capital	20,370,930	9,090,730
Retained earnings	(849,469)	(937,479)
Other equity	<u>3,254,439</u>	<u>2,828,286</u>
Total equity	<u>22,775,900</u>	<u>10,981,537</u>
Total	<u>\$ 32,411,634</u>	<u>\$ 18,052,708</u>

Cathay Life Insurance Company (Vietnam)

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 4,409,627	\$ 3,119,731
Operating costs	(3,266,336)	(3,316,372)
Operating expenses	<u>(1,062,407)</u>	<u>(944,208)</u>
Operating income (loss)	80,884	(1,140,849)
Non-operating income and expenses	<u>7,126</u>	<u>5,818</u>
Profit (loss) before income tax	88,010	(1,135,031)
Income tax expense	<u>-</u>	<u>(815)</u>
Net income (loss)	88,010	(1,135,846)
Other comprehensive income	<u>426,153</u>	<u>1,291,490</u>
Total comprehensive income	<u>\$ 514,163</u>	<u>\$ 155,644</u>
Basic earnings per share	Note	Note

Note: Cathay Life (Vietnam) is a limited company, and no information is disclosed accordingly.

Lin Yuan (Shanghai) Real Estate Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
	2021	2020
Assets		
Current assets	\$ 359,984	\$ 344,676
Financial assets at amortized cost	1,410,695	1,198,780
Investment property	7,050,213	7,039,316
Property and equipment	<u>2</u>	<u>2</u>
Total	<u>\$ 8,820,894</u>	<u>\$ 8,582,774</u>
Liabilities		
Current liabilities	\$ 12,783	\$ 2,631
Deferred tax liabilities	571,471	520,001
Other non-current liabilities	<u>88,627</u>	<u>93,758</u>
Total liabilities	<u>672,881</u>	<u>616,390</u>
Equity		
Capital	7,223,435	7,223,435
Retained earnings	1,541,757	1,326,003
Other equity	<u>(617,179)</u>	<u>(583,054)</u>
Total equity	<u>8,148,013</u>	<u>7,966,384</u>
Total	<u>\$ 8,820,894</u>	<u>\$ 8,582,774</u>

Lin Yuan (Shanghai) Real Estate Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 329,311	\$ 278,814
Operating expenses	<u>(41,639)</u>	<u>(51,725)</u>
Profit before income tax	287,672	227,089
Income tax expense	<u>(71,918)</u>	<u>(65,676)</u>
Net income	215,754	161,413
Other comprehensive (loss) income	<u>(34,125)</u>	<u>69,883</u>
Total comprehensive income	<u>\$ 181,629</u>	<u>\$ 231,296</u>
Basic earnings per share	Note	Note

Note: Lin Yuan is a limited company, and no information is disclosed accordingly.

Cathay Woolgate Exchange Holding 1 Limited

**Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)**

	December 31	
	2021	2020
Assets		
Current assets	\$ 3,215,377	\$ 3,553,611
Investment property	<u>9,927,363</u>	<u>9,876,964</u>
Total	<u>\$ 13,142,740</u>	<u>\$ 13,430,575</u>
Liabilities		
Current liabilities	\$ 151	\$ 58,881
Total liabilities	<u>151</u>	<u>58,881</u>
Equity		
Capital	16,654,013	16,654,013
Retained earnings	1,229,459	890,991
Other equity	<u>(4,740,883)</u>	<u>(4,173,310)</u>
Total equity	<u>13,142,589</u>	<u>13,371,694</u>
Total	<u>\$ 13,142,740</u>	<u>\$ 13,430,575</u>

Cathay Woolgate Exchange Holding 1 Limited

**Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)**

	For the Year Ended December 31	
	2021	2020
Operating revenue (loss)	\$ 479,060	\$ (277,275)
Operating expenses	<u>(108,213)</u>	<u>(5,740)</u>
Profit (loss) before income tax	370,847	(283,015)
Income tax expense	<u>(32,379)</u>	<u>(62,205)</u>
Net income (loss)	338,468	(345,220)
Other comprehensive loss	<u>(567,573)</u>	<u>(230,410)</u>
Total comprehensive loss	<u>\$ (229,105)</u>	<u>\$ (575,630)</u>
Basic earnings per share	Note	Note

Note: Cathay Woolgate Exchange Holding 1 Limited is a limited company, and no information is disclosed accordingly.

Cathay Woolgate Exchange Holding 2 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
	2021	2020
Assets		
Current assets	\$ 30,319	\$ 34,113
Investment property	<u>100,276</u>	<u>99,767</u>
Total	<u>\$ 130,595</u>	<u>\$ 133,880</u>
Liabilities		
Current liabilities	\$ 151	\$ 681
Total liabilities	<u>151</u>	<u>681</u>
Equity		
Capital	168,222	168,222
Retained earnings	10,050	7,166
Other equity	<u>(47,828)</u>	<u>(42,189)</u>
Total equity	<u>130,444</u>	<u>133,199</u>
Total	<u>\$ 130,595</u>	<u>\$ 133,880</u>

Cathay Woolgate Exchange Holding 2 Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Operating revenue (loss)	\$ 4,829	\$ (2,823)
Operating expenses	<u>(1,780)</u>	<u>(1,331)</u>
Profit (loss) before income tax	3,049	(4,154)
Income tax expense	<u>(165)</u>	<u>(450)</u>
Net income (loss)	2,884	(4,604)
Other comprehensive loss	<u>(5,639)</u>	<u>(2,344)</u>
Total comprehensive loss	<u>\$ (2,755)</u>	<u>\$ (6,948)</u>
Basic earnings per share	Note	Note

Note: Cathay Woolgate Exchange Holding 2 Limited is a limited company, and no information is disclosed accordingly.

Cathay Walbrook Holding 1 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
	2021	2020
Assets		
Current assets	\$ 1,096,093	\$ 1,473,611
Investment property	19,233,996	20,317,463
Other non-current assets	<u>155</u>	<u>163</u>
Total	<u>\$ 20,330,244</u>	<u>\$ 21,791,237</u>
Liabilities		
Current liabilities	\$ 11,769	\$ 164,650
Non-current liabilities	<u>11,734,835</u>	<u>12,758,544</u>
Total liabilities	<u>11,746,604</u>	<u>12,923,194</u>
Equity		
Capital	10,189,090	10,189,090
Retained earnings	682,254	594,604
Other equity	<u>(2,287,704)</u>	<u>(1,915,651)</u>
Total equity	<u>8,583,640</u>	<u>8,868,043</u>
Total	<u>\$ 20,330,244</u>	<u>\$ 21,791,237</u>

Cathay Walbrook Holding 1 Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 578,970	\$ 407,658
Operating costs	(373,332)	(405,704)
Operating expenses	<u>(103,175)</u>	<u>(26,545)</u>
Profit (loss) before income tax	102,463	(24,591)
Income tax expense	<u>(14,813)</u>	<u>(2,039)</u>
Net income (loss)	87,650	(26,630)
Other comprehensive loss	<u>(372,053)</u>	<u>(144,324)</u>
Total comprehensive loss	<u>\$ (284,403)</u>	<u>\$ (170,954)</u>
Basic earnings per share	Note	Note

Note: Cathay Walbrook Holding 1 Limited is a limited company, and no information is disclosed accordingly.

Cathay Walbrook Holding 2 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	<u>December 31</u>	
	2021	2020
Assets		
Current assets	\$ 60,002	\$ 72,406
Investment property	1,012,316	1,069,341
Other non-current assets	<u>155</u>	<u>163</u>
Total	<u>\$ 1,072,473</u>	<u>\$ 1,141,910</u>
Liabilities		
Current liabilities	\$ 765	\$ 8,358
Non-current liabilities	<u>624,888</u>	<u>671,502</u>
Total liabilities	<u>625,653</u>	<u>679,860</u>
Equity		
Capital	536,268	536,268
Retained earnings	30,497	26,355
Other equity	<u>(119,945)</u>	<u>(100,573)</u>
Total equity	<u>446,820</u>	<u>462,050</u>
Total	<u>\$ 1,072,473</u>	<u>\$ 1,141,910</u>

Cathay Walbrook Holding 2 Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	<u>For the Year Ended December 31</u>	
	2021	2020
Operating revenue	\$ 30,470	\$ 21,439
Operating costs	(19,654)	(21,353)
Operating expenses	<u>(6,412)</u>	<u>(2,958)</u>
Profit (loss) before income tax	4,404	(2,872)
Income tax (expense) benefit	<u>(262)</u>	<u>48</u>
Net income (loss)	4,142	(2,824)
Other comprehensive loss	<u>(19,372)</u>	<u>(7,580)</u>
Total comprehensive loss	<u>\$ (15,230)</u>	<u>\$ (10,404)</u>
Basic earnings per share	Note	Note

Note: Cathay Walbrook Holding 2 Limited is a limited company, and no information is disclosed accordingly.

Conning Holdings Limited
Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2021	2020
Current assets	\$ 7,034,087	\$ 6,270,216
Financial assets at fair value through profit or loss	1,307,534	916,693
Financial assets at fair value through other comprehensive income	5,869	5,426
Property and equipment	1,021,594	922,833
Right-of-use assets	730,368	825,519
Intangible assets	13,903,052	14,521,342
Deferred tax assets	279,750	237,286
Other non-current assets	<u>573,359</u>	<u>305,167</u>
Total	<u>\$ 24,855,613</u>	<u>\$ 24,004,482</u>
Liabilities		
Current liabilities	\$ 4,104,453	\$ 3,865,454
Financial liabilities for hedging	20,956	48,887
Lease liabilities	833,975	913,690
Deferred tax liabilities	874,900	423,181
Other non-current liabilities	<u>3,770,745</u>	<u>4,637,199</u>
Total liabilities	<u>9,605,029</u>	<u>9,888,411</u>
Equity		
Capital	99,343	99,343
Capital surplus	15,624,196	15,624,196
Retained earnings	4,091,681	3,106,384
Other equity	(5,701,220)	(6,096,825)
Non-controlling interests	<u>1,136,584</u>	<u>1,382,973</u>
Total equity	<u>15,250,584</u>	<u>14,116,071</u>
Total	<u>\$ 24,855,613</u>	<u>\$ 24,004,482</u>

Conning Holdings Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 10,453,473	\$ 10,260,771
Operating costs	(952,363)	(910,589)
Operating expenses	<u>(6,873,983)</u>	<u>(6,233,967)</u>
Operating income	2,627,127	3,116,215
Non-operating income and expenses	<u>-</u>	<u>(1,097)</u>
Profit before income tax	2,627,127	3,115,118
Income tax expense	<u>(541,300)</u>	<u>(264,459)</u>
Net income	2,085,827	2,850,659
Other comprehensive loss	<u>(416,618)</u>	<u>(796,073)</u>
Total comprehensive income	<u>\$ 1,669,209</u>	<u>\$ 2,054,586</u>
Basic earnings per share	Note	Note

Note: CHL is a limited company, and no information is disclosed accordingly.

Cathay Industrial Research and Design Center Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31, 2021
Assets	
Current assets	\$ 564,698
Investment property	1,649,664
Deferred tax assets	12,366
Other assets	<u>161,969</u>
Total	<u>\$ 2,388,697</u>
Liabilities	
Current liabilities	\$ 288
Leased liabilities	<u>1,471,391</u>
Total liabilities	<u>1,471,679</u>
Equity	
Share capital	1,000,000
Retained earnings	<u>(82,982)</u>
Total equity	<u>917,018</u>
Total	<u>\$ 2,388,697</u>

Cathay Industrial Research and Design Center Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	From January 8 to December 31, 2021
Operating loss	\$ (33,281)
Operating costs	(57,600)
Operating expenses	<u>(4,467)</u>
Loss before income tax	(95,348)
Income tax benefit	<u>12,366</u>
Net loss	(82,982)
Other comprehensive income	<u>-</u>
Total comprehensive loss	<u>\$ (82,982)</u>
Basic loss per share	<u>\$(0.83)</u>

Note: Cathay Industrial R&D Center has been included in the consolidated financial statements as a subsidiary since January 8, 2021.

Cathay Century Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Cash and cash equivalents	\$ 11,717,250	\$ 10,004,597
Receivables	3,149,045	2,597,751
Financial assets at fair value through profit or loss	12,870,139	11,665,436
Financial assets at fair value through other comprehensive income	728,828	1,226,184
Financial assets at amortized cost	6,473,589	6,874,033
Investments accounted for using the equity method	2,931,407	2,814,164
Loans	186,463	195,316
Reinsurance assets	9,663,893	7,336,678
Property and equipment	215,061	188,259
Right-of-use assets	223,944	101,982
Intangible assets	89,962	81,777
Deferred tax assets	240,062	175,329
Other assets	<u>822,759</u>	<u>617,042</u>
Total	<u>\$ 49,312,402</u>	<u>\$ 43,878,548</u>
 Liabilities		
Payables	\$ 3,714,215	\$ 3,198,584
Financial liabilities at fair value through profit or loss	72	2,700
Lease liabilities	223,979	102,357
Insurance liabilities	29,371,916	25,988,108
Other liabilities	819,688	716,499
Provisions	464,271	454,164
Deferred tax liabilities	<u>270,948</u>	<u>286,310</u>
Total liabilities	<u>34,865,089</u>	<u>30,748,722</u>
 Equity		
Share capital	3,057,052	3,057,052
Capital surplus	518,326	518,326
Retained earnings	10,437,359	9,679,187
Other equity	<u>434,576</u>	<u>(124,739)</u>
Total equity	<u>14,447,313</u>	<u>13,129,826</u>
Total	<u>\$ 49,312,402</u>	<u>\$ 43,878,548</u>

Cathay Century Insurance Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 21,836,128	\$ 20,406,319
Operating costs	(14,791,152)	(13,861,758)
Operating expenses	<u>(4,530,579)</u>	<u>(3,998,730)</u>
Operating profit	2,514,397	2,545,831
Non-operating income and expenses	<u>42,366</u>	<u>4,446</u>
Profit before income tax	2,556,763	2,550,277
Income tax expense	<u>(381,465)</u>	<u>(376,333)</u>
Net income	2,175,298	2,173,944
Other comprehensive income	<u>525,611</u>	<u>67,481</u>
Total comprehensive income	<u>\$ 2,700,909</u>	<u>\$ 2,241,425</u>
Basic earnings per share	<u>\$7.12</u>	<u>\$7.11</u>

Cathay Insurance Co., Ltd. (Vietnam)

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Cash and cash equivalents	\$ 256,037	\$ 248,975
Receivables	59,907	76,283
Financial assets at amortized cost	588,882	524,924
Reinsurance assets	217,594	109,259
Property and equipment	6,094	8,827
Right-of-use assets	13,102	3,882
Intangible assets	18,853	9,403
Other assets	<u>54,378</u>	<u>48,781</u>
Total	<u>\$ 1,214,847</u>	<u>\$ 1,030,334</u>
 Liabilities		
Payables	\$ 198,718	\$ 164,332
Insurance liabilities	358,981	238,175
Lease liabilities	13,504	3,680
Deferred tax liabilities	93	117
Other liabilities	<u>16,488</u>	<u>13,530</u>
Total liabilities	<u>587,784</u>	<u>419,834</u>
 Equity		
Capital	845,585	845,585
Retained earnings	(30,185)	(57,250)
Other equity	<u>(188,337)</u>	<u>(177,835)</u>
Total equity	<u>627,063</u>	<u>610,500</u>
Total	<u>\$ 1,214,847</u>	<u>\$ 1,030,334</u>

Cathay Insurance Co., Ltd. (Vietnam)

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 360,019	\$ 338,418
Operating costs	(80,504)	(79,565)
Operating expenses	<u>(241,497)</u>	<u>(225,572)</u>
Operating income	38,018	33,281
Non-operating income and expenses	<u>(841)</u>	<u>940</u>
Profit before income tax	37,177	34,221
Income tax expense	<u>(10,112)</u>	<u>(8,179)</u>
Net income	27,065	26,042
Other comprehensive loss	<u>(10,502)</u>	<u>(30,971)</u>
Total comprehensive income (loss)	<u>\$ 16,563</u>	<u>\$ (4,929)</u>
Basic earnings per share	Note	Note

Note: Cathay Insurance (Vietnam) is a limited company, and no information is disclosed accordingly.

Cathay United Bank Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2021	2020
Cash and cash equivalents	\$ 61,282,356	\$ 74,801,339
Due from the Central Bank and call loans to banks	212,890,343	114,673,136
Financial assets at fair value through profit or loss	281,821,324	320,798,792
Financial assets at fair value through other comprehensive income	281,577,371	304,618,288
Debt instruments at amortized cost	570,526,304	501,266,786
Notes and bonds purchased under resale agreements	34,175,439	18,338,416
Receivables	103,077,662	99,694,198
Assets held for sale	283,087	-
Loans	1,732,854,284	1,593,426,912
Investments accounted for using the equity method	26,111,194	25,777,352
Other financial assets	8,693,946	364
Property and equipment	23,360,033	24,174,666
Right-of-use assets	3,116,075	3,697,989
Investment property	657,440	646,445
Intangible assets	7,771,516	7,635,738
Deferred tax assets	4,612,273	4,371,750
Other assets	<u>27,266,908</u>	<u>30,472,784</u>
Total	<u>\$ 3,380,077,555</u>	<u>\$ 3,124,394,955</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 62,610,289	\$ 63,383,248
Due to the Central Bank and banks	1,076,000	1,076,000
Financial liabilities at fair value through profit or loss	74,475,373	114,386,759
Notes and bonds under repurchase agreements	31,297,585	10,092,058
Payables	24,704,942	22,325,212
Current tax liabilities	21,690	189,195
Deposits and remittances	2,846,473,269	2,559,958,727
Financial debentures payable	46,800,000	53,800,000
Other financial liabilities	28,655,043	35,331,092
Provisions	3,780,862	3,766,162
Lease liabilities	3,134,128	3,719,319
Deferred tax liabilities	2,554,019	3,330,151
Other liabilities	<u>8,143,243</u>	<u>10,740,160</u>
Total liabilities	<u>3,133,726,443</u>	<u>2,882,098,083</u>
Equity		
Share capital	106,985,830	106,985,830
Capital surplus	38,687,276	38,687,276
Retained earnings	98,502,438	88,733,278
Other equity	<u>2,175,568</u>	<u>7,890,488</u>
Total equity	<u>246,351,112</u>	<u>242,296,872</u>
Total	<u>\$ 3,380,077,555</u>	<u>\$ 3,124,394,955</u>

Cathay United Bank Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2021	2020
Interest income	\$ 43,142,092	\$ 43,507,190
Interest expense	<u>(7,410,699)</u>	<u>(11,398,019)</u>
Net interest income	35,731,393	32,109,171
Net income and gains other than interest income	<u>25,478,800</u>	<u>26,559,968</u>
Profit from operations	61,210,193	58,669,139
Provision for bad debt, commitments and guarantee reserve	(2,568,304)	(2,900,505)
Operating expenses	<u>(31,925,693)</u>	<u>(30,746,967)</u>
Profit before income tax	26,716,196	25,021,667
Income tax expense	<u>(3,372,000)</u>	<u>(3,168,000)</u>
Net income	23,344,196	21,853,667
Other comprehensive (loss) income	<u>(3,757,956)</u>	<u>2,957,601</u>
Total comprehensive income	<u>\$ 19,586,240</u>	<u>\$ 24,811,268</u>
Basic earnings per share	<u>\$2.18</u>	<u>\$2.04</u>

Indovina Bank Limited
Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Cash and cash equivalents	\$ 2,494,098	\$ 1,895,490
Due from the Central Bank and call loans to banks	3,811,523	5,210,061
Financial assets at fair value through profit or loss	1,859,334	2,049,582
Financial assets at fair value through other comprehensive income	11,057,387	9,683,574
Notes and bonds purchased under resale agreements	7,853,676	6,657,815
Receivables	523,166	468,328
Loans	40,041,334	40,406,004
Property and equipment	658,932	694,147
Right-of-use assets	150,666	143,014
Intangible assets	33,834	41,426
Other assets	<u>44,559</u>	<u>70,400</u>
Total	<u>\$ 68,528,509</u>	<u>\$ 67,319,841</u>
 Liabilities		
Due to the Central Bank and banks	\$ 8,970,476	\$ 2,543,214
Payables	1,340,803	1,764,344
Current tax liabilities	28,618	81,954
Deposits and remittances	49,034,608	53,925,397
Provisions	10,510	12,718
Lease liabilities	119,898	128,111
Deferred tax liabilities	248,672	118,016
Other liabilities	<u>22,744</u>	<u>28,589</u>
Total liabilities	<u>59,776,329</u>	<u>58,602,343</u>
 Equity		
Capital	6,094,911	6,094,911
Retained earnings	2,220,811	2,234,791
Other equity	<u>436,458</u>	<u>387,796</u>
Total equity	<u>8,752,180</u>	<u>8,717,498</u>
Total	<u>\$ 68,528,509</u>	<u>\$ 67,319,841</u>

Indovina Bank Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Interest income	\$ 3,650,325	\$ 4,226,746
Interest expense	<u>(2,134,125)</u>	<u>(2,543,013)</u>
Net interest income	1,516,200	1,683,733
Net income and gains other than interest income	<u>659,130</u>	<u>606,088</u>
Profit from operations	<u>2,175,330</u>	<u>2,289,821</u>
Provision for bad debt, commitments and guarantee reserve	(336,582)	(387,848)
Operating expenses	<u>(700,466)</u>	<u>(742,096)</u>
Profit before income tax	1,138,282	1,159,877
Income tax expense	<u>(210,046)</u>	<u>(244,603)</u>
Net income	928,236	915,274
Other comprehensive income (loss)	<u>48,662</u>	<u>(123,785)</u>
Total comprehensive income	<u>\$ 976,898</u>	<u>\$ 791,489</u>
Basic earnings per share	Note	Note

Note: Indovina Bank is a limited company, and no information is disclosed accordingly.

Cathay United Bank (Cambodia) Corporation Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Cash and cash equivalents	\$ 1,040,261	\$ 1,480,074
Due from the Central Bank and call loans to banks	1,971,574	1,803,851
Financial assets at fair value through other comprehensive income	709	730
Receivables	89,283	94,022
Current tax assets	11,499	11,671
Loans	8,655,553	7,269,273
Property and equipment	161,193	179,500
Right-of-use assets	72,804	92,651
Intangible assets	27,674	37,699
Deferred tax assets	-	6,343
Other assets	<u>53,371</u>	<u>48,348</u>
Total	<u>\$ 12,083,921</u>	<u>\$ 11,024,162</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 1,901,982	\$ 381,894
Payables	290,151	298,905
Current tax liabilities	33,186	26,852
Deposits and remittances	6,820,455	7,266,520
Provisions	791	1,558
Lease liabilities	78,264	97,596
Deferred tax liabilities	951	11,918
Other liabilities	<u>9,452</u>	<u>6,003</u>
Total liabilities	<u>9,135,232</u>	<u>8,091,246</u>
Equity		
Share capital	3,020,769	3,020,769
Retained earnings	204,547	102,425
Other equity	<u>(276,627)</u>	<u>(190,278)</u>
Total equity	<u>2,948,689</u>	<u>2,932,916</u>
Total	<u>\$ 12,083,921</u>	<u>\$ 11,024,162</u>

Cathay United Bank (Cambodia) Corporation Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2021	2020
Interest income	\$ 651,624	\$ 669,055
Interest expense	<u>(156,262)</u>	<u>(156,503)</u>
Net interest income	495,362	512,552
Net income and gains other than interest income	<u>37,753</u>	<u>64,904</u>
Profit from operations	<u>533,115</u>	<u>577,456</u>
Provision for bad debt, commitments and guarantee reserve	(38,475)	(92,421)
Operating expenses	<u>(376,833)</u>	<u>(385,138)</u>
Profit before income tax	117,807	99,897
Income tax expense	<u>(15,685)</u>	<u>(11,419)</u>
Net income	102,122	88,478
Other comprehensive loss	<u>(86,349)</u>	<u>(163,842)</u>
Total comprehensive income (loss)	<u>\$ 15,773</u>	<u>\$ (75,364)</u>
Basic earnings per share	<u>\$1.02</u>	<u>\$0.88</u>

Cathay United Bank (China) Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Cash and cash equivalents	\$ 1,615,702	\$ 2,648,385
Due from the Central Bank and call loans to banks	22,393,494	8,189,195
Financial assets at fair value through profit or loss	1,673,876	1,195,605
Financial assets at fair value through other comprehensive income	20,733,071	21,795,225
Debt instruments at amortized cost	1,375,438	461,357
Notes and bonds purchased under resale agreements	-	2,146,244
Receivables	7,541,894	4,271,031
Current tax assets	2,740	38,817
Loans	25,525,489	20,193,772
Property and equipment	246,740	202,683
Right-of-use assets	320,821	323,891
Intangible assets	124,881	123,097
Deferred tax assets	-	29,887
Other assets	<u>247,577</u>	<u>3,551,705</u>
Total	<u>\$ 81,801,723</u>	<u>\$ 65,170,894</u>
 Liabilities		
Deposits from the Central Bank and banks	\$ 13,033,185	\$ 10,012,819
Financial liabilities at fair value through profit or loss	1,409,559	1,227,871
Notes and bonds sold under repurchase agreements	5,864,067	-
Payables	8,057,273	4,935,100
Deposits and remittances	33,365,635	27,844,380
Other financial liabilities	2,847,686	4,417,232
Provisions	18,004	65,359
Lease liabilities	346,824	348,273
Deferred tax liabilities	68,479	4,888
Other liabilities	<u>206,747</u>	<u>73,266</u>
Total liabilities	<u>65,217,459</u>	<u>48,929,188</u>
 Equity		
Capital	14,377,562	14,377,562
Capital surplus	2,522,670	2,522,670
Retained earnings	774,025	536,882
Other equity	<u>(1,089,993)</u>	<u>(1,195,408)</u>
Total equity	<u>16,584,264</u>	<u>16,241,706</u>
Total	<u>\$ 81,801,723</u>	<u>\$ 65,170,894</u>

Cathay United Bank (China) Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Interest income	\$ 1,986,063	\$ 1,809,948
Interest expense	<u>(1,189,963)</u>	<u>(892,286)</u>
Net interest income	796,100	917,662
Net income and gains other than interest income	<u>441,574</u>	<u>166,974</u>
Profit from operations	1,237,674	1,084,636
Provision for bad debt and guarantee reserve	(42,773)	(1,692)
Operating expenses	<u>(882,933)</u>	<u>(817,705)</u>
Profit before income tax	311,968	265,239
Income tax expense	<u>(73,452)</u>	<u>(87,660)</u>
Net income	238,516	177,579
Other comprehensive income	<u>105,415</u>	<u>220,595</u>
Total comprehensive income	<u>\$ 343,931</u>	<u>\$ 398,174</u>
Basic earnings per share	Note	Note

Note: CUBCN BANK is a limited company, and no information is disclosed accordingly.

Cathay Securities Corporation
Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Current assets	\$ 53,111,858	\$ 44,276,495
Financial assets at fair value through other comprehensive income - non-current	394	210
Investments accounted for using the equity method	2,666,452	2,157,020
Property and equipment	256,768	219,207
Right-of-use assets	151,406	75,227
Intangible assets	60,232	69,584
Deferred tax assets	13,579	18,543
Other non-current assets	<u>608,744</u>	<u>697,450</u>
Total	<u>\$ 56,869,433</u>	<u>\$ 47,513,736</u>
 Liabilities		
Current liabilities	\$ 43,654,414	\$ 36,084,418
Other non-current liabilities	<u>169,985</u>	<u>59,376</u>
Total liabilities	<u>43,824,399</u>	<u>36,143,794</u>
 Equity		
Share capital	7,300,000	7,300,000
Capital surplus	898,167	898,167
Retained earnings	3,773,744	2,626,243
Other equity	<u>1,073,123</u>	<u>545,532</u>
Total equity	<u>13,045,034</u>	<u>11,369,942</u>
Total	<u>\$ 56,869,433</u>	<u>\$ 47,513,736</u>

Cathay Securities Corporation

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2021	2020
Revenues	\$ 6,840,727	\$ 5,397,349
Service fee expenses	(459,721)	(196,078)
Employee benefit expenses	(1,824,072)	(1,617,639)
Operating expenses	(1,890,293)	(1,927,944)
Share of profit of subsidiaries and associates accounted for using the equity method	8,534	39,215
Non-operating income and expenses	<u>45,201</u>	<u>33,652</u>
Profit before income tax	2,720,376	1,728,555
Income tax expense	<u>(519,834)</u>	<u>(261,176)</u>
Net income	2,200,542	1,467,379
Other comprehensive income	<u>527,591</u>	<u>85,913</u>
Total comprehensive income	<u>\$ 2,728,133</u>	<u>\$ 1,553,292</u>
Basic earnings per share	<u>\$3.01</u>	<u>\$2.19</u>

Cathay Futures Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Current assets	\$ 12,718,888	\$ 15,729,693
Financial assets at fair value through other comprehensive income - non-current	1,206,888	643,157
Property and equipment	67,702	60,443
Investment property	291,175	291,175
Right-of-use assets	18,145	9,265
Intangible assets	11,771	17,336
Other non-current assets	<u>156,412</u>	<u>163,973</u>
Total	<u>\$ 14,470,981</u>	<u>\$ 16,915,042</u>
 Liabilities		
Current liabilities	\$ 12,316,935	\$ 15,338,432
Deferred tax liabilities	6,554	6,765
Other non-current liabilities	<u>14,074</u>	<u>6,540</u>
Total liabilities	<u>12,337,563</u>	<u>15,351,737</u>
 Equity		
Share capital	667,000	667,000
Capital surplus	680	680
Retained earnings	289,585	282,983
Other equity	<u>1,176,153</u>	<u>612,642</u>
Total equity	<u>2,133,418</u>	<u>1,563,305</u>
Total	<u>\$ 14,470,981</u>	<u>\$ 16,915,042</u>

Cathay Futures Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2021	2020
Revenues	\$ 373,013	\$ 369,175
Operating expenses	<u>(385,544)</u>	<u>(377,185)</u>
Operating loss	(12,531)	(8,010)
Non-operating income and expenses	<u>69,146</u>	<u>85,732</u>
Profit before income tax	56,615	77,722
Income tax expense	<u>(7,341)</u>	<u>(15,320)</u>
Net income	49,274	62,402
Other comprehensive income	<u>563,511</u>	<u>104,978</u>
Total comprehensive income	<u>\$ 612,785</u>	<u>\$ 167,380</u>
Basic earnings per share	<u>\$0.74</u>	<u>\$0.94</u>

Cathay Securities (Hong Kong) Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
	2021	2020
Assets		
Current assets	\$ 1,079,351	\$ 4,645,940
Property and equipment	2,472	4,794
Intangible assets	1,768	1,831
Other non-current assets	<u>67,398</u>	<u>37,030</u>
Total	<u>\$ 1,150,989</u>	<u>\$ 4,689,595</u>
Liabilities		
Current liabilities	\$ 600,552	\$ 4,094,190
Non-current liabilities	<u>17,202</u>	<u>1,543</u>
Total liabilities	<u>617,754</u>	<u>4,095,733</u>
Equity		
Capital	1,108,244	1,108,244
Retained earnings	(484,305)	(443,570)
Other equity	<u>(90,704)</u>	<u>(70,812)</u>
Total equity	<u>533,235</u>	<u>593,862</u>
Total	<u>\$ 1,150,989</u>	<u>\$ 4,689,595</u>

Cathay Securities (Hong Kong) Limited

**Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)**

	For the Year Ended December 31	
	2021	2020
Revenues	\$ 95,696	\$ 115,971
Service fee expenses	(3,156)	(2,672)
Employee benefit expenses	(51,515)	(49,479)
Operating expenses	(85,143)	(88,968)
Non-operating income and expenses	<u>3,383</u>	<u>1,967</u>
Net loss	(40,735)	(23,181)
Other comprehensive loss	<u>(19,892)</u>	<u>(22,889)</u>
Total comprehensive loss	<u>\$ (60,627)</u>	<u>\$ (46,070)</u>
Basic earnings per share	Note	Note

Note: Cathay Securities (Hong Kong) is a limited company, and no information is disclosed accordingly.

Cathay Capital (Asia) Limited

**Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)**

	December 31	
Assets	2021	2020
Current assets	\$ <u>1,405,235</u>	\$ <u>3,436</u>
Total	\$ <u>1,405,235</u>	\$ <u>3,436</u>
Liabilities		
Current liabilities	\$ <u>1,398,834</u>	\$ <u>182</u>
Total liabilities	<u>1,398,834</u>	<u>182</u>
Equity		
Capital	3,875	3,875
Retained earnings	2,869	(439)
Other equity	<u>(343)</u>	<u>(182)</u>
Total equity	<u>6,401</u>	<u>3,254</u>
Total	\$ <u>1,405,235</u>	\$ <u>3,436</u>

Cathay Capital (Asia) Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2021	From February 24 to December 31, 2020
Operating revenue (loss)	\$ 24,688	\$ (5)
Operating costs	(130)	(30)
Operating expenses	(18,226)	(409)
Non-operating income and expenses	<u>5</u>	<u>5</u>
Profit (loss) before income tax	6,337	(439)
Income tax expense	<u>(3,029)</u>	<u>-</u>
Net income (loss)	3,308	(439)
Other comprehensive loss	<u>(161)</u>	<u>(182)</u>
Total comprehensive income (loss)	<u>\$ 3,147</u>	<u>\$ (621)</u>
Basic earnings per share	Note	Note

Note 1: Cathay Capital (Asia) is a limited company, and no information is disclosed accordingly.

Note 2: Cathay Capital (Asia) has been included in the consolidated financial statements as a subsidiary since February 24, 2020.

Cathay Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Current assets	\$ 3,624,088	\$ 2,801,140
Financial assets at fair value through other comprehensive income - non-current	11,749	9,778
Investments accounted for using the equity method	431,922	484,507
Property and equipment	49,274	33,399
Right-of-use assets	19,547	49,495
Intangible assets	27,613	21,839
Deferred tax assets	36,873	29,850
Guarantee deposits paid	321,700	258,156
Other non-current assets	<u>17,339</u>	<u>61,759</u>
Total	<u>\$ 4,540,105</u>	<u>\$ 3,749,923</u>
 Liabilities		
Current liabilities	\$ 798,127	\$ 676,044
Non-current liabilities	<u>190,010</u>	<u>149,718</u>
Total liabilities	<u>988,137</u>	<u>825,762</u>
 Equity		
Share capital	1,500,000	1,500,000
Capital surplus	16,453	16,453
Retained earnings	2,162,703	1,514,603
Other equity	<u>(127,188)</u>	<u>(106,895)</u>
Total equity	<u>3,551,968</u>	<u>2,924,161</u>
Total	<u>\$ 4,540,105</u>	<u>\$ 3,749,923</u>

Cathay Securities Investment Trust Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 3,855,397	\$ 2,873,737
Operating expenses	<u>(1,977,713)</u>	<u>(1,788,015)</u>
Operating profit	1,877,684	1,085,722
Non-operating income and expenses	<u>(99,113)</u>	<u>(9,989)</u>
Profit before income tax	1,778,571	1,075,733
Income tax expense	<u>(376,153)</u>	<u>(218,431)</u>
Net income	1,402,418	857,302
Other comprehensive loss	<u>(20,293)</u>	<u>(17,726)</u>
Total comprehensive income	<u>\$ 1,382,125</u>	<u>\$ 839,576</u>
Basic earnings per share	<u>\$9.35</u>	<u>\$5.72</u>

Cathay Private Equity Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
	2021	2020
Assets		
Current assets	\$ 65,196	\$ 53,371
Other non-current assets	<u>53,142</u>	<u>28,329</u>
Total	<u>\$ 118,338</u>	<u>\$ 81,700</u>
Liabilities		
Current liabilities	\$ 11,563	\$ 4,294
Other non-current liabilities	<u>2,633</u>	<u>-</u>
Total liabilities	<u>14,196</u>	<u>4,294</u>
Equity		
Share capital	150,000	100,000
Capital surplus	63	63
Retained earnings	<u>(45,921)</u>	<u>(22,657)</u>
Total equity	<u>104,142</u>	<u>77,406</u>
Total	<u>\$ 118,338</u>	<u>\$ 81,700</u>

Cathay Private Equity Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 17,504	\$ 10,061
Operating expenses	<u>(42,448)</u>	<u>(22,495)</u>
Operating loss	(24,944)	(12,434)
Non-operating income and expenses	<u>(3,266)</u>	<u>(95)</u>
Loss before income tax	(28,210)	(12,529)
Income tax benefit	<u>4,946</u>	<u>2,379</u>
Net loss	<u>(23,264)</u>	<u>(10,150)</u>
 Total comprehensive loss	 <u>\$ (23,264)</u>	 <u>\$ (10,150)</u>
 Basic loss per share	 <u>\$(2.19)</u>	 <u>\$(1.31)</u>

Cathay Venture Inc.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
	2021	2020
Assets		
Current assets	\$ 1,300,360	\$ 1,304,594
Financial assets at fair value through profit or loss - non-current	4,788,751	4,330,509
Investments accounted for using the equity method	310,568	317,665
Property and equipment	2,766	2,711
Right-of-use assets	5,371	11,125
Deferred tax assets	68,007	65,509
Other non-current assets	<u>1,267</u>	<u>1,267</u>
 Total	 <u>\$ 6,477,090</u>	 <u>\$ 6,033,380</u>
 Liabilities		
Current liabilities	\$ 43,735	\$ 31,349
Non-current liabilities	<u>8,785</u>	<u>13,431</u>
Total liabilities	<u>52,520</u>	<u>44,780</u>
 Equity		
Share capital	5,181,730	4,842,362
Capital surplus	576,667	576,667
Retained earnings	665,695	569,427
Other equity	<u>478</u>	<u>144</u>
Total equity	<u>6,424,570</u>	<u>5,988,600</u>
 Total	 <u>\$ 6,477,090</u>	 <u>\$ 6,033,380</u>

Cathay Venture Inc.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 518,051	\$ 433,436
Operating costs	(35,210)	(38,365)
Operating expenses	(16,604)	(11,518)
Non-operating income and expenses	<u>(1,232)</u>	<u>(1,053)</u>
Profit before income tax	465,005	382,500
Income tax expense	<u>(29,369)</u>	<u>(5,425)</u>
Net income	435,636	377,075
Other comprehensive income	<u>334</u>	<u>70</u>
Total comprehensive income	<u>\$ 435,970</u>	<u>\$ 377,145</u>
Basic earnings per share	<u>\$0.84</u>	<u>\$0.73</u>

Cathay Investment Inc.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Assets		
Current assets	\$ 34,086	\$ 19,496
Non-current assets	<u>190</u>	<u>15,818</u>
Total	<u>\$ 34,276</u>	<u>\$ 35,314</u>
Liabilities		
Current liabilities	\$ 39	\$ 454
Non-current liabilities	<u>-</u>	<u>328</u>
Total liabilities	<u>39</u>	<u>782</u>
Equity		
Share capital	35,000	35,000
Retained earnings	<u>(763)</u>	<u>(468)</u>
Total equity	<u>34,237</u>	<u>34,532</u>
Total	<u>\$ 34,276</u>	<u>\$ 35,314</u>

Cathay Investment Inc.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 54	\$ 97
Operating expenses	(210)	(643)
Non-operating income and expenses	<u>2</u>	<u>(11)</u>
Loss before income tax	(154)	(557)
Income tax (expense) benefit	<u>(141)</u>	<u>131</u>
Net loss	<u>(295)</u>	<u>(426)</u>
 Total comprehensive loss	 <u>\$ (295)</u>	 <u>\$ (426)</u>
 Basic loss per share	 <u>\$ (0.08)</u>	 <u>\$ (0.12)</u>

- b. The profitability of the Company, the Group and its insurance subsidiaries, banking subsidiaries and security subsidiaries.

For the year ended December 31, 2021

Unit: %

	Return on Assets		Return on Equity		Net Income Ratio
	Before Tax	After Tax	Before Tax	After Tax	
The Group	1.42	1.25	17.54	15.49	22.51
The Company	13.86	13.76	15.66	15.54	98.03
Cathay Life	1.60	1.44	17.21	15.50	12.27
Cathay Century	5.49	4.67	18.54	15.78	9.96
Cathay United Bank	0.82	0.72	10.93	9.55	38.14
Cathay Securities	5.21	4.22	22.28	18.03	32.17

For the year ended December 31, 2020

Unit: %

	Return on Assets		Return on Equity		Net Income Ratio
	Before Tax	After Tax	Before Tax	After Tax	
The Group	0.78	0.72	9.68	9.01	12.06
The Company	8.30	8.03	9.26	8.96	94.70
Cathay Life	0.68	0.71	7.67	7.95	5.71
Cathay Century	5.90	5.03	19.78	16.86	10.65
Cathay United Bank	0.83	0.73	10.65	9.30	37.25
Cathay Securities	4.65	3.95	17.30	14.68	27.19

Note: Net income ratio = Net income/Net revenue

33. BUSINESS OR TRADING ACTIVITIES WITHIN SUBSIDIARIES

a. Integration of business activities

In order to improve the Group's competitiveness and enhance its operation synergy, the Company integrates various services, such as banking, insurance, and securities, and builds up a full-functioning financial platform; with 667 operating location all over Taiwan and about 30 thousand professional salesperson, the Company provides comprehensive financial planning and one-stop shopping services to its clients.

b. Cross utilization of information

To provide diversified financial commodities and services to clients, the Company has referred to the Financial Holding Company Act, Personal Data Protection Act, Regulations for Co-selling Activities among Subsidiaries of Financial Holding Company, Self-discipline Standards for Financial Holding Company and its Subsidiaries and other related regulations issued by the FSC, to stipulate the Regulations for Co-selling Activities among Subsidiaries of Cathay Financial Holdings, contracts for Co-selling Activities among Subsidiaries of Cathay Financial Holdings, Non-disclosure Agreement of Business Information and Customers' Personal Data among Subsidiary of Cathay Financial Holdings, Joint Statement for Security Measures of Cathay Financial Holdings and its Subsidiaries, Operation Rules of Cathay Financial Holdings Marketing Planning Division for Monitoring Subsidiaries' Selling Activities, and Guidelines of Cathay Financial Holdings' Data Storage Management; by providing customers with exit mechanism, the Company strives to cross-utilize clients' personal data under a legal and safe environment and provide comprehensive and integrated financial commodities and services to clients.

c. Business facilities and locations

In order to achieve the target of providing comprehensive financial services by one-stop shopping, the Group keeps on expanding co-selling activities to the extent allowed by laws and regulations.

- 1) Cathay United Bank is engaged in co-selling activities for securities business through its 165 branches. Cathay United Bank has been engaged in insurance agency business since April 29, 2016 and promoted life insurance products in its 165 branches.
- 2) Cathay Life is engaged in co-selling activities for banking and property and casualty insurance businesses in its service units (58 locations).
- 3) Cathay Securities sets up co-selling offices in Cathay Life's 32 branches (Zhongxiao and others) to facilitate account opening services through sharing business facilities and locations.

d. Allocation of revenues, costs, expenses, profits and losses

Revenue, costs, expenses, profits or losses arising from integrated business activities among the Company and its subsidiaries are allocated to each subsidiary based on the related business features or other reasonable allocation methods.

34. SEGMENT INFORMATION

a. General information on operating segments

The Group separated operating segments based on the nature of business and classified them into five reportable segments for management purposes:

- 1) **Banking operating segment:** The banking operating segment is engaged in permitted businesses of commercial banks provided by the Banking Act of the Republic of China, foreign exchange business, guarantee business, advisory service of foreign currency investments, trust business, offshore banking units and other financial business of investments from returning expatriates.
- 2) **Life insurance operating segments:** The life insurance operating segment is engaged in interest-sensitive sales of traditional insurance, investment-linked insurance and annuity insurance and providing financial planning services and policy loan services.
- 3) **Property insurance operating segment:** The property insurance operating segment is engaged in fire insurance, marine insurance, land and air insurance, liability insurance, Guarantee insurance, reinsurance and other insurance.
- 4) **Securities operating segment:** The securities operating segment is engaged in brokerage, dealership, and underwriting business and is dedicated to capabilities of research, development and design to provide security financial services with a variety of new financial products.
- 5) **Other operating segment:** Such segment includes assets, liabilities, revenue and expenditures which cannot be directly attributable to or reasonably allocated to certain operating segments.

To determine allocation of resources and performance measure, the management monitors results of each operating segment. The accounting policies for each operating segment are the same as those stated in Note 4 the summary of significant accounting policies.

b. Information of reporting segment income was as follows:

For the year ended December 31, 2021

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 38,737,536	\$ 155,738,226	\$ 523,281	\$ 482,206	\$ (599,088)	\$ 194,882,161
Net income and gains other than interest income	17,937,696	386,860,971	7,258,868	5,857,308	13,165,601	431,080,444
Profit from operations	56,675,232	542,599,197	7,782,149	6,339,514	12,566,513	625,962,605
Provision for bad debt, commitments and guarantee reserve	(2,986,134)	(495,222)	-	(3,014)	-	(3,484,370)
Net changes in insurance liability reserve	-	(376,771,070)	(637,320)	-	-	(377,408,390)
Operating expenses	(32,675,595)	(35,360,547)	(3,816,713)	(3,186,325)	(10,504,294)	(85,543,474)
Profit from continuing operations before taxes	21,013,503	129,972,358	3,328,116	3,150,175	2,062,219	159,526,371
Income tax expense	(3,673,211)	(11,968,374)	(391,526)	(519,843)	(2,084,107)	(18,637,061)
Net income (loss) from continuing operations	17,340,292	118,003,984	2,936,590	2,630,332	(21,888)	140,889,310

For the year ended December 31, 2020

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 35,322,608	\$ 155,382,430	\$ 535,481	\$ 203,535	\$ (514,522)	\$ 190,929,532
Net income and gains other than interest income	20,400,213	396,643,821	5,847,615	4,782,604	11,310,700	438,984,953
Profit from operations	55,722,821	552,026,251	6,383,096	4,986,139	10,796,178	629,914,485
Provision for bad debt, commitments and guarantee reserve	(3,382,467)	202,228	-	2,438	(74)	(3,177,875)
Net changes in insurance liability reserve	-	(462,233,422)	139,281	-	-	(462,094,141)
Operating expenses	(31,467,935)	(35,839,479)	(3,282,903)	(3,050,587)	(9,385,784)	(83,026,688)
Profit from continuing operations before taxes	20,872,419	54,155,578	3,239,474	1,937,990	1,410,320	81,615,781
Income tax (expense) benefit	(3,514,541)	1,624,198	(384,564)	(261,185)	(3,121,466)	(5,657,558)
Net income (loss) from continuing operations	17,357,878	55,779,776	2,854,910	1,676,805	(1,711,146)	75,958,223

Note: All intercompany transactions among the operating segments have been eliminated.

c. Geographical information

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Taiwan	\$ 594,259,105	\$ 601,705,258
Asia	22,667,272	20,156,577
Other countries	<u>9,036,228</u>	<u>8,052,650</u>
	<u>\$ 625,962,605</u>	<u>\$ 629,914,485</u>

d. Major customer

There was no individual external customer whose revenue accounted for 10% or more of the Group's revenue.

35. RISK MANAGEMENT FOR INSURANCE CONTRACTS AND FINANCIAL INSTRUMENTS

a. Cathay Life and its subsidiaries

1) Risk management objectives, policies, procedures and methods:

a) Objectives of risk management

Cathay Life's risk management policy aims to promote operational efficiency, ensure asset safety, increase shareholders' value, and comply with applicable domestic and overseas laws and regulations for the purpose of steady growth and sustainable management.

b) Framework, organizational structure and responsibilities of risk management

i. The board of directors

- i) The board of directors should establish appropriate risk management framework and culture, ratify appropriate risk management policy and review it regularly and allocate resources in the most effective manner.
- ii) The board of directors and senior management should consistently promote, execute risk management and keep the consistency of the operational objectives of Cathay Life as well as operational strategies and operations management.
- iii) 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.
- iv) The board of directors should delegate authority to risk management department to deal with violation to risk limits by other departments.

ii. Risk management committee

- i) The committee should propose the risk management policies, framework and organizational functions and establish quantitative and qualitative risk 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 the development, build-up and performance of overall management mechanisms regularly.
- iii) The committee should assist and monitor the risk management activities.
- iv) The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.
- v) The committee should enhance cross-department interaction and communication.

iii. Chief risk officer

- i) The chief risk officer should maintain independence. Besides a position directly related to risk management and without conflict of interest, the chief risk officer should not hold a position in any profit center of Cathay Life.
- ii) The chief risk officer should be able to access any business information which may have an impact on risk overview of Cathay Life.
- iii) The chief risk officer should be in charge of overall risk management of Cathay Life.
- iv) The chief risk officer should participate in Cathay Life's important decision-making process and, as appropriate, provide opinions from a risk management perspective.

iv. Risk management department

- i) The department is responsible for operational affairs such as monitoring, measuring and evaluating daily risks, which should be performed independently to business units.

ii) The department should perform the following functions with regard to different business activities:

- Propose and execute the risk management policies set by the board of directors.
- Propose the risk limits based on risk appetite.
- 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.
- Regularly present risk management reports.
- Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.
- Assist to execute stress testing.
- Execute back testing if necessary.
- Other risk management related issues.

v. Business units

i) Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.

ii) The duties of the risk management include the following:

- Identify and measure risks and report risk exposures and potential impacts on time.
- Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.
- Assist to develop the risk model and ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.
- Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
- Assist to collect data related to operational risk.
- Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to mitigate such risks.
- Manager of a business unit should supervise the unit to submit risk management information regularly to the risk management department.

vi. Audit department

The department is responsible for the audit of each department's implementation status of risk management pursuant to the applicable laws and regulations and related rules and guidance of Cathay Life.

vii. Subsidiaries

Each subsidiary's risk management department or related unit should develop risk management policies based on the nature of its business and needs and report to Cathay Life's risk management committee for future reference.

c) Range and nature of risk assessment or risk reporting

Cathay Life's risk management procedures include risk identification, risk measurement, risk control and risk reporting. Cathay Life sets its management standards for market risk, credit risk, country risk, liquidity risk, operational risk, insurance risk, asset and liability matching risk, capital adequacy, information security and personal data management, emerging risk, and ESG and climate risk. Cathay Life also develops methods of assessment and evaluation, monitors its risks and regularly provides the risk management reports.

i. Market risk

Market risk is the risk of losses in value of Cathay Life's financial assets arising from the changes in market prices of financial instruments. Cathay Life adopts measurement indicators for market risk based on VaR and reviews regularly. In addition, Cathay Life performs back testing to ensure the accuracy of the market risk model regularly. Furthermore, Cathay Life applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly. In response to the implementation of foreign exchange valuation reserve, Cathay Life determines the ceiling of foreign exchange risk, implements warning system and monitors foreign exchange risk regularly.

ii. Credit risk

Credit risk is the risk of losses on Cathay Life's rights due to that the counterparty or debtor does not perform the contractual obligation. Cathay Life applies credit rating, credit concentration and VaR of credit as measurement indicators which are reviewed regularly. Furthermore, Cathay Life applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly.

iii. Country risk

Country risk is the risk that Cathay Life suffers losses from loans, financial investments and long-term investments in a specific country as a result of market price fluctuation or default of security issuers or debtors stemming from local political and/or economic situations. Cathay Life adopts measurement indicators for country risk, which are calculated by total investments in a certain country or specific area divided by total foreign investments or adjusted net assets. Cathay Life reviews and adjusts the indicator on a regular basis.

iv. Liquidity risk

Liquidity risk is comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Cathay Life is not capable of performing matured commitment because it fails to realize assets or obtain sufficient funds. Cathay Life has established measurement indicators of funding liquidity risk and reviews the indicators regularly. In addition, a funding reporting system has been established under which the risk management department manages funding liquidity based on the information provided by relevant business units. Furthermore, the cash flow analysis model has been applied and monitored regularly, and improvements should be made once unusual events occur. The cash flow analysis model is also applied to set the annual assets allocation plan to maintain

appropriate liquidity of assets. Market liquidity risk is the risk of significant changes in fair values when Cathay Life sells or offsets its positions during a market disorder or a lack of sufficient market depth. Cathay Life has established a liquidity threshold for investment positions. Each investment department evaluates the market trading volumes and adequacy of positions held according to the features and objectives of its investment positions.

v. Operational risk

Operational risk is the risk caused by improper conduct or errors of internal process, personnel, system or external issues that lead to losses. Operational risk includes legal risk but excludes strategic risk and reputation risk. Cathay Life has set the standard operating procedures based on the nature of the business and established reporting system for loss events of operation risk as well as to collect and manage information with respect to losses resulting from operational risk. To maintain Cathay Life's operation and ability to provide customer services while minimizing the losses under a major crisis, Cathay Life has established business continuity management system, emergency handling mechanism and information system damage responses.

vi. Insurance risk

Cathay Life assumes certain risks which is transferred from policyholders after the collection of premiums from policyholders, and Cathay Life may bear losses due to unexpected changes when paying claims and related expenses. This risk is involved with policy design and pricing risk, underwriting risk, reinsurance risk, catastrophe risk, claim risk and reserve-related risk.

vii. Asset and liability matching risk

This risk resulted from the differences between the changes in values of assets and those of liabilities. Cathay Life measures the risk with capital costs, duration, cash flow management and scenario analysis.

viii. Capital adequacy

Cathay Life regards RBC ratio and equity ratio as a management indicator for capital adequacy. The RBC ratio is the total capital of Cathay Life divided by its risk-based capital, as regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies. The equity ratio is Cathay Life's equity audited (or reviewed) by the auditors divided by the total assets excluding the total assets recorded in separate accounts for investment type insurance policies.

ix. Risk of information security and personal data management

The risk of information security and personal data management refers to the damage resulted from confidentiality, accuracy and availability of information asset, or damage caused by stealing, tampering, damaging, losing or leaking personal data. Cathay Life has a security and personal data management policy to reduce the impact of information security incidents and personal data damages.

x. Emerging risks

Emerging risks refer to risks that are not currently revealed but may arise as a result of the changes in the environment, usually due to changes in politics, regulations, markets or the natural environment. Cathay Life conducts emerging risk management operations by reference to authority organizations, benchmarking enterprise reports, regularly identifying and measuring emerging risks as well as assessing risk response and control mechanism

when compiling annual risk maps, and reports the status of emerging risk to senior management every year, which is incorporated into the risk management business implementation report and delivered to the Risk Management Committee for deliberation.

xi. ESG and climate risks

ESG risks refer to the financial losses that may be directly or indirectly incurred by Cathay Life due to the investees who fail to pay attention to ESG issues, and ESG risks include environmental, social and corporate governance risks. Climate risk is part of the environmental risks of ESG risks and refers to the potential negative impact of climate changes, including transformation risk (a wide range of risks resulting from the trend of low-carbon economy, including policy, legal, technology and market change risks) and physical risk (the risk of financial losses due to extreme weather events). Cathay Life has established related management measures as a response.

d) The process of assuming, measuring, monitoring and controlling risks and the underwriting policies to determine the proper risk classification and premium levels

i. The process of assuming, measuring, monitoring and controlling insurance risks

i) Stipulate Cathay Life's insurance risk management standards including the definitions and range of risks, management structure, risk management indicators and other risk management measures.

ii) Establish methods to evaluate insurance risks.

iii) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and for developing insurance risk management strategies.

iv) Regularly summarize the results of implementing risk management policies and report to the risk management committee. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of Cathay Life and that of the Company.

ii. The underwriting policies to determine proper risk classification and premium levels

i) Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from the insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.

ii) Cathay Life has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards

iii) Cathay Life has set up a special panel for large policies to enhance risk management over large policies and avoid adverse selection and moral hazard.

e) The scope of insurance risk assessment and management from a company-wide perspective

i. Insurance risk assessment covers the following risks:

i) Product design and pricing risk: The risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.

- ii) Underwriting risk: Unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.
- iii) Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.
- iv) Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect Cathay Life's credit rating or solvency.
- v) Claim risk: This risk arises from mishandling claims.
- vi) Reserve-related risk: This risk occurs when Cathay Life does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.

ii. The scope of management of insurance risk

- i) Develop a risk control framework of Cathay Life's insurance risk to empower related development to execute risk management.
- ii) Establish Cathay Life's insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.
- iii) Develop related response in consideration of Cathay Life's growth strategy and changes in the domestic and global economic and financial environments.
- iv) Determine methods to measure insurance risks.
- v) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.
- vi) Other insurance risk management issues.

f) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

Cathay Life limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed considering Cathay Life's risk taking ability, risk profiling and legal issues factors to determine whether to retain or cede a policy. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, Cathay Life has established reinsurer selection standards.

g) Asset/liability management

- i. Cathay Life established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks Cathay Life faces.
- ii. Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of Cathay Life. Furthermore, the annual report is delivered to the risk management committee of the Company.

- iii. When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of Cathay Life and that of the Company.
- h) The procedures to manage, monitor and control a special event for which Cathay Life is committed to assuming additional liabilities or funding addition capital

Pursuant to the applicable laws and regulations, Cathay Life's RBC ratio and equity ratio should be higher than a certain number. In order to enhance Cathay Life's capital management and to maintain a proper RBC ratio and equity ratio, Cathay Life has established a set of capital adequacy management standards as follows:

i. Capital adequacy management

- i) Regularly provide capital adequacy management reports and analysis to the finance department of the Company.
- ii) Regularly provide the analysis report to the risk management committee.
- iii) Conduct simulation analysis to figure out the use of funding, the changes of the financial environment or the amendments to applicable laws and regulations affecting RBC ratio and equity ratio.
- iv) Regularly review RBC ratio, equity ratio and related control standards to ensure a solid capital adequacy management.

ii. Exception management process

When RBC ratio or equity ratio exceeds the internal risk control criteria or other exceptions occur, Cathay Life is required to notify the risk management department and the finance department and the risk management department of Cathay Financial Holdings, and submits the capital adequacy analysis report and actions.

- i) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments
 - i. Cathay Life enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from Cathay Life's investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.
 - ii. Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. Cathay Life executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.
 - iii. Cathay Life assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.

- j) The policies and procedures against the concentration of credit and investment risks

Considering the credit risk factors, Cathay Life has set up the measurement indicators for credit and investment positions by countries, industries and business groups. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, Cathay Life shall not grant loans or make investment in general. However, if Cathay Life has to undertake the business under certain circumstances, Cathay Life shall follow the internal regulations, including but not limited to “Guidelines for sovereign risk management”, “Guidelines for securities investment risk limit” and “Guidelines for credit and investment risk management on conglomerate and other juristic person institute”.

2) Information of insurance risk

- a) Sensitivity of insurance risk - insurance contracts and financial instruments with discretionary participation features

i. Cathay Life

For the Year Ended December 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 3,037,807	Decrease (increase)	\$ 2,430,246
Expense	×1.05 (×0.95)	Decrease (increase)	3,134,316	Decrease (increase)	2,507,453
Surrender rate	×1.05 (×0.95)	Increase (decrease)	227,270	Increase (decrease)	181,816
Rate of return	+0.1%	Increase	6,574,793	Increase	5,259,834
Rate of return	-0.1%	Decrease	6,581,208	Decrease	5,264,967

For the Year Ended December 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 2,923,953	Decrease (increase)	\$ 2,339,162
Expense	×1.05 (×0.95)	Decrease (increase)	3,054,024	Decrease (increase)	2,443,220
Surrender rate	×1.05 (×0.95)	Increase (decrease)	358,110	Increase (decrease)	286,488
Rate of return	+0.1%	Increase	6,236,991	Increase	4,989,593
Rate of return	-0.1%	Decrease	6,243,108	Decrease	4,994,486

ii. Cathay Lujiazui Life

For the Year Ended December 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 158,461	Decrease (increase)	\$ 118,846
Expense	×1.05 (×0.95)	Decrease (increase)	96,546	Decrease (increase)	72,409
Surrender rate	×1.10 (×0.90)	Increase (decrease)	76,562	Increase (decrease)	57,421
Rate of return	+0.25%	Increase	153,137	Increase	114,853
Rate of return	-0.25%	Decrease	153,509	Decrease	115,132

For the Year Ended December 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 153,298	Decrease (increase)	\$ 114,973
Expense	×1.05 (×0.95)	Decrease (increase)	88,596	Decrease (increase)	66,447
Surrender rate	×1.10 (×0.90)	Increase (decrease)	82,159	Increase (decrease)	61,619
Rate of return	+0.25%	Increase	117,068	Increase	87,801
Rate of return	-0.25%	Decrease	117,349	Decrease	88,012

iii. Cathay Life (Vietnam)

For the Year Ended December 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 3,706	Decrease (increase)	\$ 2,965
Expense	×1.05 (×0.95)	Decrease (increase)	72,499	Decrease (increase)	57,999
Surrender rate	×1.10 (×0.95)	Increase (decrease)	17,931	Increase (decrease)	14,345
Rate of return	+0.1%	Increase	23,176	Increase	18,541
Rate of return	-0.1%	Decrease	23,199	Decrease	18,559

For the Year Ended December 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 2,484	Decrease (increase)	\$ 1,987
Expense	×1.05 (×0.95)	Decrease (increase)	62,745	Decrease (increase)	50,196
Surrender rate	×1.10 (×0.95)	Increase (decrease)	16,325	Increase (decrease)	13,060
Rate of return	+0.1%	Increase	15,464	Increase	12,371
Rate of return	-0.1%	Decrease	15,479	Decrease	12,383

- i) Changes in income before tax listed above referred to the effects of income before tax for the year ended December 31, 2021 and 2020. The changes in equity of Cathay Life, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.
- ii) As an increase (decrease) of 0.1% in discount rates is applied to the liability adequacy test, the result of the test is still adequate for Cathay Life and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.

iii) Sensitivity test

- Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.
- Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.
- Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.
- Rate of return sensitivity test is executed by adjusting the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

Note 1: Expense items includes underwriting expenses, commission expenses, other operating costs as well as general expenses, administration expenses, employee training expenses of operating expenses, and expected credit impairment losses and gains on reversal from non-investments.

Note 2: Rate of return is calculated as follows (to be annualized):

$$2 \times (\text{Net investment} - \text{Finance costs}) / (\text{The beginning balance of available funds} + \text{The ending balance of available funds, net incomes (losses) on investment} + \text{Finance costs})$$

b) Concentration of insurance risks

Cathay Life's insurance business is mainly from the R.O.C., and all the insurance policies have similar risk exposure; for example, the risk exposure to the unexpected changes in trend (mortality, morbidity, and surrender rate) or the risk exposure to multiple insurance contracts caused by a single incident (for example, simultaneous risk exposure to life insurance, health insurance, and casualty insurance caused by an earthquake). Cathay Life reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

In principle, Cathay Life performs an evaluation on the retained risks by considering the risk characteristics and its risk bearing capacity, which is submitted for approval by authority, and engages in reinsurance business for the excess of risks over the retained. At the same time, Cathay Life considers unexpected human and natural disasters in each year to estimate the reasonable maximum of losses based on the retained risks and determines according to the risk characteristics and its bearing capacity whether to adjust the reinsured amount or purchase catastrophe reinsurance. Therefore, the insurance risks to some extent are diversified to reduce the potential impact on unexpected losses.

Furthermore, according to Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, special reserve for catastrophic events should be provided for huge claims and payments due to future catastrophic events, and special reserve for fluctuation of risk should be provided for abnormal changes in loss ratio and claims of each insurance type. The annual increase of special reserve for catastrophic events and fluctuation of risks should be recorded in special reserve of equity, net of tax in accordance with IAS 12.

c) Claim development trend

i. Cathay Life

ii) Direct business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2015	15,353,566	18,647,560	18,975,168	19,056,336	19,103,869	19,131,408	19,148,667	-	-
2016	15,940,308	19,566,897	19,885,388	19,971,081	20,016,631	20,045,358	20,063,960	18,602	18,640
2017	17,297,974	21,370,269	21,769,245	21,867,634	21,919,866	21,951,128	21,970,727	50,861	50,962
2018	19,438,330	23,925,964	24,359,320	24,481,170	24,542,817	24,577,490	24,599,067	117,897	118,132
2019	21,412,454	26,422,361	26,916,178	27,044,842	27,113,878	27,152,125	27,174,887	258,709	259,226
2020	21,393,621	26,253,941	26,723,177	26,847,005	26,913,444	26,951,728	26,974,764	720,823	722,265
2021	19,906,774	24,391,134	24,813,219	24,922,174	24,980,352	25,016,119	25,038,567	5,131,793	5,142,057
Expected future payments								\$ 6,311,282	
Add: Assumed reserve for claims not yet filed								23,868	
Reserve for claims not yet filed								6,335,150	
Add: Claims filed but not yet paid								4,844,212	
Loss reserve balance								\$ 11,179,362	

iii) Retained business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2015	15,474,235	18,809,508	19,140,593	19,222,947	19,270,603	19,298,248	19,315,628	-	-
2016	16,051,766	19,702,389	20,024,753	20,110,678	20,156,445	20,185,309	20,204,012	18,703	18,740
2017	17,425,760	21,529,927	21,929,989	22,028,646	22,081,037	22,112,477	22,132,235	51,198	51,300
2018	19,559,154	24,057,586	24,492,262	24,614,489	24,676,696	24,711,854	24,733,864	119,375	119,613
2019	21,440,110	26,462,299	26,957,693	27,086,749	27,156,093	27,194,604	27,217,601	259,908	260,429
2020	21,422,045	26,296,684	26,767,453	26,891,722	26,958,513	26,997,100	27,020,408	723,724	725,171
2021	19,944,238	24,442,977	24,866,879	24,976,355	25,034,945	25,071,069	25,093,836	5,149,598	5,159,897
Expected future payments								\$ 6,335,150	
Add: Claims filed but not yet paid								4,804,610	
Retained loss reserve balance								\$ 11,139,760	

Note: Retained business equals direct business plus assumed reinsurance less ceded reinsurance business.

In accordance with Jin Guan Bao Shou No. 10402133590 issued on December 22, 2015 by the FSC, reserve for claims not yet filed is provided as claims filed and adjusted for related expenses; reserve for claims filed but not yet paid is provided on a case-by-case basis. The loss reserve is the sum of the above reserve, and due to uncertainty, estimation, and judgment, there is a high degree of complexity in the provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Life may be delayed in certain cases, and estimates of the payments for cases not yet filed are involved with a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The

loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in the specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in the specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

ii. Cathay Lujiazui Life

i) Direct business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2015	207,586	388,522	415,798	436,459	436,459	436,459	436,459	-
2016	246,327	422,700	475,129	527,813	527,813	527,813	527,813	-
2017	253,422	480,559	536,162	536,162	536,162	536,162	536,162	-
2018	313,092	367,433	408,258	408,258	408,258	408,258	408,258	-
2019	421,773	597,511	615,991	640,607	640,607	640,607	640,607	24,616
2020	455,039	614,302	667,279	693,944	693,944	693,944	693,944	79,642
2021	564,941	854,906	928,632	965,742	965,742	965,742	965,742	400,801
Expected future payments								\$ 505,059
Less: Assumed reserve for claims not yet filed								(10,932)
Reserve for claims not yet filed								494,127
Add: Claims filed but not yet paid								37,374
Loss reserve balance								<u>\$ 531,501</u>

ii) Retained business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2015	186,033	366,566	393,821	396,899	396,899	396,899	396,899	-
2016	243,841	419,851	472,280	514,786	514,786	514,786	514,786	-
2017	241,762	468,899	523,326	523,326	523,326	523,326	523,326	-
2018	304,711	356,695	419,641	419,641	419,641	419,641	419,641	-
2019	418,235	592,500	623,684	639,399	639,399	639,399	639,399	15,715
2020	451,368	609,347	672,436	689,380	689,380	689,380	689,380	80,033
2021	560,612	854,562	943,039	966,801	966,801	966,801	966,801	406,189
Expected future payments								\$ 501,937
Less: Expected claims filed but not yet paid								(10,932)
Add: Claims filed but not yet paid								28,601
Retained loss reserve balance								<u>\$ 519,606</u>

Note: Retained business equals direct business plus assumed reinsurance less ceded reinsurance business.

Cathay Lujiazui Life provides loss reserve for claims filed but not paid and claims not yet filed. Due to uncertainty, estimation, and judgment, there is a high degree of complexity in provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Lujiazui Life may be delayed in certain cases, and estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the

currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in a specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in a specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

iii. Cathay Life (Vietnam)

i) Direct business development trend

Accident Year	Development Year				
	1	2	3	4	5
2017	13,668	16,605	16,605	16,665	16,665
2018	79,233	90,995	91,042	91,042	91,042
2019	95,423	115,689	115,689	115,752	115,752
2020	279,720	318,842	318,907	319,081	319,081
2021	368,685	427,298	427,385	427,619	427,619

ii) Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2017	13,668	16,605	16,605	16,665	16,665
2018	79,233	90,995	91,042	91,042	91,042
2019	95,423	115,689	115,689	115,752	115,752
2020	279,720	318,842	318,907	319,081	319,081
2021	368,685	427,298	427,385	427,619	427,619

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in a specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in a specific accident year.

Cathay Life (Vietnam) provides loss reserve for claims filed but not paid and claims not yet filed. Reserve for claims not yet filed is estimated by multiplying the loss ratio of earned premiums by loss ratio based upon the past loss experiences instead of loss triangle method, which was approved by local authorities in Vietnam; therefore, provision for loss reserve is not determined by the above table. Estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgement; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments.

3) Credit risk, liquidity risk, and market risk for insurance contracts

a) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, Cathay Life chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with Cathay Life's Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of Cathay Life's reinsurers are above a certain level, complying with Cathay Life's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to Cathay Life's total assets; therefore, no significant credit risk exists.

b) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance payments and expenses of valid insurance contracts in the future deducting total premium on the balance sheet date. The actual future payment amounts may differ due to the difference between the result and expected amount.

Unit: In 100 Millions of NTD

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	Within 1 Year	1 to 5 Years	Over 5 Years
December 31, 2021	\$ 622	\$ 4,829	\$ 175,742
December 31, 2020	(1,025)	4,481	182,228

Note: Separate account products were not included.

c) Market risk

Cathay Life measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for Cathay Life's valid insurance contracts are considered minor to profit or loss or equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of Cathay Life. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

b. Cathay Century and its subsidiaries

1) Risk management objectives, policies, procedures and methods:

a) Framework of risk management, organizational structure and responsibilities

i. Board of directors

- i) 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.
- ii) The board of directors should establish an appropriate risk management framework and culture, ratify the appropriate risk management policy and allocate resources in the most effective manner.
- iii) The board of directors should consider the effect of the aggregated risks from Cathay Century'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.

ii. Risk management department

i) 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.
- The committee should execute the risk management policies set by the board of directors and review development, build-up and performance of overall management mechanisms regularly.
- The committee should assist and monitor the risk management activities performed by each department.
- The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.
- The committee should enhance cross-department interaction and communication.

ii) Chief risk officer

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

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

- The chief risk officer should be a member of the risk management committee.

iii) Risk management department

Cathay Century and its subsidiaries established a risk management department, which is responsible for monitoring, measuring and evaluating major risks, performed independently to business units.

Duties of risk management department are as follows:

- Propose and execute the risk management policies set by the board of directors.
- Propose the risk limits based on risk appetite.
- 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.
- Regularly present risk management reports.
- Regularly review the risk limits and its use of each business unit.
- Assist to execute stress testing and back testing if necessary.
- Other risk management related issues.

iii. Business unit

i) The risk management duties of the manager of a business unit are as follows:

- Manage and report daily risk of the business unit and take necessary responsive actions.
- Supervise regular submission of risk management information to the risk management department.

ii) The risk management duties of a business unit are as follows:

- Identify and measure risks and report risk exposures.
- Evaluate the impacts (quantitative or qualitative) when risks occur and deliver the risk information in a timely and accurate manner.
- Regularly review the risks and their limits to ensure the effective execution of risk limits within business unit.
- 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.
- Assist to develop the risk model and ensure that the risk measurement, application of model, and the parameter settings are reasonable and consistent.
- Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
- Assist to collect data related to operational risk.

iv. 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 Cathay Century.

b) Risk reporting and the scope and nature of risk assessment for property insurance business

i. Risk management reports

- i) Each business unit should regularly deliver risk information to the risk management department, and report the excess of risk limits and responding measures when risk exposure exceeds the limit.
- ii) The risk management department summarizes the risk information provided by each department, tracks the uses of major risk limit, submits a monthly risk management report to the chairman, and makes quarterly report to the risk management committee and the board of directors.

ii. The scope and nature of risk assessment

The risk management department of Cathay Century and its subsidiaries and the Company 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 investment department has acquired the information system related to the investment market. The risk management system focuses on risk quantification, which is needed by middle-end, and would be only authorized to risk management personnel.

c) Processes to undertake, evaluate, supervise and control insurance risk of property insurance business and underwriting policies to ensure proper risk classification and premium level

In Cathay Century and its subsidiaries, risk management department is responsible for monitoring and integrating insurance risks as a whole, and setting up risk indicators, risk limit, and managing mechanism. Each related department is the execution unit of insurance risk control and regularly reports execution to risk management department in accordance with 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.

d) The scope of insurance risk assessment and management from a company-wide perspective

Insurance risk management of Cathay Century and its subsidiaries covers product design and pricing, underwriting, reinsurance, catastrophe, claim, and reserve. Proper management mechanisms are set up and executed thoroughly.

e) Methods to limit insurance risk exposure and avoid inappropriate concentration risk

When Cathay Century and its subsidiaries implement 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 and reduce the exposure.

In addition, for reinsurance business, 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 of undertaking risk is considered to develop reinsurance risk management plan and maximum of accumulated retained risks of each risk unit for execution.

Accumulated risk with 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 contract limit or self-retain limit, risk is diversified through facultative reinsurance.

According to Cathay Century and its subsidiaries' 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	
	2021	2020
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

f) Asset-liability management

i. Asset-liability coordinated with risk identification and measurement

Financial accounting and actuarial department 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.

ii. 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 coordinate asset-liability risk, and report to the risk management department and propose to the risk management committee evaluation of the risk.

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

Cathay Century and its subsidiaries have established a set of capital adequacy management standards, including RBC management indicators for regular review, under which RBC is calculated each quarter and RBC management report is prepared every half year as implementation of RBC management.

If the RBC ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose a response to the risk management committee and inform the Company to review the impact on the Group's CAR.

2) 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	
	2021	2020
Fire insurance	\$ 22,238	\$ 13,274
Marine insurance	97,105	11,468
Land and air insurance	39,700	37,194
Liability insurance	55,275	45,977
Guarantee insurance	1,272	157
Other property insurance	25,750	19,898
Accident insurance	16,683	15,417
Health insurance	7,718	-
Policy-oriented residential earthquake insurance	-	-
Compulsory automobile liability insurance	<u>200,809</u>	<u>161,235</u>
	466,550	304,620
Less: Loss allowance	<u>(4,665)</u>	<u>(15,231)</u>
Net amount	<u>\$ 461,885</u>	<u>\$ 289,389</u>

3) Receivables and payables of insurance contracts

a) Receivables

Insurance Type	Premiums Receivable	
	December 31	
	2021	2020
Fire insurance	\$ 840,311	\$ 936,657
Marine insurance	335,547	356,045
Land and air insurance	182,914	137,421
Liability insurance	338,638	304,996
Guarantee insurance	31,417	34,644
Other property insurance	218,867	237,919
Accident insurance	128,059	119,462
Health insurance	4,160	4,849
Policy-oriented residential earthquake insurance	27,665	30,466
Compulsory automobile liability insurance	<u>21,068</u>	<u>19,596</u>
	2,128,646	2,182,055
Less: Loss allowance	<u>(31,309)</u>	<u>(36,713)</u>
Net amount	<u>\$ 2,097,337</u>	<u>\$ 2,145,342</u>

Aging analysis of premiums receivable:

	December 31	
	2021	2020
Up to 90 days	\$ 1,839,532	\$ 1,845,819
Over 90 days	<u>289,114</u>	<u>336,236</u>
	<u>\$ 2,128,646</u>	<u>\$ 2,182,055</u>

The overdue amounts as of December 31, 2021 and 2020 in the above premiums receivable were \$289,114 thousand and \$336,236 thousand, respectively, and loss allowance of \$11,894 thousand and \$18,347 thousand were provided, respectively.

b) Payables

	December 31, 2021		
Insurance Type	Commission Payable	Others	Total
Fire insurance	\$ 27,292	\$ 16,037	\$ 43,329
Marine insurance	15,061	14,224	29,285
Land and air insurance	144,015	110,874	254,889
Liability insurance	29,591	34,523	64,114
Guarantee insurance	2,650	893	3,543
Other property insurance	8,576	8,718	17,294
Accident insurance	10,400	30,735	41,135
Health insurance	1,462	1,095	2,557
Policy-oriented residential earthquake insurance	273	3,508	3,781
Compulsory automobile liability insurance	<u>19,870</u>	<u>-</u>	<u>19,870</u>
	<u>\$ 259,190</u>	<u>\$ 220,607</u>	<u>\$ 479,797</u>

	December 31, 2020		
Insurance Type	Commission Payable	Others	Total
Fire insurance	\$ 28,222	\$ 12,555	\$ 40,777
Marine insurance	13,293	11,805	25,098
Land and air insurance	106,137	98,872	205,009
Liability insurance	23,814	25,884	49,698
Guarantee insurance	3,840	378	4,218
Other property insurance	7,176	9,654	16,830
Accident insurance	10,325	25,601	35,926
Health insurance	1,352	878	2,230
Policy-oriented residential earthquake insurance	1,646	1,225	2,871
Compulsory automobile liability insurance	<u>26,369</u>	<u>-</u>	<u>26,369</u>
	<u>\$ 222,174</u>	<u>\$ 186,852</u>	<u>\$ 409,026</u>

c) Due from (to) reinsurers and ceding companies - reinsurance

Items	December 31, 2021	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 129,191	\$ 246,885
AON	76,758	174,100
Central Re	49,361	463,973
Marsh	249,530	94,038
Willis	79,626	336,647
Others (individually below 5%)	<u>412,096</u>	<u>958,154</u>
	996,562	2,273,797
Less: Loss allowance	<u>(58,751)</u>	<u>-</u>
Net amount	<u>\$ 937,811</u>	<u>\$ 2,273,797</u>

Items	December 31, 2020	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 311,559	\$ 360,628
AON	44,900	188,748
Central Re	11,634	131,069
Cosmos	1,248	117,131
Guy Carpenter	47,162	25,353
Marsh	85,855	225,611
Swiss Re	19,000	113,884
Willis	58,826	57,680
Others (individually below 5%)	<u>171,960</u>	<u>558,117</u>
	752,144	1,778,193
Less: Loss allowance	<u>(43,501)</u>	<u>-</u>
Net amount	<u>\$ 708,643</u>	<u>\$ 1,778,193</u>

The overdue amounts as of December 31, 2021 and 2020 in the above due from reinsurers and ceding companies were \$14,731 thousand and \$11,495 thousand, respectively, and loss allowances of \$14,731 thousand and \$11,495 thousand were provided, respectively.

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

4) Acquisition cost of insurance contracts

Insurance Type	For the Year Ended December 31, 2021				
	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 192,181	\$ 16,200	\$ 150,166	\$ 28,114	\$ 386,661
Marine insurance	71,821	480	4,574	2,082	78,957
Land and air insurance	1,239,112	601	17,100	501,713	1,758,526
Liability insurance	221,151	155	1,277	39,065	261,648
Guarantee insurance	9,418	71	2,966	779	13,234
Other property insurance	87,670	3,949	19,472	4,850	115,941
Accident insurance	337,152	1,249	1,950	94,782	435,133
Health insurance	184,370	309	1,322	2,221	188,222
Policy-oriented residential earthquake insurance	15,797	197	-	8,119	24,113
Compulsory automobile liability insurance	-	358,159	-	-	358,159
	<u>\$ 2,358,672</u>	<u>\$ 381,370</u>	<u>\$ 198,827</u>	<u>\$ 681,725</u>	<u>\$ 3,620,594</u>
Insurance Type	For the Year Ended December 31, 2020				
	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 180,979	\$ 19,732	\$ 170,473	\$ 16,644	\$ 387,828
Marine insurance	60,288	1,218	8,861	1,655	72,022
Land and air insurance	1,127,555	1,034	34,141	437,584	1,600,314
Liability insurance	179,774	214	436	29,606	210,030
Guarantee insurance	11,457	393	10,000	263	22,113
Other property insurance	76,619	5,579	36,502	4,710	123,410
Accident insurance	348,587	1,127	832	86,345	436,891
Health insurance	34,461	497	1,872	3,533	40,363
Policy-oriented residential earthquake insurance	21,036	267	-	2,648	23,951
Compulsory automobile liability insurance	-	394,505	-	-	394,505
	<u>\$ 2,040,756</u>	<u>\$ 424,566</u>	<u>\$ 263,117</u>	<u>\$ 582,988</u>	<u>\$ 3,311,427</u>

Acquisition costs of the insurance contracts were not deferred.

5) Profit and loss analysis of the insurance business

Direct underwriting business

For the Year Ended December 31, 2021						
Insurance Type	Written Premium	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 3,523,624	\$ 27,087	\$ 236,494	\$ 1,106,236	\$ 1,414,512	\$ 739,295
Marine insurance	834,013	(24,447)	74,383	395,649	179,038	209,390
Land and air insurance	11,178,580	576,228	1,741,426	5,944,362	(11,558)	2,928,122
Liability insurance	1,944,347	234,376	260,371	735,894	23,537	690,169
Guarantee insurance	112,674	6,047	10,268	(24,249)	(17,364)	137,972
Other property insurance	1,297,880	211,596	96,468	309,000	(46,465)	727,281
Accident insurance	2,960,319	67,628	433,183	1,233,331	13,543	1,212,634
Health insurance	1,023,534	364,046	186,901	181,697	81,562	209,328
Policy-oriented residential earthquake insurance	451,406	5,314	24,114	-	-	421,978
Compulsory automobile liability insurance	2,882,455	9,972	358,159	2,084,385	(2,039)	431,978
	<u>\$ 26,208,832</u>	<u>\$ 1,477,847</u>	<u>\$ 3,421,767</u>	<u>\$ 11,966,305</u>	<u>\$ 1,634,766</u>	<u>\$ 7,708,147</u>
For the Year Ended December 31, 2020						
Insurance Type	Written Premium	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 3,366,745	\$ 242,442	\$ 217,355	\$ 594,824	\$ 313,619	\$ 1,998,505
Marine insurance	725,089	59,511	63,161	253,829	133,801	214,787
Land and air insurance	10,110,601	347,246	1,566,173	5,689,720	(51,299)	2,558,761
Liability insurance	1,559,980	52,983	209,593	756,109	12,289	529,006
Guarantee insurance	110,740	7,227	12,113	(56,033)	(6,417)	153,850
Other property insurance	1,207,441	229,760	86,909	362,378	(9,372)	537,766
Accident insurance	2,938,798	7,806	436,059	1,364,967	(22,285)	1,152,251
Health insurance	178,398	(10,676)	38,491	87,556	(29,255)	92,282
Policy-oriented residential earthquake insurance	447,474	14,829	23,951	-	-	408,694
Compulsory automobile liability insurance	2,841,187	(25,854)	394,505	2,065,446	63,198	343,892
	<u>\$ 23,486,453</u>	<u>\$ 925,274</u>	<u>\$ 3,048,310</u>	<u>\$ 11,118,796</u>	<u>\$ 404,279</u>	<u>\$ 7,989,794</u>

Reinsurance inward business

For the Year Ended December 31, 2021						
Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 657,286	\$ 59,243	\$ 150,166	\$ 319,604	\$ 334,728	\$ (206,455)
Marine insurance	42,058	6,533	4,574	39,377	2,385	(10,811)
Land and air insurance	115,401	2,229	17,100	58,221	14,042	23,809
Liability insurance	6,939	2,085	1,277	1,266	(28)	2,339
Guarantee insurance	11,053	(4,541)	2,966	3,515	55	9,058
Other property insurance	145,426	(233)	19,472	143,880	(9,354)	(8,339)
Accident insurance	21,096	5,295	1,950	6,917	(55)	6,989
Health insurance	12,371	255	1,322	8,477	2,915	(598)
Policy-oriented residential earthquake insurance	57,483	2,712	-	-	-	54,771
Compulsory automobile liability insurance	736,632	(7,919)	-	786,370	(5,791)	(36,028)
	<u>\$ 1,805,745</u>	<u>\$ 65,659</u>	<u>\$ 198,827</u>	<u>\$ 1,367,627</u>	<u>\$ 338,897</u>	<u>\$ (165,265)</u>
For the Year Ended December 31, 2020						
Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 803,557	\$ 67,368	\$ 170,474	\$ 478,816	\$ 70,534	\$ 16,365
Marine insurance	49,317	(1,855)	8,861	46,204	3,198	(7,091)
Land and air insurance	81,407	9,062	34,140	51,516	22,575	(35,886)
Liability insurance	4,329	1,150	436	438	1,019	1,286
Guarantee insurance	38,160	6,554	10,000	8,733	(11,768)	24,641
Other property insurance	205,846	(5,889)	36,502	174,164	8,477	(7,408)
Accident insurance	16,179	(1,279)	832	5,226	1,833	9,567
Health insurance	19,880	(530)	1,872	21,633	(223)	(2,872)
Policy-oriented residential earthquake insurance	52,444	1,418	-	65	(136)	51,097
Compulsory automobile liability insurance	740,921	(8,457)	-	930,227	7,053	(187,902)
	<u>\$ 2,012,040</u>	<u>\$ 67,542</u>	<u>\$ 263,117</u>	<u>\$ 1,717,022</u>	<u>\$ 102,562</u>	<u>\$ (138,203)</u>

Ceded reinsurance business

For the Year Ended December 31, 2021						
Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Loss (Profit)
Fire insurance	\$ 2,345,771	\$ 182,146	\$ 170,943	\$ 659,429	\$ 1,168,782	\$ 128,471
Marine insurance	543,404	(12,834)	60,320	256,468	132,048	107,402
Land and air insurance	428,893	30,284	104,108	163,912	16,832	113,757
Liability insurance	528,505	25,748	109,505	233,561	2,198	157,493
Guarantee insurance	71,436	8,194	12,158	(31,446)	(16,667)	99,197
Other property insurance	966,746	266,928	130,188	176,086	(28,034)	421,578
Accident insurance	231,213	9,692	61,812	80,261	(617)	80,065
Health insurance	521,149	206,784	208,144	67,503	26,251	12,467
Policy-oriented residential earthquake insurance	451,406	5,314	-	-	-	446,092
Compulsory automobile liability insurance	1,207,603	5,983	-	1,222,360	(1,015)	(19,725)
	<u>\$ 7,296,126</u>	<u>\$ 728,239</u>	<u>\$ 857,178</u>	<u>\$ 2,864,134</u>	<u>\$ 1,299,778</u>	<u>\$ 1,546,797</u>
For the Year Ended December 31, 2020						
Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Loss (Profit)
Fire insurance	\$ 1,936,551	\$ 223,018	\$ 151,223	\$ 174,182	\$ 249,824	\$ 1,138,304
Marine insurance	498,842	47,020	46,220	159,675	112,714	133,213
Land and air insurance	379,318	10,650	92,242	149,674	(3,212)	129,964
Liability insurance	493,731	12,302	93,261	274,634	(22,831)	136,365
Guarantee insurance	64,349	1,899	11,673	(71,199)	(9,469)	131,445
Other property insurance	847,643	130,203	117,225	195,734	16,604	387,877
Accident insurance	233,358	3,647	59,918	69,832	(6,130)	106,091
Health insurance	13	7	5	-	-	1
Policy-oriented residential earthquake insurance	447,474	14,829	-	(996)	-	433,641
Compulsory auto liability insurance	1,184,609	(15,512)	-	1,215,098	34,825	(49,802)
	<u>\$ 6,085,888</u>	<u>\$ 428,063</u>	<u>\$ 571,767</u>	<u>\$ 2,166,634</u>	<u>\$ 372,325</u>	<u>\$ 2,547,099</u>

6) Sensitivity to insurance risk

a) Cathay Century

For the year ended December 31, 2021

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 3,288,907	48.77%	\$ (164,445)	\$ (100,489)
Marine insurance	823,370	44.52%	(41,168)	(19,346)
Land and air insurance	10,989,343	62.61%	(549,467)	(537,593)
Liability insurance	1,943,097	50.75%	(97,155)	(64,834)
Guarantee insurance	112,674	39.47%	(5,634)	(1,172)
Other property insurance	1,292,999	51.41%	(64,650)	(14,576)
Accident insurance	2,927,412	43.65%	(146,371)	(139,895)
Health insurance	1,023,534	32.94%	(51,177)	(41,888)
Policy-oriented residential earthquake insurance	451,406	11.00%	(22,570)	(4,514)
Compulsory automobile liability insurance	2,882,455	Not applicable	Not applicable	Not applicable
	<u>\$ 25,735,197</u>		<u>\$ (1,142,637)</u>	<u>\$ (924,307)</u>

For the year ended December 31, 2020

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 3,166,499	51.56%	\$ (158,325)	\$ (158,325)
Marine insurance	714,949	39.38%	(35,747)	(17,336)
Land and air insurance	9,915,252	63.37%	(495,763)	(481,124)
Liability insurance	1,558,773	50.66%	(77,939)	(49,772)
Guarantee insurance	110,740	37.54%	(5,537)	(3,252)
Other property insurance	1,201,102	62.13%	(60,055)	(47,233)
Accident insurance	2,910,928	41.66%	(145,546)	(137,843)
Health insurance	178,398	38.15%	(8,920)	(8,920)
Policy-oriented residential earthquake insurance	447,474	10.64%	(22,374)	(11,187)
Compulsory automobile liability insurance	2,841,187	Not applicable	Not applicable	Not applicable
	<u>\$ 23,045,302</u>		<u>\$ (1,010,206)</u>	<u>\$ (914,992)</u>

Note: Expected loss rate is calculated based on the simple 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 Century, 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.

b) Cathay Insurance (Vietnam)

For the year ended December 31, 2021

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	\$ 189,237	21.52%	\$ (9,462)	\$ (9,437)
Marine insurance	10,643	18.45%	(532)	(151)
Fire insurance	234,717	31.49%	(11,736)	(2,594)
Engineering insurance	4,881	65.21%	(244)	(41)
Accident insurance	32,907	39.86%	(1,645)	(1,645)
Liability insurance	<u>1,250</u>	12.16%	<u>(63)</u>	<u>(24)</u>
	<u>\$ 473,635</u>		<u>\$ (23,682)</u>	<u>\$ (13,892)</u>

For the year ended December 31, 2020

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	\$ 195,349	30.61%	\$ (9,767)	\$ (9,725)
Marine insurance	10,140	15.16%	(507)	(117)
Fire insurance	200,246	53.38%	(10,012)	(2,327)
Engineering insurance	6,280	28.25%	(314)	(95)
Accident insurance	27,870	36.75%	(1,393)	(1,393)
Liability insurance	<u>1,266</u>	14.24%	<u>(63)</u>	<u>(20)</u>
	<u>\$ 441,151</u>		<u>\$ (22,056)</u>	<u>\$ (13,677)</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 (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.

7) Risk concentration

a) Cathay Century

i. Situations that may cause concentration of insurance risk:

i) Single insurance contract or several related contracts

As of December 31, 2021, 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 meeting.

ii) Exposure to unanticipated changes in trend

As of December 31, 2021, the loss rates of commercial fire insurance and marine insurance have increased due to the huge claims and loss estimate.

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 Regulations for Assisting in Filing Lawsuit Cases of Cathay Century Insurance” were set up to safeguard the rights of Cathay Century and the insured and to monitor the progress of insurance claim lawsuits. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of December 31, 2021, 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, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Century established “points for handling teams of catastrophe and major event” and “Operation Standards under Crisis”, under which crisis handling team is set up in reaction to the event and executes emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and Cathay Century and to keep financial stability. As of December 31, 2021, measures have been taken to deal with the impact of COVID-19 on operating, insurance and investment business.

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 rate took effect, Cathay Century has conducted regular reviews in accordance with regulations. When the actual loss rate exceeds the expected loss rate to a certain percentage, premium rates will be properly adjusted to avoid persistent enlargement of losses. In addition, the actuarial department observes the changes in trend of loss rates of each product on irregular basis and adjusts pricing and coverage in a timely manner to effectively lower insurance risks.

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 understand the major risk factors to response in advance.

vi) Concentration of geographic regions and operating segments

Cathay Century's catastrophe insurance for earthquakes and floods are mainly in the areas of Taoyuan, Hsinchu, Taichung, Chiayi, Tainan, Kaohsiung and Pingtung.

- ii. 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 reinsurance by insurance type:

Insurance Type	For the Year Ended December 31, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 3,288,907	\$ 656,400	\$ 2,134,459	\$ 1,810,848	8.85
Marine insurance	823,370	41,502	535,637	329,235	1.61
Land and air insurance	10,989,343	115,336	428,775	10,675,904	52.16
Liability insurance	1,943,097	6,890	527,677	1,422,310	6.95
Guarantee insurance	112,674	11,053	71,436	52,291	0.26
Other property insurance	1,292,999	143,916	961,989	474,926	2.32
Accident insurance	2,927,412	21,059	231,213	2,717,258	13.28
Health insurance	1,023,534	12,371	521,149	514,756	2.51
Policy-oriented residential earthquake insurance	451,406	57,483	451,406	57,483	0.28
Compulsory automobile liability insurance	2,882,455	736,632	1,207,603	2,411,484	11.78
Total	\$ 25,735,197	\$ 1,802,642	\$ 7,071,344	\$ 20,466,495	100.00

Insurance Type	For the Year Ended December 31, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 3,166,499	\$ 813,144	\$ 1,767,902	\$ 2,211,741	11.54
Marine insurance	714,949	49,317	491,729	272,537	1.42
Land and air insurance	9,915,252	81,407	379,244	9,617,415	50.19
Liability insurance	1,558,773	4,242	492,959	1,070,056	5.59
Guarantee insurance	110,740	38,160	64,349	84,551	0.44
Other property insurance	1,201,102	205,821	843,081	563,842	2.94
Accident insurance	2,910,928	16,179	233,358	2,693,749	14.06
Health insurance	178,398	19,880	13	198,265	1.03
Policy-oriented residential earthquake insurance	447,474	52,444	447,474	52,444	0.28
Compulsory automobile liability insurance	2,841,187	740,921	1,184,609	2,397,499	12.51
Total	\$ 23,045,302	\$ 2,021,515	\$ 5,904,718	\$ 19,162,099	100.00

- iii. Disclosure of the management's past performance regarding the risks with low frequency of occurrence but enormous impact on property insurance business to assist the user of financial statements 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, Cathay Century assesses the risk of natural disasters and special insured items (for example, high-tech factory, power plant and traffic engineering) holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

b) Cathay Insurance (Vietnam)

- i. Situations that may cause concentration of insurance risk:

i) Single insurance contract or several related contracts

As of December 31, 2021, 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 and reinsurance department or in project meeting.

ii) Exposure to unanticipated changes in trend

As of December 31, 2021, the premium income of comprehensive travel insurance have decreased due to the reduced demand for traveling in case of COVID-19; however, there is no effect to business risk so far, and Cathay Insurance (Vietnam) will keep on observing 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 Century and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of December 31, 2021, 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, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Insurance (Vietnam) established the Points for Handling Major Events of Cathay Insurance (Vietnam) under which crisis handling team is set up in reaction to the event and executes emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to maintain financial stability. As of December 31, 2021, there is no interaction among risks resulting from a catastrophe.

- v) Concentration of geographic regions and operating segments

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

- ii. 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 the Cathay Insurance (Vietnam)’s concentration of risk before and after reinsurance by insurance type:

Insurance Type	For the Year Ended December 31, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 189,237	\$ 65	\$ 118	\$ 189,184	75.09
Flood insurance	10,643	556	7,767	3,432	1.36
Fire insurance	234,717	16,524	226,950	24,291	9.64
Engineering insurance	4,881	1,510	4,757	1,634	0.65
Accident insurance	32,907	37	-	32,944	13.07
Liability insurance	1,250	49	828	471	0.19
Total	\$ 473,635	\$ 18,741	\$ 240,420	\$ 251,956	100.00

Insurance Type	For the Year Ended December 31, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 195,349	\$ -	\$ 74	\$ 195,275	77.95
Flood insurance	10,140	-	7,113	3,027	1.21
Fire insurance	200,246	5,413	183,650	22,009	8.79
Engineering insurance	6,280	26	4,508	1,798	0.72
Accident insurance	27,870	-	-	27,870	11.12
Liability insurance	1,266	87	826	527	0.21
Total	\$ 441,151	\$ 5,526	\$ 196,171	\$ 250,506	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 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, Cathay Insurance (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.

8) Development trends of claims

a) Cathay Century

December 31, 2021

Accident Year	≤ 2014	2015	2016	2017	2018	2019	2020	2021	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 7,559,012	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	\$ 10,259,775	
After the first year	-	7,418,703	11,455,620	8,025,062	8,574,948	10,063,196	11,023,615	-	
After the second year	-	7,548,387	10,970,548	7,965,701	8,479,083	9,915,122	-	-	
After the third year	-	7,495,744	11,133,431	8,000,179	8,447,631	-	-	-	
After the fourth year	-	7,449,663	11,177,663	7,977,104	-	-	-	-	
After the fifth year	-	7,456,430	11,102,224	-	-	-	-	-	
After the sixth year	-	7,452,191	-	-	-	-	-	-	
Final estimated claim payments	-	7,452,191	11,102,224	7,977,104	8,447,631	9,915,122	11,023,615	10,259,775	
Accumulated claims disbursed	-	7,422,770	11,057,773	7,905,417	8,312,638	9,361,832	8,584,467	5,410,326	
	209,490	29,421	44,451	71,687	134,993	553,290	2,439,148	4,849,449	\$ 8,331,929
Adjustment	-	-	-	-	-	-	-	150,920	150,920
Amount recognized in balance sheet	\$ 209,490	\$ 29,421	\$ 44,451	\$ 71,687	\$ 134,993	\$ 553,290	\$ 2,439,148	\$ 4,849,449	\$ 8,331,929

December 31, 2020

Accident Year	≤ 2013	2014	2015	2016	2017	2018	2019	2020	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 7,066,945	\$ 7,559,012	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	
After the first year	-	7,217,836	7,418,703	11,455,620	8,025,062	8,574,948	10,063,196	-	
After the second year	-	7,156,309	7,548,387	10,970,548	7,965,701	8,479,083	-	-	
After the third year	-	7,135,341	7,495,744	11,133,431	8,000,179	-	-	-	
After the fourth year	-	7,133,873	7,449,663	11,177,663	-	-	-	-	
After the fifth year	-	7,145,756	7,456,430	-	-	-	-	-	
After the sixth year	-	7,168,709	-	-	-	-	-	-	
Final estimated claim payments	-	7,168,709	7,456,430	11,177,663	8,000,179	8,479,083	10,063,196	9,508,911	
Accumulated claims disbursed	-	6,948,860	7,415,068	11,098,912	7,856,050	8,173,127	8,556,037	5,089,598	
	84,801	219,849	41,362	78,751	144,129	305,956	1,507,159	4,419,313	\$ 6,801,320
Adjustment	-	-	-	-	-	-	-	142,430	142,430
Amount recognized in balance sheet	\$ 84,801	\$ 219,849	\$ 41,362	\$ 78,751	\$ 144,129	\$ 305,956	\$ 1,507,159	\$ 4,561,743	\$ 6,943,750

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

Note 2: The above tables excludes direct loss reserve of compulsory insurance, policy-oriented residential earthquake insurance and inward loss reserve of \$1,636,748 thousand and \$1,580,057 thousand as of December 31, 2021, \$1,638,786 thousand and \$1,241,160 thousand as of December 31, 2020.

b) Cathay Insurance (Vietnam)

Since the claim data of Cathay Insurance (Vietnam) is still immature, the historical experience for development trend of claim are not available. Cathay Insurance (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.

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 1,929,395,229	\$ 1,748,081,143
Financial assets at FVTOCI	1,626,821,625	1,562,998,457
Financial assets for hedging	500,642	146,959
Financial assets at amortized cost		
Cash and cash equivalents	467,635,057	536,716,255
Due from the Central Bank and call loans to banks	234,546,475	129,503,924
Debt instruments at amortized cost	3,266,686,240	3,161,044,538
Notes and bonds purchased under resale agreements	77,243,060	67,264,342
Discounts and loans, net	2,287,115,449	2,141,276,205
Receivables, net	205,480,862	191,916,164
Other financial assets	741,107,026	660,547,975
Guarantee deposits paid	36,253,079	40,044,829
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	79,934,187	140,778,098
Financial liabilities for hedging	20,956	139,858
Financial liabilities at amortized cost		
Deposits from the Central Bank and banks	74,605,174	66,131,059
Due to the Central Bank and banks	1,076,000	1,076,000
Notes and bonds sold under repurchase agreements	39,827,873	12,299,564
Commercial paper payable, net	63,469,166	39,519,918
Payables	76,870,285	68,696,694
Deposits and remittances	2,871,960,053	2,615,799,063
Bonds payable	141,800,000	148,800,000
Other borrowings	1,670,185	1,657,576
Other financial liabilities	763,908,198	692,760,284
Lease liabilities	14,721,170	13,011,637
Guarantee deposits received	14,457,919	21,314,390

b. The valuation technique and assumptions used in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- 1) The carrying amount of cash and cash equivalents, accounts receivable, short-term debts and accounts payable approximates their fair value due to their short maturities.
- 2) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- 3) Fair values of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of liquidity, P/E ratio of similar entities and Price-Book ratio of similar entities).
- 4) Fair value of debt instruments without market quotations is determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk information).
- 5) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using the interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).
- 6) The Group evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Group will not default, the Group determines its credit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Group calculates its debit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the Group. The Group decides the estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Group sets estimated loss given default at 60% by considering the experiences of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded on the Taipei Exchange.

c. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

Items	December 31, 2021				December 31, 2020			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>								
Assets								
Financial assets at FVTPL								
Stocks	\$ 556,703,945	\$ 538,060,770	\$ 12,026,990	\$ 6,616,185	\$ 538,241,070	\$ 511,087,638	\$ 20,099,118	\$ 7,054,314
Bonds	384,289,144	13,933,074	367,464,550	2,891,520	213,583,160	7,624,176	203,032,964	2,926,020
Other	935,660,571	557,774,762	192,388,208	185,497,601	895,567,396	541,181,304	234,648,942	119,737,150
Financial assets at FVTOCI								
Stocks	176,155,083	162,871,952	-	13,283,131	123,365,677	113,328,058	-	10,037,619
Bonds (Note)	1,426,163,420	151,032,840	1,275,130,580	-	1,401,383,513	171,349,180	1,230,034,333	-
Other	25,599,336	-	25,599,336	-	39,411,018	-	39,411,018	-
Liabilities								
Financial liabilities at FVTPL								
Financial liabilities designated as at FVTPL	40,587,123	-	40,587,123	-	44,204,582	-	44,204,582	-
Held for trading	1,045,405	1,045,405	-	-	15,146,735	15,146,735	-	-
<u>Derivative instruments</u>								
Assets								
Financial assets at FVTPL	52,741,569	342,275	48,033,674	4,365,620	100,689,517	1,504,002	93,823,683	5,361,832
Financial assets for hedging	500,642	-	500,642	-	146,959	-	146,959	-
Liabilities								
Financial liabilities at FVTPL	38,301,659	660,426	33,275,613	4,365,620	81,426,781	611,466	75,453,483	5,361,832
Financial liabilities for hedging	20,956	-	20,956	-	139,858	-	139,858	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the year ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value.

2) Reconciliation for movements in Level 3 fair value measurements

	For the Year Ended December 31, 2021		
	Financial Assets		Financial Liabilities
	At FVTPL	At FVTOCI	At FVTPL
Beginning balance	\$ 135,079,316	\$ 10,037,619	\$ 5,361,832
Recognized in profit or loss			
Gain on financial assets and liabilities at FVTPL	41,983,244	-	(843,824)
Loss on reclassification using the overlay approach	(28,311,993)	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	(54,745)	(183)	-
Other comprehensive income reclassified using the overlay approach	28,311,993	-	-
Gain on financial assets at FVTOCI	-	3,103,382	-
Acquisitions or issuances	54,662,682	3,797,981	294,961
Disposals or settlements	(30,862,991)	(3,655,668)	(447,349)
Transfers out of Level 3	<u>(1,436,580)</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 199,370,926</u>	<u>\$ 13,283,131</u>	<u>\$ 4,365,620</u>
	For the Year Ended December 31, 2020		
	Financial Assets		Financial Liabilities
	At FVTPL	At FVTOCI	At FVTPL
Beginning balance	\$ 113,469,910	\$ 11,107,719	\$ 10,681,179
Recognized in profit or loss			
Gain on financial assets and liabilities at FVTPL	3,837,851	-	(4,457,141)
Loss on reclassification using the overlay approach	(1,992,371)	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	(122,015)	(323)	-
Other comprehensive income reclassified using the overlay approach	1,992,371	-	-
Loss on financial assets at FVTOCI	-	(656,240)	-
Acquisitions or issuances	35,882,297	115,541	113,221
Disposals or settlements	(16,989,302)	(65,348)	(975,427)
Transfers out of Level 3	<u>(999,425)</u>	<u>(463,730)</u>	<u>-</u>
Ending balance	<u>\$ 135,079,316</u>	<u>\$ 10,037,619</u>	<u>\$ 5,361,832</u>

Regarding the above amounts recognized in profit or loss for the year ended December 31, 2021 and 2020, unrealized gains of \$1,093,768 thousand and unrealized losses of \$4,926,797 thousand were related to financial assets held at the end of the period, respectively.

Regarding the above amounts recognized in profit or loss for the year ended December 31, 2021 and 2020, unrealized gains of \$843,824 thousand and \$4,457,141 thousand were related to financial liabilities held at the end of the period, respectively.

3) Information on significant unobservable inputs applied for Level 3 fair value measurement

The significant unobservable inputs applied for recurring Level 3 fair value measurement were as follows:

Cathay Life and its subsidiaries

December 31, 2021				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	3%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Residual income approach	Discount for lack of liquidity, discount for minority interest, etc.	16%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-135%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	60%-140%	The higher the dividend payout ratio, the higher the fair value estimates
December 31, 2020				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	11%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Residual income approach	Discount for lack of liquidity, discount for minority interest, etc.	20%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-32%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	85%-140%	The higher the dividend payout ratio, the higher the fair value estimates

Cathay United Bank and its subsidiaries

December 31, 2021				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares
December 31, 2020				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares.

Cathay Century and its subsidiaries

December 31, 2020				
Financial Assets	Valuation Techniques	Significant Unobservable Inputs	Weighted Average Number	Relationship Between Inputs and Fair Value
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	29%	The higher the discount for lack of liquidity, the lower the fair value of the shares

Cathay Securities and its subsidiaries

December 31, 2021					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market approach	Discount for lack of liquidity	15%-20 %	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

December 31, 2020					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market approach	Discount for lack of liquidity	15%-20 %	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

4) Valuation process for Level 3 fair value measurements.

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

d. Fair values of financial instruments not measured at fair value

Except for the accounts whose carrying amounts approximate their fair values, including cash and cash equivalents, due from the Central Bank and call loans to banks, notes and bonds purchased under resale agreements, receivables, discounts and loans, partial other financial assets, guarantee deposits paid, deposits from the Central Bank and banks, due to the Central Bank and banks, notes and bonds sold under repurchase agreements, commercial paper payable, bonds payable, other borrowings, payables, deposits and remittances, lease liabilities and guarantee deposits received, the fair values of the financial instruments which are not measured at fair value are listed in the following table:

December 31, 2021

		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 3,276,571,435	\$ 35,353,661	\$ 3,448,415,980	\$ 650,293	\$ 3,484,419,934

December 31, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 3,170,942,822	\$ 122,770,951	\$ 3,443,887,987	\$ 743,273	\$ 3,567,402,211

Note: Including those serving as refundable deposits.

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with the income approach based on a discounted cash flow analysis. Significant unobservable inputs used in Level 3 fair value measurement were the discount rates that reflect the credit risk of counterparties and the cash flows that reflect the feature of early reimbursement.

e. Hedge accounting disclosures

Cathay Life and its subsidiaries

1) Cash flow hedges

The future cash flows of the bond investments held by Cathay Life and its subsidiaries may fluctuate due to the changes in market interest rates and thus lead to risks. Accordingly, Cathay Life and its subsidiaries held interest rate derivatives to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

a) Hedging instruments

December 31, 2021					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 90,307	\$ -	Financial assets for hedging	\$ (8,497)
IRS	865,313	-	20,956	Financial liabilities for hedging	28,176
December 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 146,959	\$ -	Financial assets for hedging	\$ 31,333
IRS	1,086,868	-	48,887	Financial liabilities for hedging	(20,076)

b) Maturities of the nominal amount of hedging instruments and average price or rate

Period Till Maturity						
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	
<u>December 31, 2021</u>						
IRS						
Nominal principal	\$ -	\$ -	\$ 207,675	\$ 4,657,638	\$ -	
Average fixed rate	-	-	2.5%	1.7%-2.5%	-	

		Period Till Maturity				
		1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2020</u>						
IRS						
Nominal principal	\$	-	\$ -	\$ 195,993	\$ 4,890,875	\$ -
Average fixed rate		-	-	2.5%	1.7%-2.5%	-

c) Hedged items

For the Year Ended December 31, 2021								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ 8,497	\$ 90,307	N/A	\$ (8,497)	\$ -	\$ -	\$ (48,155)	Net other non-interest gain
Payables	(28,177)	(20,956)	N/A	(28,177)	-	-	-	Net other non-interest gain
Discontinued hedge - bond investments	N/A	N/A	(236)	N/A	N/A	N/A	9	Net other non-interest gain

For the Year Ended December 31, 2020								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ (31,333)	\$ 146,959	N/A	\$ 31,333	\$ -	\$ -	\$ (69,581)	Net other non-interest gain
Payables	20,076	(48,887)	N/A	(20,076)	-	-	-	Net other non-interest gain
Discontinued hedge - bond investments	N/A	N/A	(252)	N/A	N/A	N/A	10	Net other non-interest gain

d) Reconciliation of equity component that applied hedge accounting and related other comprehensive income is summarized below:

For the Year Ended December 31		
	2021	2020
Beginning balance	\$ 74,960	\$ 116,269
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	19,687	11,271
Amount reclassified from the cash flow hedge reserve to profit or loss	(48,146)	(69,571)
Tax effects	4,617	16,991
Ending balance	\$ 51,118	\$ 74,960

2) Fair value hedges

The book value of the foreign currency denominated assets held by Cathay Life and its subsidiaries may fluctuate due to the changes in market exchange rates and thus lead to risk. Accordingly, Cathay Life and its subsidiaries held derivative instruments related to exchange rates to hedge risks arising from changes in exchange rates. Information of hedge accounting is as follows:

a) Hedging instruments

December 31, 2021					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
CCS	\$ 4,687,225	\$ 202,531	\$ -	Financial assets for hedging	\$ 418,611
Forward	21,550,450	207,804	-	Financial assets for hedging	188,400

December 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
CCS	\$ 4,825,692	\$ -	\$ 90,971	Financial liabilities for hedging	\$ (525,402)

b) Maturities of the nominal amount of hedging instruments and average price or rate

		Period Till Maturity				
		1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2021</u>						
CCS						
Nominal principal	\$	-	\$ -	\$ -	\$ -	\$ 4,687,225
Interest rate		-	-	-	-	2.39%
Exchange rate (EUR/USD)		-	-	-	-	1.1285
Forward						
Nominal principal		-	-	-	21,550,450	-
Exchange rate (USD/TWD)		-	-	-	26.9228	-

		Period Till Maturity				
		1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2020</u>						
CCS						
Nominal principal	\$	-	\$ -	\$ -	\$ -	\$ 4,825,692
Interest rate		-	-	-	-	2.39%
Exchange rate (EUR/USD)		-	-	-	-	1.1285

c) Hedged items

For the Year Ended December 31, 2021									
	Book Value of Hedged Item		Cumulative Adjustment for Change in Fair Value of Hedged Item Included in the Book Value of Hedged Item		Line Item in the Statement of Financial Position That Includes the Hedged Items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes the Hedge Ineffectiveness	
	Assets	Liabilities	Assets	Liabilities					
Overseas bonds	\$ 4,687,225	\$ -	\$ (418,611)	\$ -	Financial assets at amortized cost	\$ (418,611)	\$ -	\$ -	
Overseas bonds	21,550,450	-	(188,400)	-	Financial assets at amortized cost	(188,400)	-	-	
For the Year Ended December 31, 2020									
	Book Value of Hedged Item		Cumulative Adjustment for Change in Fair Value of Hedged Item Included in the Book Value of Hedged Item		Line Item in the Statement of Financial Position That Includes the Hedged Items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes the Hedge Ineffectiveness	
	Assets	Liabilities	Assets	Liabilities					
Overseas bonds	\$ 4,825,692	\$ -	\$ 525,402	\$ -	Financial assets at amortized cost	\$ 525,402	\$ -	\$ -	

d) Reconciliation of equity component that applied hedge accounting and related other comprehensive income were summarized below:

For the Year Ended December 31		
	2021	2020
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 272,911	\$ 215,661
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	(105,706)	71,563
Amount reclassified to profit or loss	120,484	-
Tax effects	<u>(2,956)</u>	<u>(14,313)</u>
Ending balance	<u>\$ 284,733</u>	<u>\$ 272,911</u>

f. Offsetting of financial assets and financial liabilities

Cathay Life and its subsidiaries

Cathay Life and its subsidiaries engage in derivative financial instruments that do not meet the offsetting criteria of standards, but enters into master netting arrangements or other similar agreements with counterparties. Financial instruments subject to master netting arrangements or other similar agreements could be settled at net amount as agreed by both parties of the transaction, or the financial instrument should be settled at gross amount otherwise. However, if one of both parties of the transaction defaults, the other party could choose to settle the transaction at net amount.

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

December 31, 2021

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 15,041,952	\$ -	\$ 15,041,952	\$ 2,978,568	\$ 7,373,362	\$ 4,690,022
Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 3,019,680	\$ -	\$ 3,019,680	\$ 2,978,568	\$ 42,919	\$ (1,807)

December 31, 2020

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 28,176,353	\$ -	\$ 28,176,353	\$ 10,405,202	\$ 12,169,879	\$ 5,601,272
Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 11,778,038	\$ -	\$ 11,778,038	\$ 10,405,202	\$ 270,595	\$ 1,102,241

Cathay United Bank and its subsidiaries

Cathay United Bank and its subsidiaries engages in financial instrument transactions that are offset in accordance with IAS 32, section 42, and the financial assets and financial liabilities that are relevant to such transactions are presented in the balance sheets at net amounts.

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

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

December 31, 2021

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 38,512,412	\$ -	\$ 38,512,412	\$ 35,297,809	\$ 3,214,603	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 35,297,809	\$ -	\$ 35,297,809	\$ 35,297,809	\$ -	\$ -
Repurchase bonds	37,161,652	-	37,161,652	36,593,423	568,229	-

December 31, 2020

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 73,217,904	\$ -	\$ 73,217,904	\$ 71,410,047	\$ 1,807,857	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 71,410,047	\$ -	\$ 71,410,047	\$ 71,410,047	\$ -	\$ -
Repurchase bonds	10,092,058	-	10,092,058	9,278,702	813,356	-

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

Cathay Securities and its subsidiaries

Cathay Securities and its subsidiaries enter into secured repurchase agreements with counterparties, for which Cathay Securities and its subsidiaries provide securities as collateral. Only in the event of default, insolvency or bankruptcy, these transactions are allowed to be offset, which does not meet the offsetting criteria of financial instrument transactions, Article 42 of IAS 32, and they are not subject to enforceable master netting arrangements or other similar agreements and should be settled at gross amounts. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

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

December 31, 2021

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Repurchase bonds	\$ 2,666,221	\$ -	\$ 2,666,221	\$ 2,654,273	\$ -	\$ 11,948

December 31, 2020

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Repurchase bonds	\$ 2,207,506	\$ -	\$ 2,207,506	\$ 2,218,853	\$ -	\$ (11,347)

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

g. Transfers of financial assets

Financial assets transferred that have not been fully removed

Cathay United Bank and its subsidiaries

In the daily operations of Cathay United Bank and its subsidiaries, transferred financial assets that do not meet the criteria for full removal are mostly debt securities used as counterparty collateral for repurchase agreements or equity securities lent out as part of securities lending agreement. The nature of these transactions are secured loans, and reflects the liability where Cathay United Bank is obligated to repurchase the transferred financial assets according to a fixed price in future periods. With respect to such transactions, Cathay United Bank and its subsidiaries will not be able to use, sell or pledge such transferred financial assets during the effective period. However Cathay United Bank and its subsidiaries are still exposed to interest rate risk and credit risk, hence they are not derecognized.

The following table analyses financial assets and financial liabilities that have not been fully removed:

December 31, 2021					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTPL					
Repurchase agreements	\$ 2,215,810	\$ 2,148,959	\$ 2,215,810	\$ 2,148,959	\$ 66,851
Financial assets at FVTOCI					
Repurchase agreements	28,782,456	27,600,460	28,782,456	27,600,460	1,181,996
Debt instruments at amortized cost					
Repurchase agreements	7,276,510	7,412,233	7,226,614	7,412,233	(185,619)

December 31, 2020					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase agreements	\$ 9,706,456	\$ 9,175,931	\$ 9,706,456	\$ 9,175,931	\$ 530,525
Debt instruments at amortized cost					
Repurchase agreements	865,651	916,127	961,477	916,127	45,350

Cathay Securities and its subsidiaries

Transferred financial assets that are part of Cathay Securities and its subsidiaries' daily operations that do not meet the criteria for full derecognition are mostly made up of notes and bonds sold under repurchase agreements. The cash flows of these transactions have been transferred, and reflects the liability where Cathay Securities and its subsidiaries are obligated to buy back the transferred financial assets according to fixed prices in future periods. With respect to such transactions, Cathay Securities and its subsidiaries will not be able to use, sell or pledge the said transferred financial assets during the effective period. However, Cathay Securities and its subsidiaries are still exposed to interest rate risk and credit risk, hence the assets are not fully derecognized.

The following table analyses Cathay Securities and its subsidiaries' financial assets and financial liabilities that have not been fully derecognized:

December 31, 2021

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 2,654,273	\$ 2,666,221	\$ 2,654,273	\$ 2,666,221	\$ (11,948)

December 31, 2020

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 2,218,853	\$ 2,207,506	\$ 2,218,853	\$ 2,207,506	\$ 11,347

h. Financial risk management objectives and policies

Cathay Life and its subsidiaries

Cathay Life and its subsidiaries' major financial instruments include equity and debt investments, derivative instruments, receivables, payables and bonds payable. The main financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk analysis

a) Sources of market risk

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

Cathay Life and its subsidiaries continuously utilize market risk management instruments such as Value at Risk ("VaR") and stress testing to completely and effectively measure, monitor and manage market risk.

i. Value at Risk

VaR is the maximum loss on the investment portfolio due to changes in market risk factors over a given period and at a specified confidence level. Currently, Cathay Life and its subsidiaries respectively adopt the one-week VaR at 95% and 99% confidence levels to measure market risk.

ii. Stress testing

In addition to the VaR model, Cathay Life and its subsidiaries carry out regular stress testing to measure the potential risk in the case of extreme and abnormal events.

Cathay Life and its subsidiaries perform stress testing on positions regularly by applying the simple sensitivity test and scenario analysis. Such tests cover the losses on positions which resulted from changes in specific risk factors in various kinds of historical scenarios.

i) Simple sensitivity test

The simple sensitivity test is to measure the changes in the value of the investment portfolio caused by changes in specific risk factors.

ii) Scenario analysis

The scenario analysis is to measure the changes in the total value of the investment positions caused by hypothetical stress events, including the following scenarios:

- Historical scenario

By considering the fluctuations in risk factors during a specific historical event, Cathay Life and its subsidiaries evaluate the losses that would be incurred for the current investment portfolio at the time of the event.

- Hypothetical scenario

Cathay Life and its subsidiaries simulate rational expectations for possible extreme market changes to evaluate the losses incurred on 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 regularly performs stress testing with historical and hypothetical scenarios to serve as a basis for risk analysis, early warning for risk and business management.

Table of Stress Testing

Risk Factor	Variable (+/-)	For the Year Ended December 31	
		2021	2020
Equity risk (stock price index)	-10%	\$ (64,448,025)	\$ (57,825,161)
Interest rate risk (yield curve)	+100bps	(221,598,455)	(148,426,208)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(12,532,342)	(9,747,740)

Note 1: Impact of credit spread changes was not included.

Note 2: Effects of hedging were considered.

Note 3: Data of subsidiaries were not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

iii. Sensitivity analysis

Summary of Sensitivity Analysis

Risk Factor	Variable (+/-)	For the Year Ended December 31, 2021	
		Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 6,097,876	\$ 5,535,216
	Appreciation of CNY/USD by 1%	938,508	322,401
	Appreciation of HKD/USD by 1%	261	258,879
	Appreciation of EUR/USD by 1%	(146,356)	312,124
	Appreciation of GBP/USD by 1%	(6,408)	272,827
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	-	(1,496,723)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(35,531)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(5,463)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,397)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(603,416)
Equity price risk	Increase in equity price by 1%	(96,023)	6,600,666

For the Year Ended December 31, 2020			
Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 5,000,932	\$ 4,844,285
	Appreciation of CNY/USD by 1%	1,192,325	316,591
	Appreciation of HKD/USD by 1%	(388)	247,411
	Appreciation of EUR/USD by 1%	(2,740)	210,729
	Appreciation of GBP/USD by 1%	(149)	291,831
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	74	(1,245,536)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(47,559)
	Upward parallel shift of the yield curve (EUR) by 1bp	2,453	(7,561)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,708)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(337,406)
Equity price risk	Increase in equity price by 1%	(105,682)	5,916,482

Note 1: Impact of credit spread changes was not included.

Note 2: Effects of hedging were considered.

Note 3: Change in equity was not included in the impact on the change in profit or loss.

Note 4: Provision or reversal of reserve for foreign exchange fluctuations was not considered in profit or loss due to foreign currency risk.

Note 5: Data of subsidiaries were not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

iv. Effect of interest rate benchmark reform

In order to implement the benchmark reform of interbank offered rates, several countries are currently carrying out interest rate benchmark reform plans to implement new risk-free interest rates to replace IBORs, such as USD London Interbank Offered Rate (USD LIBOR) and GBP London Interbank Offered Rate (GBP LIBOR). In March 2021, UK's Financial Conduct Authority announced the extension of the tenors of the overnight, one-month, three-month, six-month and 12-month USD LIBOR until June 30, 2023, in order for existing LIBOR contracts to naturally expire. Other interest rate benchmarks that have expired on the original termination date of December 31, 2021 have been handled with the least impact from the interest rate benchmark reform.

As a response to the cessation of USD LIBOR, Secured Overnight Financing Rate (SOFR) is expected to replace USD LIBOR in the future, but there are key differences between USD LIBOR and SOFR. USD LIBOR is "forward looking", which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a "backward-looking" rate, based on interest rates from actual transactions, and excludes a credit spread. To transit existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Risks arising from interest rate benchmark reform relate to interest rate basis, hedge accounting and related operation risk as follows:

i. Interest rate basis risk

Risk arising from the transition relate principally to the potential impact of interest rate basis risks. If the bilateral negotiations with Cathay Life and its subsidiaries' counterparties are not successfully concluded before the cessation of USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

ii. Hedge accounting

If a hedged financial instrument and the related hedging derivative instrument are transited to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

iii. Operation risk

If the update and adjustments for related accounting and tax system, valuation of financial instrument, and information systems as well as the testing for operational effectiveness of the systems are not finished on schedule before the cessation of USD LIBOR, operating risk may occur.

In light of the abovementioned risks, Cathay Life and its subsidiaries made a transition plan for interest rate benchmark reform toward the required adjustment and updates for risk management policies, internal process, information system, valuation model of financial instrument, and related accounting and tax system. Cathay Life and its subsidiaries have identified all required updates for information systems and internal process, and part of these updates was finished. Afterwards, Cathay Life and its subsidiaries will complete the required updates on schedule, discuss with counterparties of financial instruments modification of affected contracts, and report the progress of the cessation of USD LIBOR to the board of the directors semi-annually as required by authority.

As at December 31, 2021, Cathay Life and its subsidiaries' financial instruments affected by the interest rate benchmark reform, which include bonds and loans (the Group's main exposure is to the USD LIBOR), are summarized in the table below (excluding the positions that would naturally expire):

	Carrying Amount	
	USD LIBOR	Other Interest Rates Benchmarks
<u>Financial assets</u>		
Bonds	\$ 295,966,077	\$ -
Loans	1,585,794	-

2) Credit risk analysis

a) Sources of credit risk

When engaged in financial transactions, Cathay Life is exposed to credit risks, including issuer credit risk, counterparty credit risk and credit risk of underlying assets:

- i. Issuer credit risk is the risk that Cathay Life may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations on agreed conditions due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk that Cathay Life 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 Cathay Life may suffer losses due to deterioration of the credit quality, increase of credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Concentration risk

- i. Regional distribution of maximum risk exposure for Cathay Life's financial assets:

December 31, 2021

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 313,417,908	\$ 5,659,118	\$ 290,130	\$ 107,274,631	\$ 21,153,500	\$ 447,795,287
Financial assets at FVTPL	42,559,418	14,886,965	119,731,982	90,480,654	22,906,893	290,565,912
Financial assets at FVTOCI	45,394,461	42,480,018	161,764,238	466,843,223	447,516,688	1,163,998,628
Financial assets for hedging	46,209	-	340,532	113,901	-	500,642
Financial assets at amortized cost	133,223,615	186,812,778	446,310,424	1,306,524,756	608,616,760	2,681,488,333
	<u>\$ 534,641,611</u>	<u>\$ 249,838,879</u>	<u>\$ 728,437,306</u>	<u>\$ 1,971,237,165</u>	<u>\$ 1,100,193,841</u>	<u>\$ 4,584,348,802</u>
Proportion	11.7%	5.4%	15.9%	43.0%	24.0%	100%

December 31, 2020

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 390,017,117	\$ 11,072,417	\$ 173,264	\$ 83,058,513	\$ 19,456,840	\$ 503,778,151
Financial assets at FVTPL	55,583,687	22,875,926	49,567,018	28,446,882	27,752,478	184,225,991
Financial assets at FVTOCI	44,744,477	45,223,287	163,314,323	489,450,958	380,528,502	1,123,261,547
Financial assets for hedging	74,724	-	-	72,235	-	146,959
Financial assets at amortized cost	152,627,614	180,749,168	427,807,550	1,224,717,193	663,462,282	2,649,363,807
	<u>\$ 643,047,619</u>	<u>\$ 259,920,798</u>	<u>\$ 640,862,155</u>	<u>\$ 1,825,745,781</u>	<u>\$ 1,091,200,102</u>	<u>\$ 4,460,776,455</u>
Proportion	14.4%	5.8%	14.4%	40.9%	24.5%	100%

- ii. Regional distribution of maximum risk exposure for Cathay Life's secured loans:

December 31, 2021

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 204,709,374	\$ 44,281,927	\$ 59,430,029	\$ 2,042,084	\$ 310,463,414
Non-accrual receivables	606,067	25,133	37,039	1,976,800	2,645,039
	<u>\$ 205,315,441</u>	<u>\$ 44,307,060</u>	<u>\$ 59,467,068</u>	<u>\$ 4,018,884</u>	<u>\$ 313,108,453</u>
Proportion	65.6%	14.2%	19.0%	1.2%	100%

December 31, 2020

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 210,393,088	\$ 41,501,050	\$ 59,563,296	\$ 2,697,023	\$ 314,154,457
Non-accrual receivables	<u>163,381</u>	<u>30,890</u>	<u>47,059</u>	<u>1,800,141</u>	<u>2,041,471</u>
	<u>\$ 210,556,469</u>	<u>\$ 41,531,940</u>	<u>\$ 59,610,355</u>	<u>\$ 4,497,164</u>	<u>\$ 316,195,928</u>
Proportion	66.6%	13.1%	18.9%	1.4%	100%

c) Categories for credit risk quality

Cathay Life classified credit risk into low credit risk, medium credit risk, high credit risk and credit impaired. The definitions of each category are as follows:

- i. Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment obligations will be kept and maintained.
- ii. Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.
- iii. High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform financial commitment depends on the favorability of its business environment and financial conditions.
- iv. Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and Cathay Life evaluates the potential losses and determines it as impaired.

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

- i. Cathay Life assesses whether there is a significant increase in credit risk of a financial instrument applicable for impairment requirements under IFRS 9 since initial recognition at each reporting date. To make this assessment, Cathay Life 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 of a financial instrument is determined to be low at the reporting date, it indicates that the credit risk of the financial instrument has not increased significantly since initial recognition.

e) The definition of default and credit-impaired financial assets

Cathay Life's definition of default on financial assets is the same as that of a credit-impaired financial asset. If one or more of the following criteria are met, a financial asset is considered defaulted and credit-impaired:

- i. Quantitative factor: When the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit-impaired.

- ii. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:
 - i) The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.
 - ii) The issuers or borrowers fail to pay interest or principal according to the issue terms and conditions.
 - iii) The collaterals of the borrowers are provisionally seized or enforced.
 - iv) The borrowers claim for a change of credit conditions due to financial difficulties.
 - iii. The abovementioned definitions of default on a financial asset and a credit-impaired financial asset are applicable to all financial assets held by Cathay Life, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.
- f) Measurement of expected credit loss

- i. The methodology and assumptions applied

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

Expected credit losses in the next 12 months and for the duration of the instrument is calculated separately for the two periods using probability of default (“PD”) of issuers, guarantee agencies or borrowers multiplied by loss given default (“LGD”) and exposure at default (“EAD”), in consideration of time value of money.

PD is the rate that a default occurs on issuers, guarantee agencies or borrowers. LGD is the loss rate that resulted from a default of issuers, guarantee agencies or borrowers. Loss given default used by Cathay Life in impairment assessment is based on information regularly issued by Moody’s. Probability of default is based on information regularly issued by Taiwan Ratings Crop. 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. Exposure at default is measured at the amortized cost and interest receivables of financial assets.

- ii. Forward-looking information considerations

Cathay Life takes forward-looking information into consideration while measuring expected credit losses of financial assets.

g) Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i. Financial assets of Cathay Life

December 31, 2021						
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Investment grade						
Debt instruments at FVTOCI	\$ 1,145,257,603	\$ -	\$ -	\$ -	\$ -	\$ 1,145,257,603
Financial assets at amortized cost	2,667,830,573	-	-	-	(615,441)	2,667,215,312
Non-investment grade						
Debt instruments at FVTOCI	18,741,025	-	-	-	-	18,741,025
Financial assets at amortized cost	12,068,749	2,333,237	-	-	(128,785)	14,273,201

December 31, 2020						
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Investment grade						
Debt instruments at FVTOCI	\$ 1,119,207,518	\$ -	\$ -	\$ -	\$ -	\$ 1,119,207,518
Financial assets at amortized cost	2,635,142,149	-	-	-	(1,726,558)	2,633,415,591
Non-investment grade						
Debt instruments at FVTOCI	3,995,777	58,252	-	-	-	4,054,029
Financial assets at amortized cost	13,064,695	3,730,378	-	-	(846,857)	15,948,216

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

ii. Secured loans and non-accrual receivables of Cathay Life

December 31, 2021							
	Stage 1	Stage 2	Stage 3		Loss Allowance	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets			
Secured loans and non-accrual receivables	\$ 304,597,635	\$ 1,762,552	\$ 6,748,266	\$ -	\$ (725,543)	\$ (4,423,948)	\$ 307,958,962

December 31, 2020							
	Stage 1	Stage 2	Stage 3		Loss Allowance	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets			
Secured loans and non-accrual receivables	\$ 308,159,666	\$ 46,631	\$ 7,989,631	\$ -	\$ (640,289)	\$ (4,093,427)	\$ 311,462,212

h) Reconciliation for loss allowance is summarized below:

i. Debt instruments 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, 2021	\$ 690,084	\$ 3,063	\$ -	\$ -	\$ 693,147
Changes due to financial instruments recognized as at January 1					
Transferred to 12-month expected credit losses	130	(130)	-	-	-
New financial assets originated or purchased	395,186	-	-	-	395,186
Financial assets that have been derecognized during the period	(213,220)	(2,852)	-	-	(216,072)
Changes in models/risk parameters	(511,609)	(69)	-	-	(511,678)
Foreign exchange and other movements	<u>(14,677)</u>	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(14,689)</u>
December 31, 2021	<u>\$ 345,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,894</u>
	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, 2020	\$ 337,078	\$ 9,666	\$ -	\$ -	\$ 346,744
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(1,821)	1,821	-	-	-
New financial assets originated or purchased	430,775	-	-	-	430,775
Financial assets that have been derecognized during the period	(263,331)	(334,637)	-	-	(597,968)
Changes in models/risk parameters	217,772	332,427	-	-	550,199
Foreign exchange and other movements	<u>(30,389)</u>	<u>(6,214)</u>	<u>-</u>	<u>-</u>	<u>(36,603)</u>
December 31, 2020	<u>\$ 690,084</u>	<u>\$ 3,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693,147</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, 2021	\$ 1,775,172	\$ 798,243	\$ -	\$ -	\$ 2,573,415
New financial assets originated or purchased	162,513	-	-	-	162,513
Financial assets that have been derecognized during the period	(141,715)	(184,099)	-	-	(325,814)
Changes in models/risk parameters	(1,137,103)	(485,774)	-	-	(1,622,877)
Foreign exchange and other movements	(31,840)	(11,171)	-	-	(43,011)
December 31, 2021	<u>\$ 627,027</u>	<u>\$ 117,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,226</u>

	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, 2020	\$ 1,043,037	\$ 153,984	\$ -	\$ -	\$ 1,197,021
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(8,617)	8,617	-	-	-
New financial assets originated or purchased	385,394	-	-	-	385,394
Financial assets that have been derecognized during the period	(337,526)	(990,101)	-	-	(1,327,627)
Changes in models/risk parameters	774,325	1,680,246	-	-	2,454,571
Foreign exchange and other movements	(81,441)	(54,503)	-	-	(135,944)
December 31, 2020	<u>\$ 1,775,172</u>	<u>\$ 798,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,573,415</u>

iii. Secured loans and non-accrual receivable

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	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			
January 1, 2021	\$ 33,284	\$ 32	\$ 606,973	\$ -	\$ 640,289	\$ 4,093,427	\$ 4,733,716
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(3,153)	68,503	(65,350)	-	-	-	-
Transferred to credit-impaired financial assets	(44)	(3)	47	-	-	-	-
Transferred to 12-month expected credit losses	41	(23)	(18)	-	-	-	-
New financial assets originated or purchased	4,639	-	4,783	-	9,422	-	9,422
Financial assets that have been derecognized during the period	(3,570)	(4)	(42,291)	-	(45,865)	-	(45,865)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	330,521	330,521
Changes in models/risk parameters	(4,016)	(64,826)	190,539	-	121,697	-	121,697
December 31, 2021	<u>\$ 27,181</u>	<u>\$ 3,679</u>	<u>\$ 694,683</u>	<u>\$ -</u>	<u>\$ 725,543</u>	<u>\$ 4,423,948</u>	<u>\$ 5,149,491</u>

		Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2020	\$ 84,809	\$ 299	\$ 1,146,939	\$ -	\$ 1,232,047	\$ 3,593,929	\$ 4,825,976
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(9)	9	-	-	-	-	-
Transferred to credit-impaired financial assets	(3,194)	(68)	3,262	-	-	-	-
Transferred to 12-month expected credit losses	607	(86)	(521)	-	-	-	-
New financial assets originated or purchased	59,347	-	10,691	-	70,038	-	70,038
Financial assets that have been derecognized during the period	(38,899)	(130)	(298,466)	-	(337,495)	-	(337,495)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	499,498	499,498
Changes in models/risk parameters	(69,377)	8	(254,932)	-	(324,301)	-	(324,301)
December 31, 2020	<u>\$ 33,284</u>	<u>\$ 32</u>	<u>\$ 606,973</u>	<u>\$ -</u>	<u>\$ 640,289</u>	<u>\$ 4,093,427</u>	<u>\$ 4,733,716</u>

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

i) Exposure to credit risk and loss allowance of receivables

Measurement of loss allowance of Cathay Life's 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:

	Aging of Receivables				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2021</u>					
Gross carrying amount (Note)	\$ 17,514,345	\$ 51,473	\$ 13	\$ -	\$ 17,565,831
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,030	1	-	1,031

Note: Notes receivable of \$36,297 thousand and other receivables of \$17,529,534 thousand were included.

	Aging of Receivables				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2020</u>					
Gross carrying amount (Note)	\$ 16,155,217	\$ 57,342	\$ 4,641	\$ -	\$ 16,217,200
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,147	464	-	1,611

Note: Notes receivable of \$81,757 thousand and other receivables of \$16,135,443 thousand were included.

The loss allowance was reconciled as follows:

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 1,611	\$ 1,541
(Reversal) provision for the current period	<u>(580)</u>	<u>70</u>
Ending balance	<u>\$ 1,031</u>	<u>\$ 1,611</u>

3) Liquidity risk analysis

a) Sources of liquidity risk

Liquidity risks of financial instruments are comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Cathay Life is not capable of performing matured commitment because it fails to realize assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when Cathay Life sells or offsets its positions during a market disorder or a lack of sufficient market depth.

b) Liquidity risk management

Cathay Life assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, Cathay Life manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions symmetrically.

Cathay Life uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situations. Also, for abnormal and urgent financing needs, management of Cathay Life makes an emergency operating procedure to deal with significant liquidity risks.

The analysis of cash outflows to Cathay Life and its subsidiaries 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 and derivative financial liabilities were based on the agreed repayment dates.

	December 31, 2021				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 21,364,786	\$ 258,462	\$ 942,036	\$ 264,665	\$ 5,410
Bonds payable (Note 2)	559,620	1,194,411	2,715,000	6,885,000	83,315,000
Lease liabilities (Note 3)	443,192	450,366	758,511	1,498,026	20,468,276
<u>Derivative financial liabilities</u>					
SWAP	1,493,936	75,585	-	-	-
Forward	2,110,718	1,032,946	-	-	-
Option	30,517	-	-	-	-

	December 31, 2020				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables (Note 1)	\$ 22,135,418	\$ 326,161	\$ 466,043	\$ 973,975	\$ 3,287
Bonds payable (Note 2)	559,620	1,194,411	2,715,000	8,145,000	84,770,000
Lease liabilities (Note 3)	317,787	458,732	689,696	1,400,670	17,942,761
<u>Derivative financial liabilities</u>					
SWAP	2,664,438	1,258,529	-	-	-
Forward	13,569,120	224,100	-	-	-
CCS	-	-	10,673	42,933	90,971

Note 1: The tax payable under the integrated income tax system was excluded.

Note 2: For the bonds payable without maturity dates, the contractual cash flows were calculated on the basis of 10 years starting from the issuance date.

Note 3: For lease liabilities, the remaining periods used to calculate the contractual cash flows were from 1 to 43 years.

Cathay United Bank and its subsidiaries

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

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

- 1) To amend the risk management policies, risk appetite or risk tolerance and report the above issues to the board of directors for approval.
- 2) To manage and decide the strategy about Cathay United Bank's credit risk, market risk and operational risk.
- 3) To report the significant risk management issues, such as credit ratings, market assessment and risk indicators.
- 4) To analyze the issues that Cathay United Bank's business unit brought up for discussion.
- 5) Other issues.

Cathay United Bank organized a risk management group to monitor, lead, develop, and establish the integral risk management framework.

1) Credit risk

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

a) Credit risk policy and implementation

i. Cathay United Bank, Indovina Bank and CUBCN Bank

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

Cathay United Bank, Indovina Bank and CUBCN Bank maintain a strict policy to evaluate customers' credit ratings when providing loans, loan commitments and commercial letters of credit. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank, Indovina Bank and CUBCN Bank retain the legal right to foreclose on or liquidate the collateral, which effectively reduces the credit risk of Cathay United Bank, Indovina Bank and CUBCN Bank. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

ii. CUBC Bank

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

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

b) Judgment of significant increase in credit risk after initial recognition

i. Cathay United Bank and CUBCN Bank

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

i) Quantitative indicators

- Changes in credit rating

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

- Information on the overdue status of a contract

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

ii) Qualitative indicators

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

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Auditors' opinion - adverse opinion.
- Auditors' opinion - disclaimer of opinion.
- The stock was placed in full-cash delivery stock.
- Other changes in the internal or external information on judging the credit quality changes.

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

ii. CUBCN Bank

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

i) Quantitative indicators

- Changes in credit rating

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

- Information on the overdue status of a contract

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

ii) Qualitative indicators

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

- Any financial instruments are classified as special mention.
- Other changes in the internal or external information on judging the credit quality changes.

iii. Indovina Bank

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

i) Quantitative indicators

- Changes in credit rating

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

- Low credit risk criteria

An exposure rated below Moody's investment grade (i.e., the credit rating is lower than the credit rating Baa 3 of Moody's, an international credit rating agency) at the reporting date would be classified as a significant increase in credit risk since initial recognition.

- Information on the overdue status of a contract

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

- Internal credit assessment indicators

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

ii) Qualitative indicators

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Other changes in the internal or external information on judging the credit quality.

iv. CUBC Bank

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

i) Information on the overdue status of a contract

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

ii) Loan classification from National Bank of Cambodia

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

iii) Internal credit assessment indicators

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

c) Default and credit impairment of financial asset

i. Cathay United Bank

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

i) Quantitative indicator

- Changes in credit rating

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

- Information on the overdue status of a contract

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

ii) Qualitative indicator

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

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- Other internal or external information on judging the deterioration in credit quality.

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

ii. CUBCN Bank

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

i) Quantitative indicator

- Changes in credit rating

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

- Information on the overdue status of a contract

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

ii) Qualitative indicator

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

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

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

iii. Indovina Bank

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

i) Quantitative indicator

- Changes in credit rating

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

- Information on the overdue status of a contract

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

ii) Qualitative indicator

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- The debtor has filed for bankruptcy or may apply for bankruptcy or reorganization.
- Principal or interest could not be paid as scheduled during the settlement period.
- Other internal or external information on judging the deterioration in credit quality.

iv. CUBC Bank

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

i) Information on the overdue status of a contract

When the contract payment is overdue for more than 30 days for short-term loans or more than 90 days for long-term loans at the reporting date, it is determined as credit impairment.

ii) Loan classification from National Bank of Cambodia

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

iii) Internal credit assessment indicators

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

d) Measurement of expected credit loss

i. Cathay United Bank

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

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

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

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

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

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

Cathay United Bank performs impairment assessment of debt instruments measured at FVTOCI and those measured at amortized cost in accordance with related requirements:

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

ii. CUBCN Bank

For the purpose of assessing the expected credit losses, CUBCN Bank classifies the credit assets into the following groups based on product characteristics.

Credit Category	Definition
Loan activities, call loans to banks business, and off-balance sheet credit business	Grouped by product category and internal/external credit rating
Billing business	Grouped by product category and internal/external credit rating
Bond business	Grouped by product category and internal/external credit rating
Due from banks and reverse repurchase	Grouped by product category and internal/external credit rating

i) The expected credit losses of financial instruments are measured on a case-by-case basis as follows:

- For financial instruments in Stage 1, the allowance for losses is measured by the 12-month expected credit losses.
- For financial instruments in Stage 2, the allowance for losses is measured by the lifetime expected credit losses.
- For financial instruments in Stage 3, if the single account loan balance exceeds a certain amount, the discounted cash flow method can be used for individual assessment; if not using individual assessment, the allowance for losses is measured by the lifetime expected credit losses, and the PD is 100%.

ii) The expected credit loss parameters of financial instruments are calculated according to the following principles respectively:

- The PD is based on the information regularly published by Moody's, and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information.
- The LGD is based on LGD regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.
- The EAD is measured at current exposure method. Besides, off-balance sheet credit business also converts using credit conversion factor regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.

iii. Indovina Bank

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

Category	Description
Loan portfolio	Grouped by counterparty type and enterprise size
Bond portfolio	Grouped by product category, external credit rating and payment ranks

i) Loan portfolio

The measurement of expected credit loss of Indovina Bank's loan portfolio is based on its internal product category, risk characteristics and product category, and is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probabilities of default and loss given default were built by Cathay United Bank's historical delinquent information and recovery data and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

ii) Bond portfolio

The measurement of expected credit loss of Indovina Bank's bond portfolio is based on its product category, issuer's credit rating and payment ranks. The probabilities of default and loss given default were built by the delinquent information and calibrated by selected macroeconomic factors for forward-looking adjustment. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

iv. CUBC Bank

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

Category	Description
Loan	Grouped by product characteristics, industry and counterparty type
Credit Card	Grouped by product characteristics

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

e) Write-off policy

Cathay United Bank and its subsidiaries write-off the financial assets partially or entirely to the extent of the amount which cannot be reasonably expected to be recovered.

The indicators for reasonably expected to be unrecoverable include:

- i. The recourse procedure has ceased.
- ii. The debtor's assets or income are evaluated to be insufficient to repay outstanding payments.

Financial asset which has been written-off can pursue the recovery of debt and institute legal proceedings continuously under related policies.

f) Consideration of forward-looking information

Cathay United Bank

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

The significant economic factors identified by Cathay United Bank in 2021 are as follows:

Credit Category	Probability of Default (PD)
Enterprise loan	Proportion of revenue less expenditures from government to GDP % Proportion of expenditures from government to GDP %
Consumer loan	Inflation index % Unemployment rate % Price Index
Credit card	Price Index Proportion of revenue from government to GDP (%)

CUBCN Bank

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

The relevant economic factors identified by CUBCN Bank in 2021 include but are not limited to gross domestic product (GDP) published by the China Statistics Bureau, China Customs and other government authorities, consumer price index (CPI), import price index, and government expenditure data, etc.

Indovina Bank

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

The macroeconomic factors selected by Indovina Bank for the forward-looking adjustments in 2021 are as follows:

Segment	Selected Factors
Loan portfolio	Vietnam GDP growth rate
Bond portfolio	Global GDP growth rate Global inflation index

CUBC Bank

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

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments in 2021 are as follows:

Segment	Selected Factors
Loan	Change of inflation (%) Change of volume of imports (%) Change of GDP (%) Proportion of general government revenue of GDP (%)
Credit Card	Change of inflation(%) Change in reserves Proportion of general government net lending/borrowing of GDP (%)

The valuation techniques or significant assumptions used by Cathay United Bank and its subsidiaries for assessing the expected credit losses have no significant change as of December 31, 2021.

g) Credit risk management policy

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

i. Category of credit asset

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

ii. Grade of credit quality

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

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

With respect to consumer credit assets such as mortgages, credit cards, and small-amount credit loans, Cathay United Bank also evaluates default risk of clients by using the credit rating scores developed by Cathay United Bank and the external due diligence services.

The credit quality of Cathay United Bank's corporate borrowers is classified as excellent, good, average, or bad.

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

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

iii. Hedge of credit risk and easing policy

i) Collateral

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

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

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

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

iii) Net settlement agreement

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

iv. Maximum exposure to credit risk

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

i) Cathay United Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2021	December 31, 2020
Irrevocable loan commitments	\$ 171,600,838	\$ 190,736,959
Credit card commitments	770,929,935	744,977,230
Unused commercial letters of credit	6,566,178	5,731,441
Guarantees on duties and contracts	18,242,569	17,071,951

ii) Indovina Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2021	December 31, 2020
Financial guarantee contracts	\$ 1,292,761	\$ 1,323,647
Unused commercial letters of credit	994,336	972,917

iii) CUBC Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2021	December 31, 2020
Financial guarantee contracts	\$ 20,528	\$ 17,406
Credit card commitments	269,953	277,491
Irrevocable loan commitments	338,751	234,582

iv) CUBCN Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2021	December 31, 2020
Financial guarantee contracts	\$ 255,149	\$ 236,475
Unused commercial letters of credit	621,893	210,453
Irrevocable loan commitments	1,016,657	928,613

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

The management deems Cathay United Bank and its subsidiaries are able to control and minimize the credit risk exposures in off-balance-sheet items as Cathay United Bank and its subsidiaries use stricter rating procedures when extending credits and conduct reviews regularly.

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

December 31, 2021

Discounts and Loans					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Total carrying amount	\$ 1,763,964,944	\$ 60,965,797	\$ 12,124,070	\$ -	\$ 1,837,054,811
Less: Allowance impairment	(3,442,880)	(1,990,988)	(5,005,473)	-	(10,439,341)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(19,538,811)	(19,538,811)
	<u>\$ 1,760,522,064</u>	<u>\$ 58,974,809</u>	<u>\$ 7,118,597</u>	<u>\$ (19,538,811)</u>	<u>\$ 1,807,076,659</u>

Receivables					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Total carrying amount	\$ 101,532,216	\$ 2,692,899	\$ 2,105,098	\$ -	\$ 106,330,213
Less: Allowance impairment	(418,248)	(288,704)	(1,658,913)	-	(2,365,865)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(69,669)	(69,669)
	<u>\$ 101,113,968</u>	<u>\$ 2,404,195</u>	<u>\$ 446,185</u>	<u>\$ (69,669)</u>	<u>\$ 103,894,679</u>

December 31, 2020

Discounts and Loans					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Total carrying amount	\$ 1,621,545,452	\$ 55,888,623	\$ 12,109,964	\$ -	\$ 1,689,544,039
Less: Allowance impairment	(4,643,771)	(2,095,225)	(5,124,881)	-	(11,863,877)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(16,384,201)	(16,384,201)
	<u>\$ 1,616,901,681</u>	<u>\$ 53,793,398</u>	<u>\$ 6,985,083</u>	<u>\$ (16,384,201)</u>	<u>\$ 1,661,295,961</u>

Receivables					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Total carrying amount	\$ 98,245,219	\$ 1,889,559	\$ 2,141,088	\$ -	\$ 102,275,866
Less: Allowance impairment	(465,842)	(202,476)	(1,731,461)	-	(2,399,779)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(62,941)	(62,941)
	<u>\$ 97,779,377</u>	<u>\$ 1,687,083</u>	<u>\$ 409,627</u>	<u>\$ (62,941)</u>	<u>\$ 99,813,146</u>

v. Credit concentration risk of Cathay United Bank and its subsidiaries

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

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

Industry Type	December 31			
	2021		2020	
	Amount	%	Amount	%
Manufacturing	\$ 157,020,976	8.45	\$ 136,414,473	7.98
Financial institutions and insurance	85,199,467	4.58	77,235,347	4.52
Leasing and real estate	177,239,865	9.53	151,233,185	8.85
Individuals	1,169,015,836	62.89	1,029,137,040	60.20
Others	<u>270,414,254</u>	<u>14.55</u>	<u>315,605,920</u>	<u>18.45</u>
	<u>\$ 1,858,890,398</u>	<u>100.00</u>	<u>\$ 1,709,625,965</u>	<u>100.00</u>

Geographic Region	December 31			
	2021		2020	
	Amount	%	Amount	%
Domestic	\$ 1,603,854,334	86.28	\$ 1,432,739,575	83.80
Asia	197,945,764	10.65	208,251,320	12.18
America	41,734,650	2.25	47,564,475	2.78
Others	<u>15,355,650</u>	<u>0.82</u>	<u>21,070,595</u>	<u>1.24</u>
	<u>\$ 1,858,890,398</u>	<u>100.00</u>	<u>\$ 1,709,625,965</u>	<u>100.00</u>

2) Liquidity risk

a) Source and definition of liquidity risk

Liquidity risk means the possible losses arising from the failure of the Bank to obtain funds at a reasonable price within a reasonable time to cover the increase in assets or repay matured liabilities.

b) Liquidity risk management strategy and principles

The liquidity risk management strategy and principles of Cathay United Bank and its subsidiaries are to stabilize the liquidity of funds. The first priority for the source of funds is diversification and stability, and Cathay United Bank and its subsidiaries adopt the conservative principle to estimate the funds. The use of funds should take into account both safety and profitability, and pay attention to diversifying liquidity risks. Cathay United Bank and its subsidiaries have set up an Asset and Liability Management Committee, which is responsible for planning and monitoring liquidity risk management strategy and controlling liquidity risk with risk limits from different measuring dimensions and early warning indicators. When the liquidity has or expects significant changes, relevant authorities and responsible units jointly analyze the reasons and discuss solutions to deal with the impact of emergent events on liquidity risk.

c) Financial assets held to manage liquidity risk and maturity analysis of non-derivative financial liabilities.

i. Financial assets held to manage liquidity risk

Cathay United Bank and its subsidiaries hold highly marketable and diverse financial assets to meet payment obligations, i.e., assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets held to manage liquidity risk include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, financial assets at FVTOCI, debt instruments at amortized cost, discounts and loans, notes and bonds purchased under resale agreements.

ii. Maturity analysis of non-derivative financial liabilities of Cathay United Bank

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

	December 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	\$ 19,739,865	\$ 19,426,898	\$ 23,321,812	\$ 201,876	\$ 62,690,451
Central Bank and interbank lending	1,076,000	-	-	-	1,076,000
Non-derivative financial liabilities at FVTPL	-	-	550,293	35,720,100	36,270,393
Securities sold under repurchase agreements	24,984,153	6,338,247	-	-	31,322,400
Payables	12,719,115	9,366,422	151,144	460,730	22,697,411
Deposits and remittances	413,504,732	1,148,909,532	1,122,164,408	163,228,761	2,847,807,433
Financial debentures payable	-	4,685,464	5,637,213	37,000,000	47,322,677
Lease liabilities	102,243	465,602	569,180	2,029,181	3,166,206
Other capital outflow at maturity	7,080,447	13,149,630	6,565,722	1,904,957	28,700,756

	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	\$ 21,632,134	\$ 18,939,610	\$ 22,759,390	\$ 174,251	\$ 63,505,385
Central Bank and interbank lending	-	960,000	116,000	-	1,076,000
Non-derivative financial liabilities at FVTPL	-	-	566,549	36,775,320	37,341,869
Securities sold under repurchase agreements	8,782,928	1,322,545	-	-	10,105,473
Payables	16,497,492	2,928,046	113,437	426,011	19,964,986
Deposits and remittances	366,399,102	1,030,683,105	1,016,354,012	148,106,423	2,561,542,642
Financial debentures payable	-	7,518,502	37,213	46,800,000	54,355,715
Lease liabilities	116,107	555,111	680,363	2,409,535	3,761,116
Other capital outflow at maturity	12,868,822	15,291,646	6,218,538	1,037,130	35,416,136

Additional information about the maturity analysis for lease liabilities:

	December 31	
	2021	2020
Less than 1 year	\$ 1,137,025	\$ 1,351,581
1-5 years	1,714,563	2,156,451
5-10 years	314,618	250,974
Over 10 years	-	2,110
	<u>\$ 3,166,206</u>	<u>\$ 3,761,116</u>

iii. Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by Cathay United Bank include:

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

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

	December 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 24,880	\$ 37,114	\$ 4,574	\$ 242	\$ 66,810
Interest rate derivative instruments	<u>33,714</u>	<u>860,300</u>	<u>585,840</u>	<u>13,799,055</u>	<u>15,278,909</u>
	<u>\$ 58,594</u>	<u>\$ 897,414</u>	<u>\$ 590,414</u>	<u>\$ 13,799,297</u>	<u>\$ 15,345,719</u>
	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 144,336	\$ 51,523	\$ 17,164	\$ 5	\$ 213,028
Interest rate derivative instruments	<u>25,200</u>	<u>879,624</u>	<u>362,723</u>	<u>23,592,651</u>	<u>24,860,198</u>
	<u>\$ 169,536</u>	<u>\$ 931,147</u>	<u>\$ 379,887</u>	<u>\$ 23,592,656</u>	<u>\$ 25,073,226</u>

Gross settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: Foreign exchange swaps;
- ii) Interest rate derivative instruments: Cross currency swaps;
- iii) Credit derivative instruments: All derivatives shown in gross amount pay a periodic fee in return for a payment by the protection seller on credit event if any occurs.

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

	December 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (1,251,076)	\$ (1,099,995)	\$ (583,172)	\$ (4,579,484)	\$ (7,513,727)
Cash inflow	4,813	7,496	2,222	-	14,531
Interest rate derivative instruments					
Cash outflow	(37,888)	(34,819)	(335,739)	(414,111)	(822,557)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,288,964)	(1,134,814)	(918,911)	(4,993,595)	(8,336,284)
Cash inflow subtotal	<u>4,813</u>	<u>7,496</u>	<u>2,222</u>	<u>-</u>	<u>14,531</u>
Net cash flow	<u>\$ (1,284,151)</u>	<u>\$ (1,127,318)</u>	<u>\$ (916,689)</u>	<u>\$ (4,993,595)</u>	<u>\$ (8,321,753)</u>
	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (6,206,951)	\$ (9,612,506)	\$ (3,966,155)	\$ (543,230)	\$ (20,328,842)
Cash inflow	9,935	2,984	1,329	-	14,248
Interest rate derivative instruments					
Cash outflow	-	(114,986)	(47,427)	(473,217)	(635,630)
Cash inflow	38	-	-	-	38
Cash outflow subtotal	(6,206,951)	(9,727,492)	(4,013,582)	(1,016,447)	(20,964,472)
Cash inflow subtotal	<u>9,973</u>	<u>2,984</u>	<u>1,329</u>	<u>-</u>	<u>14,286</u>
Net cash flow	<u>\$ (6,196,978)</u>	<u>\$ (9,724,508)</u>	<u>\$ (4,012,253)</u>	<u>\$ (1,016,447)</u>	<u>\$ (20,950,186)</u>

iv. Maturity analysis of off-balance sheet items

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

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

December 31, 2021

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 143,514,844	\$ 24,884,198	\$ 3,201,796	\$ 171,600,838
Credit card commitments	48,902,335	205,372,171	516,655,429	770,929,935
Financial guarantee contracts	16,348,326	7,756,651	703,770	24,808,747

December 31, 2020

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 159,685,630	\$ 25,896,936	\$ 5,154,393	\$ 190,736,959
Credit card commitments	52,483,033	233,082,112	459,412,085	744,977,230
Financial guarantee contracts	15,178,359	7,594,933	30,100	22,803,392

3) Market risk

a) Source and definition of market risk

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

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

b) Market risk management strategy and process

Market risk management process

i. Identification and measurement

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

ii. Monitoring and reporting

The risk management department periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress testing, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. Cathay United Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. If the transaction reaches its stop-loss limitation, stop-loss process will be implemented immediately. If the stop-loss process is not implemented, the transaction department should document the reason for not implementing stop-loss process and response plan. Furthermore, the department shall report to the executive management for approval and report to the board of directors regularly.

c) Risk management policy of the trading book

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

i. Strategy

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

ii. Policy and procedure

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

iii. Valuation policy

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

iv. Method of measurement

- i) The assumptions and calculation method are described in the VaR section.
- ii) Cathay United Bank executes the stress testing monthly based on the following scenarios: The fluctuation of interest rate at 100bp, equity securities price at 15% and foreign exchange rate at 3%, and reports to the risk management committee regularly.

d) Interest risk management of trading book

i. Definition of interest risk

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

ii. Interest risk management procedure of the trading book

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

iii. Method of measurement

- i) The assumptions and calculation method are described in the VaR section.
- ii) Cathay United Bank measures the investment portfolio's interest risk exposure with DV monthly.

e) Interest risk management of banking book

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

i. Strategy

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

ii. Management procedure

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

iii. Method of measurement

Measurement methods of banking book interest risk include repricing gap analysis, earnings viewpoint (ΔNII) analysis, and economic value viewpoint (ΔEVE) analysis. Cathay United Bank and its subsidiaries adopt appropriate measurement methods to manage banking book interest risk in accordance with local regulatory requirements or internal management needs.

f) Foreign exchange risk management

i. Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchanged at different times. Cathay United Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option, etc. Cathay United Bank's foreign exchange transactions are implemented daily to offset clients' positions. Thus, Cathay United Bank is not exposed to significant foreign exchange risk.

ii. Policy, procedure and measurement method of foreign exchange risk management

In order to control foreign exchange risk, Cathay United Bank sets the limits of transaction and stop-loss limits for the dealing room and traders. Meanwhile, Cathay United Bank also sets the maximum annual loss limit to control the loss within the tolerable extent. Foreign exchange risk is controlled based on VaR. The assumption and calculation of VaR are described in the VaR section.

For foreign exchange risk, Cathay United Bank sets the scenario at 3% fluctuation of foreign exchange rates of major currencies to execute the stress testing quarterly, and reports to the risk management committee.

g) Risk management of equity securities price

i. Definition of risk of equity securities price

The market risk of equity securities held by Cathay United Bank includes the individual risk from the fluctuation of individual equity securities' market price and general market risk from the fluctuation of the overall price trend.

ii. Purpose of risk management of equity securities price

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

iii. Procedure of risk management of equity securities price

Cathay United Bank sets investment limits on industries and enterprises, using the β value to measure the investment portfolio affected by the systemic risk monthly. The stop-loss point must be authorized by the board of directors, and the equity investment should be authorized by the executives if the stop-loss point is reached but the investment is not going to be disposed of.

iv. Measurement method

The risk of equity securities price in trading book is mainly controlled by VaR.

Cathay United Bank's risk of equity securities prices from its non-trading portfolio is controlled through stress testing of business scale under appropriate scenarios and Cathay United Bank reports the results to the risk management committee.

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

December 31, 2021				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 135,734	\$ 215,547	\$ 43,133	\$ 215,547
Foreign exchange	85,389	162,748	65,675	84,654
Equity securities price	344,290	629,009	91,597	365,415

December 31, 2020				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 98,733	\$ 194,699	\$ 44,753	\$ 44,753
Foreign exchange	223,146	371,160	121,699	162,748
Equity securities price	364,210	791,984	103,986	431,373

Note: Above information about factors of market risks is defined by risk management of the trading book.

Cathay United Bank enters into a variety of derivatives transactions for both trading and non-trading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage Cathay United Bank's exposure to risks and to generate revenues through trading activities. Cathay United Bank trades derivative instruments on behalf of customers and for its own positions. Cathay United Bank transacts derivative contracts with its clients to meet their demands and also takes proprietary positions for its own accounts within the allowed market risk.

h) Stress testing

The stress testing is used to measure the maximum loss of risk asset portfolio under the worst-case scenario. Cathay United Bank takes into consideration various types of risk factors during stress testing and the results will be reported to the executive management.

Stress Test			
Market/Product	Scenarios	December 31, 2021	December 31, 2020
Stock market	Major stock exchanges +15%	\$ 2,764,778	\$ 2,111,674
	Major stock exchanges -15%	(2,764,778)	(2,038,832)
Interest rate/bond market	Major interest rate + 100bp	(478,517)	(1,433,146)
	Major interest rate (100bp)	887,005	53,539
Foreign exchange market	Major currencies +3%	240,221	306,945
	Major currencies -3%	(231,115)	(306,945)
Composite	Major stock exchanges -15%	(3,003,074)	(3,165,033)
	Major interest rate +100bp		
	Major currencies +3%		

Note: The information of stress testing is defined by risk management policy of the trading book.

i) Sensitivity analysis

i. Interest rate risk

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivative portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting the portfolio. Cathay United Bank’s interest rate-sensitive portfolios include government bonds, corporate bonds, interest rate swaps, forward rate agreements and interest rate collars.

ii. Foreign exchange risk

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

iii. Equity securities price risk

Equity securities price factor sensitivities (“Equity delta”) represent the change of the equity securities price portfolio caused by a parallel unit shift of 1% (100 basis points) in the underlying stock prices fluctuation. Cathay United Bank’s equity portfolios include stocks and equity index options.

Risk Factors	Changes (+/-)	December 31, 2021	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 117,788	\$ -
	HKD+1%	(3,058)	-
	JPY+1%	3,755	-
	AUD+1%	(512)	-
	CNY+1%	(17,215)	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	412	-
	Yield curves (HKD) parallel shift+1bp	(40)	-
	Yield curves (JPY) parallel shift+1bp	(208)	-
	Yield curves (AUD) parallel shift+1bp	(188)	-
	Yield curves (CNY) parallel shift+1bp	(1,843)	-
	Equity securities price +1%	35,274	149,044
Equity securities price factor sensitivity (Equity Delta)			

Risk Factors	Changes (+/-)	December 31, 2020	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 87,303	\$ -
	HKD+1%	9,862	-
	JPY+1%	15,101	-
	AUD+1%	12,843	-
	CNY+1%	(7,927)	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(8,730)	-
	Yield curves (HKD) parallel shift+1bp	147	-
	Yield curves (JPY) parallel shift+1bp	2	-
	Yield curves (AUD) parallel shift+1bp	(131)	-
	Yield curves (CNY) parallel shift+1bp	(1,303)	-
	Equity securities price factor sensitivity (Equity Delta)	22,531	118,190
	Equity securities price +1%		

j) Effect of interest rate benchmark reform

Cathay United Bank is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. Therefore, when existing contracts and agreements that reference USD LIBOR transfer to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Cathay United Bank established a USD LIBOR transition project plan to handle changes in risk management policies, internal processes adjustments, IT systems updates and valuation models adjustments, as well as to manage any related tax and accounting issues in accordance with interest rate benchmark reform. As of December 31, 2021, changes required to IT systems and internal processes have been identified and have been partially implemented.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with Cathay United Bank’s counterparties are not successfully concluded before the cessation of USD LIBOR, the case will bring significant uncertainties to the future interest rate basis applied to financial instruments, and give rise to additional interest rate risk that was not anticipated when the contracts were entered into. If a hedged financial instrument and the related hedging derivative instruments are transited to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

Cathay United Bank

The following table contains details of non-derivative financial instruments held by Cathay United Bank as of December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets linked to USD LIBOR	
Financial assets at FVTOCI	\$ 3,857,784
Investments in debt instruments at amortized cost	3,939,024
Discounts and loans	<u>68,973,215</u>
	<u>76,770,023</u>
Financial assets linked to EUR LIBOR	
Discounts and loans	<u>693,578</u>
Financial assets linked to JPY LIBOR	
Discounts and loans	<u>3,547,170</u>
Financial assets linked to HKD HIBOR	
Discounts and loans	<u>22,609,319</u>
Financial assets linked to SGD SIBOR	
Discounts and loans	<u>20,464</u>
Financial assets linked to SGD SOR	
Discounts and loans	<u>8,604,907</u>
Financial assets linked to VND VNIBOR	
Discounts and loans	<u>248,178</u>
	<u>\$ 112,493,639</u>

Non-derivative financial liabilities which are subject to the reform

Financial liabilities linked to USD LIBOR	
Notes and bonds sold under repurchase agreement	<u>\$ 138,450</u>

The following table contains details of derivative financial instruments held by Cathay United Bank at December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

Derivative Financial Instrument	Nominal Amount	Carrying Amount	
		Financial Assets	Financial Liabilities
<u>Financial assets linked to USD LIBOR</u>			
IRS	\$ 18,205,146	\$ 380,315	\$ 111,092
CCS	553,800	194	-
Options	<u>2,272,745</u>	<u>-</u>	<u>200</u>
	\$ 21,031,691	\$ 380,509	\$ 111,292

CUBCN Bank

The following table contains details of derivative financial instruments held by CUBCN Bank at December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets linked to USD LIBOR	
Discounts and loans	<u>\$ 8,896</u>

Cathay Century and its subsidiaries

Cathay Century and its subsidiaries' major financial instruments include equity and debt investments, derivatives, receivables, payables and bonds payable. 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 analysis

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 Cathay Century and its subsidiaries' income or value of investment portfolio.

Cathay Century and its subsidiaries 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 changes. Cathay Century and its subsidiaries calculate VaR on the next day (week or two weeks) at 99% confidence level.

b) Stress testing

In addition to the VaR model, Cathay Century and its subsidiaries periodically use stress testing to assess the potential risk of extreme and abnormal events.

Cathay Century and its subsidiaries conduct stress testing regularly on positions by simple sensitivity analysis test 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 follows scenarios:

i) Historical scenario

By considering the fluctuations in risk factors during a specific historical event, Cathay Century and its subsidiaries evaluate that losses would be incurred for the current investment portfolio in the event.

ii) Hypothetical scenario

Cathay Century and its subsidiaries simulate 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. Cathay Century and its subsidiaries' risk analysis, early warning, and business management are in accordance with the stress testing report.

Table of Stress Testing

Risk Factors	Changes (+/-)	December 31, 2021	December 31, 2020
Equity price risk (index)	-10%	\$ (1,097,510)	\$ (936,002)
Interest rate risk (yield curve)	+20bps	(127,128)	(139,733)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(156,646)	(133,032)

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.

- Foreign currency risk

Cathay Century and its subsidiaries has foreign currency-denominated assets and liabilities, which expose Cathay Century and its subsidiaries to foreign currency risk.

- Interest rate risk

Cathay Century and its subsidiaries is exposed to interest rate risk because entities in the Cathay Century and its subsidiaries hold debt instrument at both fixed and floating interest rates. The risk is managed by the Cathay Century and its subsidiaries by maintaining an appropriate mix of fixed and floating rate debt instrument.

- Price risk

Cathay Century and its subsidiaries was exposed to equity price risk through its investments in listed shares and mutual funds. Equity price exposures were managed by utilizing futures. That positions of futures do not exceed the hedged positions.

c) Sensitivity analysis

For the Year Ended December 31, 2021			
Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 23,810	\$ 10,145
	CNY appreciates 1%	2,706	-
	HKD appreciates 1%	2,039	2,881
	EUR appreciates 1%	24	511
	VND appreciates 1%	-	6,271
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,100)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(34)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,223)	(927)
Equity securities price sensitivity	Increases 1% in equity price	-	109,751
For the Year Ended December 31, 2020			
Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 23,146	\$ 6,311
	CNY appreciates 1%	2,637	-
	HKD appreciates 1%	788	4,396
	EUR appreciates 1%	4	499
	VND appreciates 1%	-	6,105
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,006)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(50)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,292)	(712)
Equity securities price sensitivity	Increases 1% in equity price	-	93,600

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) Cathay Century and its subsidiaries' credit risk exposure of financial transactions include issuer credit risk, counterparty credit risk and credit risk of underlying assets.

- i. Issuer's credit risk is the risk that Cathay Century and its subsidiaries 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 Cathay Century and its subsidiaries 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 Cathay Century and its subsidiaries 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

- i. The amounts of credit risk exposure for Cathay Century and its subsidiaries' financial assets are as follows:

December 31, 2021

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 11,672,113	\$ -	\$ -	\$ -	\$ 256,037	\$ 11,928,150
Financial assets at FVTPL	349,701	-	-	-	-	349,701
Financial assets at FVTOCI	728,828	-	-	-	-	728,828
Financial assets at amortized cost	2,299,413	69,225	1,205,648	2,570,778	1,617,471	7,762,535
Total	\$ 15,050,055	\$ 69,225	\$ 1,205,648	\$ 2,570,778	\$ 1,873,508	\$ 20,769,214
Proportion	72.46%	0.33%	5.81%	12.38%	9.02%	100.00%

December 31, 2020

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 9,987,740	\$ -	\$ -	\$ -	\$ 248,975	\$ 10,236,715
Financial assets at FVTPL	467,409	-	-	-	-	467,409
Financial assets at FVTOCI	764,184	-	-	-	-	764,184
Financial assets at amortized cost	2,104,756	71,512	1,231,351	2,916,059	1,582,093	7,905,771
Total	\$ 13,324,089	\$ 71,512	\$ 1,231,351	\$ 2,916,059	\$ 1,831,068	\$ 19,374,079
Proportion	68.77%	0.37%	6.36%	15.05%	9.45%	100.00%

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

- i. Cathay Century and its subsidiaries assess, 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, Cathay Century and its subsidiaries consider reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit ratings, 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 Cathay Century and its subsidiaries 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 factors: An 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 Cathay Century and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to the related impairment assessment model.

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, Cathay Century and its subsidiaries measure 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, Cathay Century and its subsidiaries measure loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, Cathay Century and its subsidiaries multiply exposure at default by the 12-month and lifetime probability of default of issuers, guarantee agencies or borrowers and loss given default. Cathay Century and its subsidiaries also consider the effect of the time value of money to calculate the 12-month and lifetime expected credit losses, respectively.

Default rate is the rate that a default occurs on issuers, guarantee agencies and borrowers. Loss given default is the loss rate which resulted from the default of issuers, guarantee agencies and borrowers. Loss given default used by Cathay Century and its subsidiaries in impairment assessment is based on information regularly issued by Moody's. 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 historic data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

Cathay Century and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets. For example, the default rate used in the bond measurement is based on the default rate regularly published by the International Credit Rating Agency (Moody's) and adjusted according to general economic information.

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

i. Financial assets of Cathay Century and its subsidiaries

December 31, 2021						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 728,828	\$ -	\$ -	\$ -	\$ -	\$ 728,828
Financial assets measured at amortized cost	7,764,815	-	-	-	(2,280)	7,762,535
December 31, 2020						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 764,184	\$ -	\$ -	\$ -	\$ -	\$ 764,184
Financial assets measured at amortized cost	7,781,007	-	-	-	(6,120)	7,774,887
<u>Non-investment grade</u>						
Financial assets at amortized cost	-	141,195	-	-	(10,311)	130,884

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

ii. Secured loans of Cathay Century and its subsidiaries

December 31, 2021						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 188,921	\$ -	\$ -	\$ -	\$ (2,458)	\$ 186,463
December 31, 2020						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 197,791	\$ -	\$ -	\$ -	\$ (2,475)	\$ 195,316

g) Reconciliation for loss allowance is summarized below:

i. Debt instruments 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, 2021	\$ 91	\$ -	\$ -	\$ -	\$ 91
Changes in models/risk parameters	(72)	-	-	-	(72)
December 31, 2021	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19</u>
January 1, 2020	\$ 66	\$ -	\$ -	\$ -	\$ 66
Changes in models/risk parameters	25	-	-	-	25
December 31, 2020	<u>\$ 91</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91</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, 2021	\$ 6,120	\$ -	\$ 10,311	\$ -	\$ 16,431
Changes in models/risk parameters	(3,840)	-	(10,311)	-	(14,151)
December 31, 2021	<u>\$ 2,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,280</u>
January 1, 2020	\$ 3,909	\$ -	\$ -	\$ -	\$ 3,909
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit loss	(523)	-	523	-	-
Derecognition of financial assets in the current period	-	-	(8,854)	-	(8,854)
Changes in models/risk parameters	2,734	-	18,642	-	21,376
December 31, 2020	<u>\$ 6,120</u>	<u>\$ -</u>	<u>\$ 10,311</u>	<u>\$ -</u>	<u>\$ 16,431</u>

iii. Secured loans

	Lifetime Expected Credit Losses					Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
	12-month Expected Credit Losses	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, 2021	\$ 22	\$ -	\$ -	\$ -	\$ 22	\$ 2,453	\$ 2,475
Changes in model/risk parameters	21	-	-	-	21	-	21
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(38)	(38)
December 31, 2021	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 2,415</u>	<u>\$ 2,458</u>
January 1, 2020	\$ 66	\$ -	\$ -	\$ -	\$ 66	\$ 2,737	\$ 2,803
Changes in model/risk parameters	(44)	-	-	-	(44)	-	(44)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(284)	(284)
December 31, 2020	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ 2,453</u>	<u>\$ 2,475</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

Cathay Century and its subsidiaries apply the simplified approach to providing for expected credit loss prescribed by IFRS 9, and the estimation of lifetime credit loss was as follows:

December 31, 2021	Due	Overdue	Total
Carrying amount	\$ 2,027,195	\$ 292,113	\$ 2,319,308
Expected credit loss rate	1.05%	5.10%	
Lifetime expected credit losses	\$ 21,292	\$ 14,893	\$ 36,185
December 31, 2020	Due	Overdue	Total
Carrying amount	\$ 2,017,873	\$ 338,004	\$ 2,355,877
Expected credit loss rate	1.00%	5.95%	
Lifetime expected credit losses	\$ 20,087	\$ 20,115	\$ 40,202

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 Cathay Century and its subsidiaries are 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

Cathay Century and its subsidiaries established a complete capital liquidity management 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, Cathay Century and its subsidiaries use cash flow model and stress testing to assess cash flow risk. Moreover, Cathay Century and its subsidiaries have 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 Cathay Century and its subsidiaries 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, 2021

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,871,971	\$ 21,504	\$ 5,263	\$ 9,387	\$ 4,808
Lease liabilities	74,994	71,072	93,624	800	-
<u>Derivative financial liabilities</u>					
Swap	72	-	-	-	-

December 31, 2020

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,322,801	\$ 18,618	\$ 8,438	\$ 8,209	\$ 4,850
Lease liabilities	69,228	27,848	7,944	2,033	-
<u>Derivative financial liabilities</u>					
Swap	2,700	-	-	-	-

Cathay Securities and its subsidiaries

1) Risk management system

a) Risk management objectives

Adhering to the risk management policies of the Company, Cathay Securities and its subsidiaries manage the risks during its operating activities in compliance with domestic and foreign regulations as well as in an efficient and flexible manner to maximize the profit.

b) Risk management policies

Cathay Securities and its subsidiaries comply with the risk management policies as a guiding principle to establish significant risk management matters such as objectives, coverage, organization duties and operating, management principles and reports.

The management policies of Cathay Securities and its subsidiaries cover different types of risk including market risk, credit risk, operating risk, liquidity risk, capital adequacy management, regulation risk and other risks related to operating activities. Before initiating a business, Cathay Securities and its subsidiaries identify relevant risks and have integrated planning of risk management mechanism and methods to ensure that such business is compliant with the management policies.

c) Risk management organization

i. Board of directors

The board of directors takes the ultimate responsibilities for risk management. The board of directors approves the risk management policy, ensures that approved risk management policies are in accordance with the nature of operating activities and types of business and cover different types of risk and monitors the effective implementation of risk management policies.

ii. Risk management committee

The risk management committee is responsible for reviewing risk management policies, principles, and rules of trading transactions, and for determining the appropriate degree of risk exposure and monitoring the implementation of the risk management policies. The risk management committee is under the board of directors and the chairman of board of directors takes chair of the committee, and the members include the general manager, finance supervisor, accounting manager, risk management supervisor, and the relevant trading department supervisor. The committee meetings are typically held quarterly and provisional meetings are called by the chairman of the board.

iii. Risk management department

The risk management department is under the board of directors. The supervisor and staff of the department are prohibited from holding positions at the trading or settlement department. Their responsibilities are to plan and implement risk management policies, principles and directions, review policies regularly to ensure that those policies are suitable for business development. The risk management department also establishes online monitoring and prevention systems and reaction mechanisms, according to the development of Cathay Securities and its subsidiaries.

iv. Business unit

Each business unit participates in the setting of the risk management mechanism and executes daily risk management and reporting to ensure that the risk model used by the business unit is implemented with the consistent credibility and is in accordance with the internal control procedures to comply with the regulations and risk management policies.

v. Auditing office

The auditing office executes risk management and internal control procedures regularly, and traces and documents findings and deviations of internal control procedures periodically to ensure that the appropriate actions of improvement have been taken in time.

vi. Finance department

The finance department participates in the setting of the risk management mechanism. The department is responsible for executing liquidity risk management and providing the liquidity risk report to the risk management department regularly.

vii. Accounting department

The accounting department participates in the setting of the risk management mechanism and provides the form of capital adequacy to the risk management department monthly.

viii. Legal affairs office

The legal affairs office executes legal risk management to ensure that business operations and risk management procedures are all in compliance with the regulations.

d) Risk management workflows

Risk management workflow for Cathay Securities and its subsidiaries includes risk identification, risk measurement, risk management mechanism, and risk reporting. Risk assessment and response strategies to each risk are addressed as follows:

i. Market risk

i) Definition

Market risk is the risk of losses in Cathay Securities and its subsidiaries' investment positions, including shares, bonds, and derivatives etc. arising from changes in the market prices of financial instruments.

ii) Controls

Cathay Securities and its subsidiaries set up rules of trading transactions including the limits of authorization, risk limitation, stop-loss rules, and responses to the exceeded limits by each product or service line and implement those control procedures efficiently through the front desk risk control staff and on-line monitoring system. Furthermore, Cathay Securities and its subsidiaries provide the market risk management report regularly that includes market price assessments, the dollar amounts of surplus/shortfall and arbitrage, Value at Risk, and back-testing model and perform stress testing by each extreme scenario to control the risks that Cathay Securities and its subsidiaries face and manage all risks as a whole efficiently.

ii. Credit risk

i) Definition

Credit risk is the risk of loss incurred by Cathay Securities and its subsidiaries as a result of a counterparty or debtor not being able to perform its contract obligations due to deterioration of financial conditions or other factors.

ii) Controls

Cathay Securities and its subsidiaries check and review the credit position of each counterparty before trading and manage risk exposure after trading. Risks arising from securities trading are monitored and controlled based on the credit rating model. Investment concentration and risks are analyzed and documented regularly. Investment limit to each counterparty is established by its credit rating (TCRI, Taiwan Ratings, S&P, Moody's, and Fitch). In addition, the customers covered by the high-risk range of self-managed credit integrity and the credit balance of the underlying account for a certain percentage of the market credit balance are regularly reviewed and the credit risk emergency notification mechanism for the Company is established.

iii. Operational risk

i) Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategy risk and credit risk.

ii) Controls

Cathay Securities and its subsidiaries establish authority levels and the segregation of duties for the processes of front, middle and back offices. Trading, confirmation, settlement, financial accounting, and trading documents are archived for future reference. The strict processes are also established to prevent fraud and negligence. Cathay Securities and its subsidiaries request each department to establish and implement internal audit and control policies authentically. The reporting mechanism for loss events from operational risk and database are established to understand the causes of the loss.

In addition, the auditing office is established under the board of directors. The functions of the office are to implement daily process checks to establish completed internal audit control and provide internal review reports periodically to lower the loss arising from the operational failures.

iv. Liquidity risk

i) Definition

Fund liquidity refers to Cathay Securities and its subsidiaries' acquisition of funds to maintain its needed flexibility to support asset growth or to repay liabilities; market liquidity refers to the managing and avoidance of risk of loss resulting from significant changes in the market price of held positions due to the lack of market depth or market disruption.

ii) Controls

The measurement index for liquidity risk is established and Cathay Securities compiles the liquidity risk management report regularly to review the capital conditions and cash flow gap as of the balance sheet date and liquidity of overall foreign currency. Capital allocation planning is based on the compiled structure analysis as of the balance sheet date. In addition, capital liquidity simulation operations are regularly conducted to ensure that there are corresponding contingency measures in the extreme situations which can cover the funding gap. Meanwhile, credit lines of short-term financing are acquired from other financial institutions and receipts and payments are managed properly to sustain appropriate liquidity and ensure payment ability. Investment business units should conduct market liquidity risk control when buying in accordance with market liquidity management index.

v. Legal risk

i) Definition

Legal risk is the risk of loss that results from a counterparty being unable to legally enter into a contract due to the contract or eligibility of the counterparty being defective.

ii) Controls

The procedures of making and reviewing legal documentation are established. All the documents related to the contracts are required to be reviewed and approved by the legal office and may be reviewed with reference to external lawyers' opinions if needed.

vi. Capital adequacy management

i) Definition

Cathay Securities and its subsidiaries implement capital management to maintain an appropriate capital adequacy ratio, promote business growth and ensure a robust capital structure.

ii) Controls

Cathay Securities established the capital adequacy index and compiles the capital adequacy management report regularly to evaluate the appropriateness of the capital adequacy ratio and the robustness of the capital structure.

vii. Reputation risk and strategy risk

i) Definition

Reputation risk is the risk of loss resulting from negative aspects of Cathay Securities and its subsidiaries' operations, leading to the loss of customers or revenue, and the need for Cathay Securities and its subsidiaries to bear large amounts of legal fees or other losses from damages. Strategy risk is another risk of current or potential loss to revenue or capital resulting from a strategy that turns out to be defective or inappropriate, or lack of proper responses to the competitors.

ii) Controls

In response to significant events related to reputation and strategy risk, Cathay Securities and its subsidiaries establish internal regulations to mitigate the risk of losses when significant events occur.

Risk management policies and principles are established based on the above-mentioned risks and management mechanisms from each risk source are set out specifically. Cathay Securities and its subsidiaries also establish the constraints for each risk and review the appropriateness of each constraint regularly. Moreover, the risk management implementation reports are reported to the risk management committee, board of directors, and risk management office of Cathay Securities and its subsidiaries every half year to assess risk tolerance and the appropriateness of the current risk management scheme.

e) Hedging and mitigation of risk strategies

The hedging and mitigation risk strategies for Cathay Securities and its subsidiaries refer to the implementation of dynamic hedging through the purchase and sale of target investment products to duplicate the same cash flows when derivatives mature. The hedging for outstanding stock warrants and structured products is based on the principle of Delta Neutral. If the prices of those investment positions fluctuate significantly in the financial markets, when the regulations for hedging operations are breached due to the impact from significant events, or when the risk personnel's implementation of hedging strategies are in violation of the regulations of hedging operations, the business department is required to explain in writing, report to the risk management department and be approved by general manager.

Cathay Securities and its subsidiaries establish the approval limit and stop-loss mechanism based on the attributes of each product. When the position meets the stop-loss point, the risk management department will inform the supervisor or position administrator in time and monitor the change in the position. In addition, the business department should operate in accordance with the approval limits. If the stop-loss point is met, the investment should be sold or the business department is required to provide an exception report detailing the reason and specific response measures.

2) Market risk analysis

Cathay Securities and its subsidiaries assess, monitor, and manage market risks completely and effectively by applying market risk management tools such as sensitivity analysis, Value at Risk ("VaR") and stress testing continuously.

a) Sensitivity analysis

Sensitivity analysis is used to measure the degree of impact on each product and investment portfolio due to fluctuations in specific market factors. The relevant monitoring and control regulations are set based on the differences in the types of risk and business attributes of Cathay Securities and its subsidiaries. The degree of risk exposure is monitored and measured by the following sensitivities:

i. Measurement based on interest factors

Price value of basis point (PVBP): Denoting the change in the value of a position given a 1 basis point change in the yield curve.

ii. Measurement based on commodity factors

- i) Delta: Measuring the change in the value of a position given a 1% price change of a certain underlying asset.
- ii) Gamma: Measuring the dollar amount of change in Delta of a position given a 1% price change of a certain underlying asset.
- iii) Vega: Denoting the change in the value of a position given a 1% price volatility change of a certain underlying asset.

b) VaR

VaR is used to measure the risk of the largest potential loss of the investment portfolio arising from movements in market risk factors over a specific time frame and at a certain confidence level. Cathay Securities and its subsidiaries currently measure the VaR of an investment portfolio for the next day at a 99% confidence level. Also, back testing of the VaR model is performed each year to ensure the accuracy of this model.

VaR on one single trading day within the 99% confidence level

For the Year Ended December 31, 2021				
	Average	Highest	Lowest	End of Period
VaR	\$ 35,508	\$ 79,243	\$ 20,425	\$ 26,051
For the Year Ended December 31, 2020				
	Average	Highest	Lowest	End of Period
VaR	\$ 36,718	\$ 89,675	\$ 11,733	\$ 62,027

c) Stress testing

Cathay Securities and its subsidiaries perform stress testing on a monthly basis to assess the degree of impact on the asset portfolio arising from foreign and domestic significant events, find the risk factors which exert greater significant influence on the asset portfolio, follow up review and report such factors according to the market conditions and customized or extreme scenarios which are performed periodically by taking rapid changes in foreign and domestic financial environments into consideration, and the maximum losses arising from these scenarios are measured to ensure that Cathay Securities and its subsidiaries manage the risk from each potential scenario effectively.

Stress testing scenarios, which include the historical scenario and hypothesis scenario, are described as follows:

i. Historical Scenario

Cathay Securities and its subsidiaries assess the dollar amount of losses for the investment portfolio by choosing a specific time frame of historical events and taking the fluctuations of risk factors into the consideration such as the immediate, significant, and comprehensive impact on financial markets from the bankruptcy of Lehman Brothers in 2008 and the Great East Japan earthquake in 2011.

ii. Hypothesis Scenario

Cathay Securities and its subsidiaries make reasonable expected hypotheses on possible future extreme market fluctuations, include movements of the related risk factors in the current investment portfolio, and measure the loss amount generated from such events on the investment position, including the 10% drop in the total stock market value arising from the breakdown of the global system.

For the Year Ended December 31, 2021
Stress Test Table

(In Thousands of New Taiwan Dollars, %)

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (343,325)
Interest rate risk (yield curve)	+100bps	(79,324)
Exchange rate risk (exchange rate)	3%	(69,224)
Product risk (price)	-10%	-

For the Year Ended December 31, 2020
Stress Test Table

(In Thousands of New Taiwan Dollars, %)

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ 75,660
Interest rate risk (yield curve)	+100bps	56,647
Exchange rate risk (exchange rate)	3%	5,865
Product risk (price)	-10%	16,775

3) Credit risk

a) Source of credit risk

Credit risk refers to the credit risk that Cathay Securities and its subsidiaries may encounter due to engagement in financial transactions which include the credit risks from issuers, counterparties, and underlying assets:

- i. Issuer credit risk refers to the risk of financial loss that Cathay Securities and its subsidiaries may incur as a result of issuers, guarantors or banks not fulfilling their payment obligations due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk of financial loss that Cathay Securities and its subsidiaries may incur when a counterparty does not fulfill its settlement or payment obligations on the designated date.
- iii. Underlying asset credit risk refers to the risk of loss that Cathay Securities and its subsidiaries may encounter when the credit quality of the target financial instrument turns weak, credit charges increase, credit rating reduces or when the terms of the contracts are violated.

Financial assets that expose Cathay Securities and its subsidiaries to credit risk include bank accounts, debt securities, trading of over-the-counter derivatives, repurchase and resale of debts, trading from the securities lending, refundable deposits, futures deposits in banks, other refundable deposits and accounts receivable etc.

- b) Determinants for whether the credit risk has increased significantly since initial recognition
 - i. Cathay Securities and its subsidiaries assess, 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, Cathay Securities and its subsidiaries consider 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. Low credit risk: 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.

- c) 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 Cathay Securities and its subsidiaries is the same as that of 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. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
 - i) The issuers, guarantee institutions or counterparties have entered bankruptcy or are probable to close, undergo financial reorganization, file bankruptcy, dissolve or have a significant impact on the entity's ability to continue.
 - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
- ii. The abovementioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by Cathay Securities and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to the related impairment assessment model.

- d) 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, Cathay Securities and its subsidiaries measure 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, Cathay Securities and its subsidiaries measure the loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, Cathay Securities and its subsidiaries multiply exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. Cathay Securities and its subsidiaries also consider the effect of the time value of money when calculating the 12-month expected credit losses and the lifetime expected credit losses.

Probability of default is the rate that an issuer, guarantee agency and a borrower defaults. Loss given default is the loss rate that results from the default of issuers, guarantee agencies and borrowers. Loss given default used by Cathay Securities and its subsidiaries in impairment assessment is based on information regularly issued by Moody's. 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 (i.e., gross domestic product and economic growth rate) after adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

Cathay Securities and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets.

e) Loss allowance of accounts receivable

The movements of the loss allowance of accounts receivable were as follows:

	Debt Instrument Investments	Receivables	Other Receivables	Overdue Receivables	Securities Financing Receivables	Security Lending Receivables	Futures Trading Margin Receivables	Total
Balance at								
January 1, 2021	\$ 1,932	\$ 270	\$ 26	\$ 92,222	\$ 305	\$ 28	\$ 74	\$ 94,857
Increase (decrease)	(1,590)	108	(8)	2,520	341	53	-	1,424
Written off	-	-	-	(90,995)	-	-	-	(90,995)
Balance at								
December 31, 2021	<u>\$ 342</u>	<u>\$ 378</u>	<u>\$ 18</u>	<u>\$ 3,747</u>	<u>\$ 646</u>	<u>\$ 81</u>	<u>\$ 74</u>	<u>\$ 5,286</u>
Balance at								
January 1, 2020	\$ 852	\$ 96	\$ 17	\$ 94,993	\$ 166	\$ 16	\$ -	\$ 96,140
Increase (decrease)	<u>1,080</u>	<u>174</u>	<u>9</u>	<u>(2,771)</u>	<u>139</u>	<u>12</u>	<u>74</u>	<u>(1,283)</u>
Balance at								
December 31, 2020	<u>\$ 1,932</u>	<u>\$ 270</u>	<u>\$ 26</u>	<u>\$ 92,222</u>	<u>\$ 305</u>	<u>\$ 28</u>	<u>\$ 74</u>	<u>\$ 94,857</u>

4) Capital liquidity risk analysis:

Bank loans are important liquidity resource for Cathay Securities and its subsidiaries. As of December 31, 2021 and 2020, the unused credits of short-term bank loans of Cathay Securities and its subsidiaries amounted to \$8,918,105 thousand and \$6,610,559 thousand, respectively.

a) Cash flow analysis

Capital liquidity risk is the risk that Cathay Securities and its subsidiaries are unable to acquire sufficient capital at a reasonable cost within a reasonable time frame and which results in a cash flow gap, or the risk that Cathay Securities and its subsidiaries sell assets at a loss to meet the cash flow requirements.

December 31, 2021

Cash Flows Analysis of Financial Liabilities

	Payment Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial liabilities</u>					
Short-term borrowings	\$ 1,670,185	\$ -	\$ -	\$ -	\$ 1,670,185
Commercial paper payable	4,959,166	-	-	-	4,959,166
Financial liabilities at FVTPL	1,613,814	-	-	-	1,613,814
Liabilities for bonds with repurchase agreements	2,666,221	-	-	-	2,666,221
Short sale margins and payables for short sale collateral received	162,394	324,788	487,182	1,948,735	2,923,099
Securities lending margin - deposit received	339	678	1,017	4,061	6,095
Futures trader's equity	10,909,517	-	-	-	10,909,517
Accounts payable	19,716,152	-	241,094	498,732	20,455,978
Other financial liabilities	101,229	-	-	-	101,229
Lease liabilities	6,455	12,929	19,034	38,323	76,741
Others	<u>11,200,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,200,936</u>
Total	<u>\$ 53,006,408</u>	<u>\$ 338,395</u>	<u>\$ 748,327</u>	<u>\$ 2,489,851</u>	<u>\$ 56,582,981</u>
% to the total	<u>93.68%</u>	<u>0.60%</u>	<u>1.32%</u>	<u>4.40%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

December 31, 2021

Cash Flow Gap

	Fund Receipt Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial assets</u>					
Cash and cash equivalents	\$ 4,711,990	\$ -	\$ -	\$ -	\$ 4,711,990
Financial assets at FVTPL					
Operation securities	3,702,238	-	-	-	3,702,238
Open-end funds and beneficiary certificates	50,146	-	-	-	50,146
Futures trading margin	205,263	-	-	-	205,263
Structured products	303	-	-	-	303
Financial assets at FVTOCI - current	2,654,273	-	-	-	2,654,273
Securities financing receivables	606,280	1,199,506	1,799,259	7,197,032	10,802,077
Refinancing margin and refinancing deposits receivable	1,933	3,866	5,799	23,187	34,785
Security lending receivable	136,191	272,382	408,574	-	817,147
Customer's margin accounts	10,914,357	-	-	-	10,914,357
Security lending deposits price and security lending margin deposits paid	66,704	133,408	200,112	800,452	1,200,676
Receivables	18,262,075	-	-	12,035	18,274,110
Others	11,915,461	265	397	1,600,000	13,516,123
	<u>53,227,214</u>	<u>1,609,427</u>	<u>2,414,141</u>	<u>9,632,706</u>	<u>66,883,488</u>
Residual cash	\$ 220,806	\$ 1,271,032	\$ 1,665,814	\$ 7,142,855	\$ 10,300,507

December 31, 2020

Cash Flows Analysis of Financial Liabilities

	Payment Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial liabilities</u>					
Short-term borrowings	\$ 1,657,576	\$ -	\$ -	\$ -	\$ 1,657,576
Commercial paper payable	1,269,918	-	-	-	1,269,918
Financial liabilities at FVTPL	15,745,711	-	-	-	15,745,711
Liabilities for bonds with repurchase agreements	2,207,506	-	-	-	2,207,506
Short sale margins and payables for short sale collateral received	77,180	154,360	231,540	926,156	1,389,236
Securities lending margin - deposit received	7,208	14,416	21,624	86,502	129,750
Futures trader's equity	13,215,030	-	-	-	13,215,030
Equity for each customer in the account	11,744	-	-	-	11,744
Accounts payable	15,094,904	458,671	236,349	322,227	16,112,151
Other financial liabilities	286,668	-	-	-	286,668
Lease liabilities	7,483	15,076	20,443	20,705	63,707
Others	<u>1,335,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,335,561</u>
Total	<u>\$ 50,916,489</u>	<u>\$ 642,523</u>	<u>\$ 509,956</u>	<u>\$ 1,355,590</u>	<u>\$ 53,424,558</u>
% to the total	<u>95.31%</u>	<u>1.20%</u>	<u>0.95%</u>	<u>2.54%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

December 31, 2020

Cash Flow Gap

	Fund Receipt Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial assets</u>					
Cash and cash equivalents	\$ 4,872,595	\$ -	\$ -	\$ -	\$ 4,872,595
Financial assets at FVTPL					
Lent securities	112,858	-	-	-	112,858
Operation securities	10,375,243	-	-	-	10,375,243
Open-end funds and beneficiary certificates	50,097	-	-	-	50,097
Call option-futures	35,075	-	-	-	35,075
Futures trading margin	1,329,790	-	-	-	1,329,790
Structured products	115,583	-	-	-	115,583
Financial assets at FVTOCI - current	2,218,853	-	-	-	2,218,853
Securities financing receivables	294,283	574,748	862,122	3,448,489	5,179,642
Refinancing margin and refinancing deposits receivable	1,696	3,392	5,088	20,348	30,524
Security lending receivable	47,348	94,696	142,044	-	284,088
Customer's margin accounts	13,222,279	-	-	-	13,222,279
Security lending deposits price and security lending margin deposits paid	349,115	698,230	1,047,345	4,189,380	6,284,070
Receivables	14,943,570	-	-	171,879	15,115,449
Others	<u>2,094,005</u>	<u>1,914</u>	<u>2,870</u>	<u>1,200,000</u>	<u>3,298,789</u>
	<u>50,062,390</u>	<u>1,372,980</u>	<u>2,059,469</u>	<u>9,030,096</u>	<u>62,524,935</u>
Residual cash	\$ (854,099)	\$ 730,457	\$ 1,549,513	\$ 7,674,506	\$ 9,100,377

b) Capital liquidity risk stress testing

Cathay Securities and its subsidiaries perform stress testing regularly to measure and evaluate the changes of capital liquidity under extreme and abnormal events to ensure that Cathay Securities and its subsidiaries maintain capital liquidity. Stress scenarios include significant fluctuations in the financial markets, the occurrence of various credit events, the unexpected tightening of capital liquidity in the financial markets and other assumptions that may cause financial liquidity stress, and are used to measure Cathay Securities and its subsidiaries' abilities to meet the demand for cash and the changes in cash flow gap.

If the cash flow gap arises under the specific stress scenario, the following procedures are performed to prevent the occurrence of the stress events:

- i. Cathay Securities and its subsidiaries make fund raising and balance sheet adjustments in accordance with the Crisis Management Principles and Regulations of Emergency Management.
- ii. Financing: (i) short-term loan credit line (ii) collateralized time deposits (iii) issuance of commercial paper
- iii. Balance sheet adjustments: (i) sale of securities (ii) recovery of short-term capital invested in the currency market.

i. Structured entities

1) Consolidated structured entities

The consolidated structured entities in Cathay Life and its subsidiaries' consolidated financial statements are the real estate investments and management organizations. As of December 31, 2021 and 2020, Cathay Life and its subsidiaries provided loans amounting to GBP331,300 thousand and GBP345,000 thousand, respectively, as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

- a) Cathay Life and its subsidiaries hold interests in structured entities which are not consolidated in Cathay Life and its subsidiaries' consolidated financial statements and Cathay Life and its subsidiaries do not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by Cathay Life and its subsidiaries. The information of these unconsolidated structured entities is disclosed as follows:

Type of Structured Entity	Nature and Purpose	Interests Owned
Private equity fund	Investment in private equity funds issued by external third parties to receive returns	Investment in units or limited partnership interests issued by the funds
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entities

- b) As of December 31, 2021 and 2020, the carrying amounts of Cathay Life and its subsidiaries' assets related to its interests in unconsolidated structured entities are disclosed as follows:

	December 31, 2021	
	Private Equity Funds	Asset-backed Securities
Financial assets at FVTPL	\$ 185,461,478	\$ 34,862,085
Financial assets at FVTOCI	-	41,608,066
Debt instruments at amortized cost	-	107,111,263
	<u>\$ 185,461,478</u>	<u>\$ 183,581,414</u>

	December 31, 2020	
	Private Equity Funds	Asset-backed Securities
Financial assets at FVTPL	\$ 119,715,465	\$ 40,232,961
Financial assets at FVTOCI	-	66,528,618
Debt instruments at amortized cost	<u>-</u>	<u>119,025,227</u>
	<u>\$ 119,715,465</u>	<u>\$ 225,786,806</u>

- c) Cathay United Bank and its subsidiaries do not provide financial support or other support to the unconsolidated structured entities. Cathay United Bank's maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets Cathay United Bank recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

Type of Structured Entity	Nature and Purpose	Interests Owned
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entity

As of December 31, 2021 and 2020, the carrying amounts of assets recognized by Cathay United Bank and its subsidiaries' asset relating to its interests in unconsolidated structured entities are disclosed as follows:

	December 31	
	2021	2020
Financial assets at FVTOCI	\$ 10,163,330	\$ 14,299,523
Debt instruments measured at amortized cost	<u>40,400,178</u>	<u>32,294,807</u>
	<u>\$ 50,563,508</u>	<u>\$ 46,594,330</u>

- d) Cathay Century and its subsidiaries' does not provide financial support or other support to the unconsolidated structured entities. Cathay Century's maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets recognized by Cathay Century. The information of the recognized unconsolidated structured entities is disclosed as follows:

Type of Structured Entity	Nature and Purpose	Interests Owned
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entity

As of December 31, 2021 and 2020, the carrying amounts of assets recognized by Cathay Century relating to its interests in unconsolidated structured entities are disclosed as follows:

	December 31	
	2021	2020
Financial assets at FVTPL	\$ 254,142	\$ 33,637
Debt instruments measured at amortized cost	<u>318,445</u>	<u>459,934</u>
	<u>\$ 572,587</u>	<u>\$ 493,571</u>

37. CAPITAL MANAGEMENT

The Group's capital adequacy ratios meet the statutory requirements currently. Under the pretext that the Group meets the statutory capital adequacy requirements, dynamic capital management mechanism is utilized to increase the capital efficiency of the subsidiaries. After reallocation of capital, the subsidiaries' capabilities of risk-taking are not affected due to lower level of retained core capital. Accordingly, the Company conducts overall planning based on the status of the subsidiaries' capital in order to improve the capital efficiency of the Group.

a. Capital adequacy ratio of the Group

	December 31, 2021		
Item	Shareholding Proportion of the Company	Eligible Capital	Statutory Capital Requirements
The Company	100%	\$ 902,002,542	\$ 1,020,001,301
Cathay United Bank	100%	277,727,052	179,465,475
Cathay Securities	100%	10,246,873	3,178,027
Cathay Life	100%	743,211,554	400,952,592
Cathay Century	100%	13,684,508	9,622,434
Cathay Venture	75%	4,818,428	2,428,909
Cathay Securities Investment Trust	100%	3,551,968	2,270,053
Less: Deduction items		<u>(1,059,872,748)</u>	<u>(1,018,115,958)</u>
		<u>\$ 895,370,177</u>	<u>\$ 599,802,833</u>
Capital adequacy ratio of the Group			149.28%

December 31, 2020			
Item	Shareholding Proportion of the Company	Eligible Capital	Statutory Capital Requirements
The Company	100.00%	\$ 893,035,819	\$ 997,712,189
Cathay United Bank	100.00%	276,800,810	171,889,293
Cathay Securities	100.00%	8,712,584	4,015,849
Cathay Life	100.00%	621,219,356	344,994,185
Cathay Century	100.00%	12,179,533	7,536,668
Cathay Venture	75.00%	4,491,451	2,261,794
Cathay Securities Investment Trust	100.00%	2,924,161	1,874,420
Less: Deduction items		<u>(1,033,871,816)</u>	<u>(989,505,379)</u>
		<u>\$ 785,491,898</u>	<u>\$ 540,779,019</u>
Capital adequacy ratio of the Group			145.25%

b. Eligible capital

Item	December 31, 2021 Amount
Ordinary shares	\$ 131,692,102
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates - qualifying as bank-level Tier I Capital	15,333,000
Other preferred stock and subordinated financial debentures	-
Capital received in advance	-
Capital surplus	177,244,388
Legal reserve	59,471,895
Special reserve	150,716,023
Retained earnings	267,799,001
Equity adjustments	99,781,737
Less: Goodwill	-
Less: Deferred assets	(35,604)
Less: Treasury stock	-
Total eligible capital	<u>\$ 902,002,542</u>

	December 31, 2020
Item	Amount
Ordinary shares	\$ 131,692,102
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates - qualifying as bank-level Tier I Capital	15,333,000
Other preferred stock and subordinated financial debentures	-
Capital received in advance	-
Capital surplus	177,256,053
Legal reserve	51,967,688
Special reserve	149,894,910
Retained earnings	169,606,342
Equity adjustments	197,311,121
Less: Goodwill	-
Less: Deferred assets	(25,397)
Less: Treasury stock	-
Total eligible capital	<u>\$ 893,035,819</u>

38. BUSINESS COMBINATIONS-SUBSIDIARIES ACQUIRED

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Global Evolution Holding ApS	Asset Management Services	June 25, 2020	53	<u>\$ 781,317</u>

On June 25, 2020, CHL acquired a further 8% ownership interest in Global Evolution Holding ApS, the ownership interest increased from 45% to 53%, and CHL obtained the control.

b. Assets acquired and liabilities assumed at the date of acquisition

	Global Evolution Holding ApS and Its Subsidiaries
Current assets	
Cash and cash equivalents	\$ 628,816
Other	519,684
Intangible assets - customer relationships	2,467,576
Non-current assets	108,667
Current liabilities	<u>(596,864)</u>
Non-current liabilities	<u>\$ 3,127,879</u>

c. Non-controlling interests

The non-controlling interest (47% ownership interest in Global Evolution Holding ApS) recognized at the acquisition date was measured by reference to the proportionate share of the identifiable net assets.

d. Goodwill recognized on acquisitions

	Global Evolution Holding ApS
Consideration transferred for 8% shares	\$ 781,317
Plus: Non-controlling interests (47% ownership interest in Global Evolution Holding ApS)	1,415,021
Plus: Fair value of 45% shares owned before acquisition	<u>4,394,897</u>
	6,591,235
Less: Fair value of identifiable net assets acquired	<u>(3,127,879)</u>
Goodwill recognized on acquisitions	<u>\$ 3,463,356</u>

e. Net cash outflow on the acquisition of subsidiaries

	Global Evolution Holding ApS and Its Subsidiaries
Consideration paid in cash	\$ 781,317
Less: Cash and cash equivalent balances acquired	<u>(628,816)</u>
	<u>\$ 152,501</u>

39. OTHERS

a. Impact of COVID-19

The Group has evaluated the economic impact caused by the COVID-19, and as of the date of approval of the financial report, there was no significant impact on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

b. Impact of the Russo-Ukrainian War

As of December 31, 2021 and February 28, 2022, Russian bonds held by Cathay Life at December 31, 2021 and February 28, 2022 included financial assets at fair value through other comprehensive income of \$9,328,323 thousand and \$2,948,160 thousand and financial assets at amortized cost \$17,687,512 thousand and \$17,176,719 thousand, respectively. As the Russo-Ukrainian War broke out on February 24, 2022, international economic sanctions were imposed on Russia and its credit ratings were largely downgraded, which was identified as objective credit - impaired evidence; therefore, Cathay Life transferred the Russian bonds from 12-month expected credit losses to lifetime expected credit losses in February 2022. This condition is a non-adjusting event that happened in the subsequent period and Cathay Life continues assessment and recognizes the expected credit losses on those bonds.

c. 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 the functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2021			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 155,093,655	27.6900	\$ 4,294,543,307
CNY	35,065,355	4.3467	152,418,579
AUD	7,090,617	20.0919	142,463,968
Non-monetary items			
USD	13,627,933	27.6900	377,357,465
<u>Financial liabilities</u>			
Monetary items			
USD	20,243,778	27.6900	560,550,213

December 31, 2020			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 136,841,984	28.5080	\$ 3,901,091,280
CNY	42,150,730	4.3813	184,674,993
AUD	6,327,462	21.9725	139,030,159
Non-monetary items			
USD	11,673,378	28.5080	332,784,660
<u>Financial liabilities</u>			
Monetary items			
USD	17,999,522	28.5080	513,130,373

It is not possible to disclose foreign exchange gains (losses) of monetary financial instruments by each significant foreign currency due to the variety of the foreign currencies of the Group. The foreign currency exchange losses for the year ended December 31, 2021 and 2020 were \$74,946,785 thousand and \$126,717,214 thousand, respectively.

d. Information on discretionary investments

1) Cathay Life and its subsidiaries

- a) As of December 31, 2021 and 2020, Cathay Life entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

	December 31	
	2021	2020
Domestic shares	\$ 194,785,199	\$ 165,441,030
Overseas shares	63,875,230	73,520,629
Notes and bonds purchased under resale agreements	22,665,650	20,066,000
Cash in banks	61,954,809	51,308,069
Beneficiary certificates	240,069	1,997,792
Futures and options	<u>216,823</u>	<u>501,910</u>
	<u>\$ 343,737,780</u>	<u>\$ 312,835,430</u>

The carrying amounts of the financial assets held under discretionary securities investment trust enterprises are equal to their fair values.

- b) As of December 31, 2021 and 2020, the discretionary investments limits are as follows (in thousands):

	December 31	
	2021	2020
NTD	\$ 99,779,839	\$ 84,358,163
USD	1,002,600	1,462,200
HKD	2,084	74,084

2) Cathay Century and its subsidiaries

Cathay Century enters into contracts with securities investment trust companies or consulting companies for discretionary investment management. The investment details are disclosed as follows:

	December 31	
	2021	2020
Domestic shares	\$ 2,303,141	\$ 1,588,344
Short-term notes	-	200,009
Cash in banks	488,817	414,548
Future margins	<u>2,012</u>	<u>2,011</u>
	<u>\$ 2,793,970</u>	<u>\$ 2,204,912</u>

The fair values of Cathay Century and its subsidiaries' financial assets under discretionary account management contracts are as the same as their carrying amounts.

As of December 31, 2021 and 2020, Cathay Century and its subsidiaries entered into discretionary management contracts with investment limits of \$1,200,000 thousand.

e. Disclosure information as required by Article 16 of Regulations Governing the Preparation of Financial Reports by Public Banks

1) Asset quality - loans

(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2021					December 31, 2020				
Item			Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		\$ 268,035	\$ 308,097,214	0.09%	\$ 1,578,217	588.81%	\$ 840,401	\$ 265,981,571	0.32%	\$ 3,283,451	390.70%
	Unsecured		195,016	305,333,308	0.06%	8,292,953	4252.44%	203,533	312,112,388	0.07%	7,296,192	3584.78%
Consumer banking	Housing mortgage (Note 4)		223,762	473,052,647	0.05%	7,393,776	3304.31%	363,263	429,232,267	0.08%	6,791,891	1869.69%
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		198,632	117,528,033	0.17%	4,645,483	2338.74%	248,450	100,603,115	0.25%	3,614,217	1454.71%
	Other (Note 6)	Secured	643,569	536,764,676	0.12%	5,862,853	910.99%	603,718	489,779,625	0.12%	5,539,927	917.64%
		Unsecured	49,119	20,748,561	0.24%	291,005	592.45%	14,922	22,885,286	0.07%	320,255	2146.14%
Total loan			1,578,133	1,761,524,439	0.09%	28,064,287	1778.32%	2,274,287	1,620,594,252	0.14%	26,845,933	1180.41%
			Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio
Credit cards			\$ 72,266	\$ 88,553,074	0.08%	\$ 2,019,742	2794.88%	\$ 99,834	\$ 87,092,880	0.11%	\$ 1,955,685	1958.94%
Accounts receivable factored without recourse (Note 7)			-	4,081,459	-	108,365	-	-	4,924,287	-	77,506	-

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

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

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

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

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

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

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Not reported as nonperforming loans or nonperforming receivables

Items Type	December 31, 2021		December 31, 2020	
	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$ 1,012	\$ 35,320	\$ 1,428	\$ 50,506
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	101,553	1,167,911	68,601	1,194,283
Total	\$ 102,565	\$ 1,203,231	\$ 70,029	\$ 1,244,789

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

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

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2021			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service industry	\$ 27,991,470	11.36
2	Group B - packaging and testing of semi-conductors	12,966,546	5.26
3	Group C - other financial intermediation	8,818,556	3.58
4	Group D - wired telecommunications activities	6,299,901	2.56
5	Group E - real estate lease activities	6,260,000	2.54
6	Group F - real estate development activities	6,094,000	2.47
7	Group G - manufacture of computers	5,616,480	2.28
8	Group H - other financial intermediation	4,763,286	1.93
9	Group I - manufacture of computers	4,634,914	1.88
10	Group J - air transportation	4,611,204	1.87

December 31, 2020			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service industry	\$ 25,080,432	10.35
2	Group B - packaging and testing of semi-conductors	7,803,739	3.22
3	Group C - ocean transportation	7,420,326	3.06
4	Group D - other financial intermediation	6,905,632	2.85
5	Group E - wired telecommunications activities	6,871,093	2.84
6	Group F - real estate lease activities	6,200,000	2.56
7	Group G - real estate development activities	5,708,000	2.36
8	Group H - manufacture of computers	5,288,900	2.18
9	Group I - other financial intermediation	4,793,419	1.98
10	Group J - other financial intermediation	4,247,054	1.75

3) Information on interest rate sensitivity

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2021

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,106,348,492	\$ 43,534,222	\$ 165,165,142	\$ 156,555,266	\$ 2,471,603,122
Interest rate-sensitive liabilities	176,546,916	1,774,005,716	246,309,742	75,921,503	2,272,783,877
Interest rate-sensitive gap	1,929,801,576	(1,730,471,494)	(81,144,600)	80,633,763	198,819,245
Net worth					246,351,112
Ratio of interest rate-sensitive assets to liabilities					108.75%
Ratio of interest rate sensitivity gap to net worth					80.71%

December 31, 2020

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,934,222,537	\$ 51,442,037	\$ 137,064,969	\$ 156,791,393	\$ 2,279,520,936
Interest rate-sensitive liabilities	190,095,447	1,531,047,126	239,236,301	86,479,337	2,046,858,211
Interest rate-sensitive gap	1,744,127,090	(1,479,605,089)	(102,171,332)	70,312,056	232,662,725
Net worth					242,296,872
Ratio of interest rate-sensitive assets to liabilities					111.37%
Ratio of interest rate sensitivity gap to net worth					96.02%

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

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

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

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

**Interest Rate Sensitivity (U.S. Dollars)
December 31, 2021**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 8,469,121	\$ 1,604,475	\$ 973,595	\$ 7,657,361	\$ 18,704,552
Interest rate-sensitive liabilities	12,155,884	4,205,611	4,229,253	4,736,029	25,326,777
Interest rate-sensitive gap	(3,686,763)	(2,601,136)	(3,255,658)	2,921,332	(6,622,225)
Net worth					8,896,754
Ratio of interest rate-sensitive assets to liabilities					73.85%
Ratio of interest rate sensitivity gap to net worth					(74.43%)

December 31, 2020

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 8,399,860	\$ 479,765	\$ 1,112,911	\$ 6,214,503	\$ 16,207,039
Interest rate-sensitive liabilities	10,799,718	3,480,300	4,038,117	4,695,480	23,013,615
Interest rate-sensitive gap	(2,399,858)	(3,000,535)	(2,925,206)	1,519,023	(6,806,576)
Net worth					8,499,259
Ratio of interest rate-sensitive assets to liabilities					70.42%
Ratio of interest rate sensitivity gap to net worth					(80.08%)

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

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

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

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

4) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollar) December 31, 2021

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,168,420,293	\$ 447,042,860	\$ 378,750,327	\$ 223,478,939	\$ 300,577,646	\$ 506,051,944	\$ 1,312,518,577
Main capital outflow on maturity	3,792,365,240	136,412,917	210,418,455	502,760,177	570,067,990	774,624,206	1,598,081,495
Gap	(623,944,947)	310,629,943	168,331,872	(279,281,238)	(269,490,344)	(268,572,262)	(285,562,918)

December 31, 2020

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,991,459,888	\$ 421,163,180	\$ 373,637,362	\$ 326,027,600	\$ 279,941,783	\$ 411,108,777	\$ 1,179,581,186
Main capital outflow on maturity	3,564,991,200	157,675,947	286,412,129	530,879,508	534,669,495	681,943,098	1,373,411,023
Gap	(573,531,312)	263,487,233	87,225,233	(204,851,908)	(254,727,712)	(270,834,321)	(193,829,837)

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars) December 31, 2021

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 72,349,452	\$ 20,242,005	\$ 10,985,627	\$ 6,497,567	\$ 5,885,072	\$ 28,739,181
Main capital outflow on maturity	76,699,701	21,144,206	16,044,704	12,798,460	15,808,072	10,904,259
Gap	(4,350,249)	(902,201)	(5,059,077)	(6,300,893)	(9,923,000)	17,834,922

December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 65,536,230	\$ 21,926,788	\$ 15,635,019	\$ 8,800,757	\$ 9,094,993	\$ 10,078,673
Main capital outflow on maturity	70,572,687	20,713,751	18,347,814	10,820,543	11,798,356	8,892,223
Gap	(5,036,457)	1,213,037	(2,712,795)	(2,019,786)	(2,703,363)	1,186,450

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

e. Disclosures according to Article 46 of the Financial Holding Company Act

Ending balances of the transaction mentioned in Paragraph 2 of Article 46 of the Financial Holding Company Act, between all subsidiaries of a financial holding company and the same counterparties mentioned in Paragraph 1 of the same article.

December 31, 2021

Expressed in Thousands of New Taiwan Dollars; %

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
1) Same person		
Central Bank of the Republic of China (Taiwan)	\$ 487,964,139	54.10
Treasury Bond/Treasury Bills	136,595,419	15.14
Taiwan Semiconductor Manufacturing Company Limited	82,439,977	9.14
CTBC Securities Co., Ltd.	70,284,538	7.79
FANNIE MAE	65,683,356	7.28
Macquarie Investment Management Advisers	65,416,578	7.25
Yuanta Securities Investment Trust Co., Ltd.	64,595,152	7.16
FREDDIE MAC	63,260,313	7.01
China Development Bank Corp	57,397,923	6.36
Fubon Asset Management Co., Ltd.	57,063,442	6.33
Fidelity Worldwide Investment	54,232,634	6.01
Indonesia Government International Bond	48,833,339	5.41
Capital Investment Trust Corporation	48,677,124	5.40
Israel Government International Bond	47,198,954	5.23
KGI Securities Investment Trust Co., Ltd.	46,494,958	5.15
Barclays PLC	43,971,052	4.87
Qatar Government International Bond	43,373,399	4.81
BNP Paribas	41,623,222	4.61
Mexico Government International Bond	39,362,527	4.36
Chunghwa Telecom Co., Ltd.	37,991,795	4.21
China Government Bond	34,523,713	3.83
AT&T Inc	33,814,630	3.75
Wells Fargo & Co	32,711,352	3.63
United States Treasury Note/Bond	31,472,374	3.49
Goldman Sachs Group Inc	30,088,314	3.34
Russian Foreign Bond - Eurobond	28,429,993	3.15
JPMorgan Chase & Co	26,055,961	2.89
BANK OF AMERICA, N.A.	25,530,535	2.83
Taiwan Mobile Co., Ltd.	25,069,067	2.78
Bank of China Ltd	25,045,408	2.78
Commonwealth Bank of Australia	23,608,915	2.62
Panama Government International Bond	23,470,115	2.60
Verizon Communications Inc	22,913,136	2.54
Citigroup Inc	22,114,868	2.45
Sinopec Group Overseas Development Ltd	22,042,598	2.44
Goldman Sachs Finance Corp International Ltd	21,452,861	2.38

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Citigroup Global Markets Holdings Inc	\$ 21,412,922	2.37
Fubon Financial Holding Co., Ltd.	20,615,519	2.29
Far EasTone Telecommunications Co., Ltd.	19,856,619	2.20
Uni-President Enterprises Corporation	19,752,820	2.19
SG Issuer	19,205,528	2.13
Credit Agricole SA	19,127,631	2.12
Tencent Holdings Ltd	18,993,527	2.11
Saudi Government International Bond	18,809,911	2.09
Petronas Capital Ltd	18,734,922	2.08
Vietnam Government Bond	18,632,031	2.07
Finance Bureau, Kaohsiung City Government	18,630,632	2.07
PT Perusahaan Listrik Negara (Persero)	18,568,563	2.06
UBS AG	18,458,922	2.05
E.Sun Commercial Bank, Ltd.	18,435,952	2.04
Mega Financial Holding Co., Ltd.	18,411,576	2.04
Anthem Inc	17,814,221	1.97
Shin Kong Investment Trust Co., Ltd.	17,612,145	1.95
Industrial & Commercial Bank of China	17,589,062	1.95
Agricultural Development Bank of China	17,505,798	1.94
MERRILL LYNCH B.V.	17,189,476	1.91
Alibaba Group Holding Ltd	16,528,646	1.83
BlackRock Inc	16,435,538	1.82
Societe Generale	16,279,078	1.80
BANK OF MONTREAL	16,155,590	1.79
Republic of Korea	16,090,496	1.78
State of California	16,022,086	1.78
PERTAMINA PT	15,924,359	1.77
Comcast Corp	15,862,106	1.76
Saudi Arabian Oil Co	15,707,725	1.74
Fuh Hwa Securities Investment Trust Co., Ltd.	15,523,969	1.72
QNB Finance Ltd	15,482,520	1.72
Land Bank of Taiwan Co., Ltd.	15,054,927	1.67
Standard Chartered Bank	14,982,014	1.66
Anheuser-Busch InBev Worldwide Inc	14,577,430	1.62
China Bills Finance Corporation	14,522,770	1.61
European Investment Bank	14,489,331	1.61
Colombia Government International Bond	14,437,435	1.60
Qatar Petroleum	14,170,998	1.57
UnitedHealth Group Inc	14,116,051	1.56
CIGNA CORP	14,098,797	1.56
Australia And New Zealand Banking Group Ltd	13,786,473	1.53
MDC-GMTN B.V.	13,651,348	1.51
REPUBLICA ORIENT URUGUAY	13,503,839	1.50
Westpac Banking Corp	13,397,827	1.49
Government National Mortgage Association	13,177,229	1.46

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
CNOOC Ltd	\$ 13,152,667	1.46
CVS Health Corp	13,103,593	1.45
Mega Financial Holding Co., Ltd.	12,930,727	1.43
Fomento Economico Mexicano SAB de CV	12,908,257	1.43
AbbVie Inc	12,845,772	1.42
Bank of Taiwan	12,839,853	1.42
CNOOC PETROLEUM NA ULC	12,523,353	1.39
Abu Dhabi Government International Bond	12,480,526	1.38
Hamilton Lane Advisors, L.L.C	12,304,869	1.36
NATIONAL BANK OF CANADA	12,232,828	1.36
Amgen Inc	12,212,550	1.35
Quanta Computer Inc.	12,118,972	1.34
America Movil SAB de CV	12,017,856	1.33
Raytheon Technologies Corp	11,991,799	1.33
MediaTek Inc.	11,960,439	1.33
Credit Suisse AG	11,859,363	1.31
Hon Hai Precision Industry Co., Ltd.	11,816,878	1.31
Ginnie Mae II pool	11,801,537	1.31
Lloyds Bank PLC	11,727,068	1.30
CTBC Financial Holding Co., Ltd.	11,696,125	1.30
CITIC LIMITED	11,677,471	1.29
Bristol-Myers Squibb Co	11,653,269	1.29
BPCE SA	11,551,237	1.28
IBM CORP	11,405,463	1.26
CTBC Bank Co., Ltd.	11,403,903	1.26
Sinopec Group Overseas Development 2018 Ltd	11,403,370	1.26
AIA Group Ltd	11,019,571	1.22
Amazon.com Inc	10,848,573	1.20
Peruvian Government International Bond	10,818,005	1.20
Vodafone Group PLC	10,736,918	1.19
Takeda Pharmaceutical Co Ltd	10,671,391	1.18
Oracle Corp	10,630,459	1.18
Sumitomo Mitsui DS Asset Management Company	10,588,269	1.17
Export-Import Bank of China	10,479,639	1.16
Telefonica Emisiones SAU	10,472,981	1.16
Intercontinental Exchange Inc	10,128,444	1.12
Morgan Stanley	10,027,936	1.11
Postal Savings Bank of China Co Ltd	9,975,710	1.11
Taikang Asset Management Co Lt	9,870,816	1.09
Taipei Fubon Commercial Bank Co., Ltd.	9,850,990	1.09
Southern Copper Corp	9,831,279	1.09
TransCanada PipeLines Ltd	9,800,232	1.09
LONDON CLEARING HOUSE	9,687,808	1.07
Cooperatieve Centrale Raiffeisen-Boerenleenbank BA/Netherlands	9,650,297	1.07
Gilead Sciences Inc	9,650,139	1.07
Berkshire Hathaway Energy Co	9,604,514	1.06

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Nationwide Building Society	\$ 9,503,937	1.05
Chile Government International Bond	9,475,927	1.05
Baillie Gifford Overseas Limited	9,409,906	1.04
China Construction Bank Corp	9,308,127	1.03
T-MOBILE USA INC	9,271,120	1.03
Shinhan Bank	9,261,771	1.03
Grand Bills Finance Corporation	9,237,933	1.02
President Chain Store Corporation	9,229,362	1.02
BP Capital Markets America Inc	9,228,780	1.02
Union Pacific Corp	9,042,824	1.00
Phillips 66	9,004,584	1.00
Prudential Financial Inc	8,995,999	1.00
Lexington Partners L.P.	8,909,038	0.99
Microsoft Corp	8,894,402	0.99
UniCredit SpA	8,871,184	0.98
Credit Suisse Group AG	8,816,967	0.98
Walt Disney Co/The	8,762,462	0.97
Taiwan Cooperative Bank Co., Ltd.	8,705,722	0.97
Taiwan Cement Corp.	8,699,649	0.96
Enterprise Products Operating LLC	8,658,513	0.96
Apple Inc	8,638,719	0.96
Shell International Finance BV	8,503,424	0.94
Kazakhstan Government International Bond	8,220,576	0.91
Taishin International Bank Co., Ltd.	8,157,743	0.90
Enbridge Inc	8,107,271	0.90
Nan Ya Plastics Corporation	8,015,105	0.89
Deutsche Telekom AG	8,005,670	0.89
HSBC Investment Funds Limited	7,991,844	0.89
Advanced Semiconductor Engineering, Inc.	7,991,334	0.89
Taiwan High Speed Rail Corporation	7,957,449	0.88
ASE Technology Holding Co., Ltd.	7,893,076	0.88
Intel Corp	7,842,893	0.87
BBVA Bancomer SA	7,732,007	0.86
Insight Venture Management, LLC	7,731,798	0.86
Sumitomo Mitsui Financial Group Inc	7,702,356	0.85
Abbott Laboratories	7,676,161	0.85
Enel Finance International NV	7,660,250	0.85
Far East Horizon Limited	7,616,188	0.84
BlackRock Global Funds	7,610,831	0.84
Coatue Management, L.L.C.	7,599,031	0.84
Comision Federal de Electricidad	7,510,035	0.83
First Financial Holding Co., Ltd.	7,501,692	0.83
Consolidated Edison Co of New York Inc	7,452,306	0.83
Taishin Financial Holding Co., Ltd.	7,412,972	0.82

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Allianz Global Investors GmbH	\$ 7,348,789	0.81
HSBC Bank (Taiwan) Limited	7,290,232	0.81
Taiwan Business Bank Co., Ltd.	7,172,700	0.80
Dow Chemical Co	7,103,621	0.79
Ecopetrol SA	7,103,490	0.79
Banco Santander SA	7,097,352	0.79
HKT Capital No 1 Ltd	7,000,570	0.78
ConocoPhillips	6,975,362	0.77
Altria Group Inc	6,791,549	0.75
NVIDIA Corp	6,678,264	0.74
Abu Dhabi National Energy Co	6,660,400	0.74
EQT Fund Management S.à r.l.	6,646,817	0.74
Prosus NV	6,625,522	0.73
Philippine Government International Bond	6,585,747	0.73
State Grid Overseas Investment Ltd	6,491,498	0.72
ING Groep NV	6,486,320	0.72
Dragon Steel Corporation	6,467,451	0.72
SRISAWAD CORPORATION PUBLIC COMPANY LIMITED	6,445,210	0.71
Standard Chartered Bank Taiwan	6,436,667	0.71
Hungary Government International Bond	6,413,214	0.71
Bell Canada	6,375,732	0.71
The Commercial Bank (P.S.Q.C.)	6,357,406	0.70
Grupo Televisa SA	6,303,818	0.70
CSX CORP	6,287,380	0.70
SOUTHERN CO	6,274,529	0.70
Malayan Banking Bhd	6,273,669	0.70
Yuanta Financial Holding Co., Ltd.	6,270,729	0.70
E INK HOLDINGS INC.	6,265,952	0.69
Visa Inc	6,191,738	0.69
Kinder Morgan Inc/DE	6,186,527	0.69
Kroger Co	6,121,012	0.68
Landesbank Baden-Wuerttemberg	6,110,325	0.68
National Australia Bank Ltd	6,106,519	0.68
DowDuPont Inc	6,102,137	0.68
Fu Yu Construction Co., Ltd.	6,094,000	0.68
China Steel Corporation	6,082,054	0.67
Humana Inc	6,022,122	0.67
Fubon Life Insurance Co., Ltd.	6,020,081	0.67
Morgan Stanley Finance LLC	6,019,200	0.67
China Overseas Land & Investment Ltd	5,983,647	0.66
Compal Electronics, Inc.	5,977,938	0.66
Chailease Finance Co., Ltd.	5,950,898	0.66
Blackstone Real Estate Advisors L.P.	5,945,069	0.66
Bay Area Toll Authority	5,898,631	0.65
International Bills Finance Corporation	5,852,638	0.65

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Charter Communications Operating LLC	\$ 5,848,814	0.65
SinoPac Securities Corporation	5,764,086	0.64
OMAN GOV INTERNTL BOND	5,759,109	0.64
Deutsche Bank AG	5,699,499	0.63
Formosa Plastics Corporation	5,690,595	0.63
Santander International Products PLC	5,687,031	0.63
Taishin Securities Co., Ltd.	5,676,888	0.63
PIMCO Funds: Global Investors Series plc	5,667,952	0.63
United Microelectronics Corporation	5,626,883	0.62
Hua Nan Financial Holdings Co., Ltd.	5,621,709	0.62
Macquarie Bank Ltd	5,619,838	0.62
Natwest Group PLC	5,586,155	0.62
China Development Financial Holding Corp.	5,577,188	0.62
Strategic Partners Fund Solutions Advisors L.P	5,561,901	0.62
HSBC Holdings PLC	5,510,870	0.61
Pfizer Inc	5,509,585	0.61
Agricultural Bank of Taiwan Co., Ltd.	5,508,612	0.61
Dr Pepper Snapple Group Inc	5,499,749	0.61
BBVA Global Markets BV	5,496,606	0.61
Largan Precision Co., Ltd.	5,438,121	0.60
Petroleos Mexicanos	5,431,276	0.60
PepsiCo Inc	5,391,729	0.60
JAPAN GOVERNMENT	5,387,109	0.60
ViacomCBS Inc	5,382,779	0.60
Vivo Capital LLC	5,376,115	0.60
Alexandria Real Estate Equities Inc	5,331,586	0.59
Abrdn Plc	5,318,175	0.59
Bangkok Bank Public Company Limited.	5,268,120	0.58
Broadcom Inc	5,254,497	0.58
American Tower Corp	5,247,227	0.58
Total Capital International SA	5,192,307	0.58
Neuberger Berman Investment Funds plc.	5,176,870	0.57
Banco de Credito del Peru	5,162,701	0.57
Formosa Chemicals & Fibre Corporation	5,154,657	0.57
BAT CAPITAL CORP	5,145,196	0.57
Berkshire Hathaway Finance Corp	5,134,827	0.57
Nuveen Asset Management	5,124,590	0.57
KAZMUNAYGAS NATIONAL	5,112,116	0.57
WISTRON CORPORATION	5,104,527	0.57
CROWN CASTLE INTL CORP	5,091,745	0.56
JPMorgan Chase Bank, N.A.	5,080,710	0.56
Mercury Taiwan Holdings Co., Ltd.	5,065,149	0.56
Hua Nan Commercial Bank Co., Ltd.	5,059,881	0.56
UNIMICRON TECHNOLOGY CORP.	5,055,702	0.56

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Exxon Mobil Corp	\$ 5,030,836	0.56
BOC Aviation Limited	5,030,258	0.56
Kasikornbank PCL/Hong Kong	5,028,407	0.56
SinoPac Financial Holdings Co., Ltd.	4,932,549	0.55
AXA Funds Management SA	4,871,251	0.54
Regents of the University of California Medical Center Pooled Revenue	4,857,056	0.54
DELTA ELECTRONICS, INC.	4,846,467	0.54
PTT Treasury Center Co Ltd	4,842,121	0.54
ELECTRICITE DE FRANCE	4,787,518	0.53
Blackstone Management Partners L.L.C.	4,762,442	0.53
Fidelity Funds/Luxembourg	4,732,623	0.52
Banco de Credito e Inversiones	4,709,964	0.52
Merck & Co Inc	4,669,803	0.52
CHINATRUST COMMERCIAL BANK, SINGAPORE	4,652,921	0.52
Corp Nacional del Cobre de Chile	4,634,920	0.51
NORFOLK SOUTHERN CORP	4,629,879	0.51
CAPITAL SECURITIES CORP.	4,621,270	0.51
ITALY GOVT INT BOND	4,611,107	0.51
Vanguard Fixed Income Securities Funds	4,606,686	0.51
Lombard Odier Funds	4,601,366	0.51
Homeplus Digital Co., Ltd.	4,588,825	0.51
ROYAL BANK OF CANADA	4,579,803	0.51
Intesa Sanpaolo SpA	4,549,036	0.50
Oaktree Capital Management, L.P.	4,525,664	0.50
Woori Bank	4,498,605	0.50
First Abu Dhabi Bank PJSC	4,472,294	0.50
IBF securities Investment consulting Co., Ltd.	4,466,703	0.50
Port Authority of New York & New Jersey	4,465,306	0.50
National Retail Properties Inc	4,458,666	0.49
Far Eastern New Century Corporation	4,451,363	0.49
SHERWIN-WILLIAMS CO	4,407,466	0.49
HOTAI FINANCE CO., LTD.	4,397,131	0.49
Halliburton Co	4,342,062	0.48
TYSON FOODS INC	4,327,484	0.48
Kohlberg Kravis Roberts & Co. L.P.	4,326,862	0.48
Industrias Penoles SAB de CV	4,275,980	0.47
Vale Overseas Ltd	4,273,545	0.47
UAE INTERNATIONAL GOVERNMENT BOND	4,252,633	0.47
Coca-Cola Co	4,240,867	0.47
Orsted Wind Power TW Holding A/S	4,216,721	0.47
China Cinda Asset Management Co Ltd	4,214,280	0.47
First Securities Inc.	4,190,199	0.46
Suncor Energy Inc	4,168,252	0.46
Hartford Financial Services Group Inc	4,166,331	0.46

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
GRAND CENTRAL LIMITED	\$ 4,153,500	0.46
CYBER COMPANY INC	4,153,500	0.46
BlackRock Fund Advisors	4,133,398	0.46
Deutsche Telekom International Finance BV	4,111,908	0.46
JPMorgan Asset Management (Europe) S.a.r.l.	4,104,982	0.46
Macquarie Group Ltd	4,096,380	0.45
Capital Futures Corp.	4,086,700	0.45
Blackrock Global Funds - Asian High Yield Bond Fund	4,062,089	0.45
GAM STAR FUND	4,058,684	0.45
Hotai Leasing Corporation	4,047,068	0.45
ABN AMRO Bank	4,042,771	0.45
Treasury Corporation of Victoria	4,036,050	0.45
Yuanta Futures Co., Ltd.	4,019,732	0.45
Boeing Co	4,018,060	0.45
Bayer US Finance LLC	4,017,695	0.45
Thoma Bravo, LLC	3,995,970	0.44
Molson Coors Brewing Co	3,990,692	0.44
MasterLink Securities Corp.	3,964,398	0.44
Burlington Northern Santa Fe LLC	3,956,632	0.44
Minera Mexico SA de CV	3,941,562	0.44
Adata Technology Co., Ltd	3,936,593	0.44
Indofood CBP Sukses Makmur Tbk PT	3,933,819	0.44
ICICI Bank Ltd	3,921,340	0.43
MetLife Inc	3,919,832	0.43
CPC Corporation, Taiwan	3,916,058	0.43
Tesla Motors Inc	3,875,354	0.43
AstraZeneca PLC	3,869,266	0.43
Mitsubishi UFJ Financial Group Inc	3,864,791	0.43
Cheng Loong Corporation	3,843,586	0.43
Mastercard Inc	3,838,604	0.43
Banco de Chile	3,838,122	0.43
PCCW Capital No 5 Ltd	3,823,226	0.42
Australia Government Bond	3,807,737	0.42
UBS Group AG	3,796,618	0.42
General Motors Co	3,796,045	0.42
NEW SOUTH WALES TREASURY CORP	3,794,688	0.42
NATWEST MARKETS PLC	3,776,360	0.42
Anheuser-Busch InBev Finance Inc	3,768,006	0.42
ENI SpA	3,749,109	0.42
Hon Han Investment Co., Ltd.	3,745,382	0.42
Freeport-McMoRan Copper & Gold Inc	3,744,858	0.42
Realtek Semiconductor Corp.	3,741,940	0.41
Aquiline Holdings LLC	3,730,354	0.41
Discovery Communications LLC	3,714,324	0.41

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
China Cinda 2020 I Management Ltd	\$ 3,679,531	0.41
PTTEP Canada International Finance Ltd	3,671,755	0.41
NEA Management Company, LLC	3,670,790	0.41
INVENTEC CORPORATION	3,664,589	0.41
Mega Bills Finance Co., Ltd.	3,640,708	0.40
Kookmin Bank	3,613,709	0.40
Indian Railway Finance Corp Ltd	3,607,176	0.40
Cenovus Energy Inc	3,598,479	0.40
Canadian Natural Resources Ltd	3,579,868	0.40
Silver Lake Management Company V, L.L.C.	3,575,127	0.40
Nisource Finance Corp	3,536,459	0.39
Credit Agricole Corporate & Investment Bank SA	3,525,461	0.39
UBS Fund Management Luxembourg	3,518,084	0.39
Brookfield Asset Management Inc	3,513,875	0.39
Corp Andina de Fomento	3,509,243	0.39
Global Investors Series plc	3,483,520	0.39
Yunneng Wind Power Co., Ltd.	3,468,387	0.38
Infraestructura Energetica Nova SAB de CV	3,461,067	0.38
Asia Alternatives Management LLC	3,439,604	0.38
Pitango Venture Partners 2004 Ltd.	3,431,127	0.38
Jih Sun Securities Co., Ltd.	3,427,815	0.38
CIC	3,427,707	0.38
First Commercial Bank Co., Ltd.	3,406,616	0.38
Grupo Bimbo SAB de CV	3,404,327	0.38
Aercap Ireland Capital Ltd	3,362,683	0.37
Barrick North America Finance LLC	3,359,358	0.37
EVA Airways Corporation	3,357,144	0.37
Equinor ASA	3,351,907	0.37
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	3,343,944	0.37
Zurich Finance Ireland Designated Activity Co	3,327,406	0.37
Global Infrastructure Management	3,325,440	0.37
BAIDU INC	3,321,163	0.37
Dominion Energy Inc	3,320,325	0.37
UBAM	3,305,277	0.37
BP Capital Markets PLC	3,289,980	0.36
Qtel International Finance Ltd	3,199,735	0.35
Yubao Industrial Co., Ltd	3,182,000	0.35
Marsh & McLennan Cos Inc	3,174,242	0.35
Marathon Petroleum Corp	3,172,990	0.35
Queensland Treasury Corp	3,160,667	0.35
Mega Securities Co., Ltd.	3,160,530	0.35
Platinum Equity Advisors, LLC	3,159,237	0.35
Allstate Corp	3,157,492	0.35

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Grand Parkway Transportation Corp	\$ 3,132,622	0.35
Foresite Capital Management, LLC	3,125,192	0.35
Kindom Development Co., Ltd.	3,105,220	0.34
BECTON DICKINSON AND CO	3,103,413	0.34
CK Hutchison International 20 Ltd	3,103,033	0.34
Taipei City Government Bonds	3,100,000	0.34
American International Group Inc	3,093,573	0.34
Yuanta Commercial Bank Co., Ltd.	3,085,187	0.34
YAGEO Corp.	3,075,540	0.34
NongHyup Bank	3,069,132	0.34
Mondelez International Inc	3,068,128	0.34
Home Depot Inc	3,039,231	0.34
Macquarie Infrastructure Management (Asia) Pty Limited, Singapore Branch	3,036,551	0.34
Valero Energy Corp	3,024,133	0.34
Formosa Petrochemical Corporation	3,022,825	0.34
2) Enterprises where the same natural person and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge		
Enterprises where Dong and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	8,109,095	0.90
Enterprises where Lee and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	6,196,810	0.69
Enterprises where Lee and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	5,905,920	0.65
Enterprises where Dai and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	5,724,688	0.63
Enterprises where Yang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	5,226,343	0.58
Enterprises where Yu and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	5,167,527	0.57
Enterprises where Ko and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	4,718,803	0.52
Enterprises where Cheng and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	4,615,146	0.51
Enterprises where Huang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,707,610	0.41

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Enterprises where Laio and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	\$ 3,359,252	0.37
Enterprises where Chen and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,349,146	0.37
Enterprises where Ruan and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,019,993	0.33
3) Affiliates with same juridical person		
Government of the Republic of China and its supervisory agency	648,023,924	71.84
Government of the USA and its supervisory agency	201,748,476	22.37
Fubon Group	124,405,566	13.79
Group of CTBC Financial Holdings	100,086,295	11.10
TSMC Group	87,860,867	9.74
Group of Yuanta Financial Holdings	86,999,738	9.64
Macquarie Group Ltd and its related parties	81,763,221	9.06
Fidelity and its related parties	58,965,866	6.54
China Development Bank and its related parties	58,224,153	6.45
China Development Group	57,590,100	6.38
Capital Financial Group	57,385,094	6.36
Goldman Sachs Group Inc and its related parties	52,364,819	5.81
Republic of Indonesia and its supervisory agency	49,196,656	5.45
Citigroup Inc and its related parties	44,990,370	4.99
Barclays Plc and its related parties	44,194,688	4.90
Bnp Paribas Sa and its related parties	44,087,316	4.89
Uni-President Group	43,779,791	4.85
Bank of America Corp and its related parties	43,749,821	4.85
Jpmorgan Chase & Co and its related parties	43,180,635	4.79
United Mexican States and its supervisory agency	41,644,504	4.62
Group of Mega Financial Holdings	41,072,600	4.55
CHT Group	38,474,714	4.27
The Far Eastern Group	36,411,224	4.04
China Petrochemical Corp and its related parties	35,894,831	3.98
Societe Generale Sa and its related parties	35,607,393	3.95
At&T Inc and its related parties	33,829,533	3.75
Blackrock Inc and its related parties	32,798,459	3.64
Bank of China Group	31,494,176	3.49
Russian Federation and its supervisory agency	28,528,267	3.16
Ubs Group Ag and its related parties	28,522,133	3.16
Hon Tai Group	28,098,239	3.11
Hsbc Holdings Plc and its related parties	27,186,101	3.01
China National Offshore Oil Corp and its related parties	25,936,848	2.88
Group of Taishin Financial Holdings	25,250,105	2.80

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Credit Suisse Group Ag and its related parties	\$ 24,435,848	2.71
Credit Agricole Group and its related parties	24,068,525	2.67
Group of Shin Kong Financial Holdings	23,715,863	2.63
Berkshire Hathaway Inc and its related parties	22,446,703	2.49
Foxconn Technology Group	22,421,333	2.49
Standard Chartered Plc and its related parties	22,295,934	2.47
Yuen Foong Yu Group	22,285,250	2.47
Sumitomo Group and its related parties	21,462,954	2.38
Group of E.Sun Financial Holdings	20,965,151	2.32
Anheuser-Busch Inbev Sa/Nv and its related parties	20,647,823	2.29
Industrial & Commercial BOC and its related parties	20,273,373	2.25
Tencent Holdings Ltd and its related parties	19,268,545	2.14
Kingdom of Saudi Arabia and its supervisory agency	18,978,885	2.10
Petroliam Nasional Bhd and its related parties	18,876,502	2.09
Group of First Financial Holdings	18,348,350	2.03
Pertamina Persero Pt and its related parties	18,284,067	2.03
ASE Technology Holding Group	18,269,331	2.03
Banco Santander Sa and its related parties	17,734,932	1.97
Australia and its supervisory agency	17,049,617	1.89
Morgan Stanley and its related parties	16,955,406	1.88
Land Bank of Taiwan Group	16,898,260	1.87
Republic of Korea and its supervisory agency	16,147,554	1.79
Mubadala Investment Co and its related parties	15,790,149	1.75
TACB Group	15,408,931	1.71
O-Bank Group	15,123,536	1.68
Qatar Petroleum and its related parties	14,790,127	1.64
Blackstone Group Inc and its related parties	14,789,359	1.64
Australia & New Zealand Banking Group Ltd and its related parties	14,774,082	1.64
Fomento Economico Mexicano Sab De Cv and its related parties	14,314,547	1.59
China Steel Group	14,179,761	1.57
Grupo Mexico Sab De Cv and its related parties	13,773,403	1.53
Dowdupont Inc and its related parties	13,620,588	1.51
Bp Plc and its related parties	13,517,216	1.50
Royal Bank of Scotland Group Plc and its related parties	13,481,326	1.49
Group of Hua Nan Financial Holdings	13,467,743	1.49
Westpac Banking Corp and its related parties	13,462,322	1.49
Allianz Se and its related parties	13,425,746	1.49
Groupe Bpce and its related parties	13,099,593	1.45
CITIC Group	13,049,751	1.45
UMC Group	12,872,187	1.43
Emirate of Abu Dhabi United Arab Emirates and its related parties	12,498,667	1.39
Deutsche Telekom Ag and its related parties	12,117,578	1.34

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Ptt Pcl and its related parties	\$ 12,106,418	1.34
London Stock Exchange Group Plc and its related parties	12,050,777	1.34
Nan Ya Plastics Group	11,980,748	1.33
Lloyds Banking Group Plc and its related parties	11,768,575	1.30
IBF Group	11,639,314	1.29
China Construction Bank Corp and its related parties	11,364,129	1.26
Chailease Holding Group	11,158,130	1.24
Pccw Ltd and its related parties	10,823,796	1.20
Shinhan Financial Group Co Ltd and its related parties	10,668,004	1.18
Axa Sa and its related parties	10,632,791	1.18
Export-Import Bank of China and its related parties	10,515,415	1.17
Baillie Gifford and its related parties	10,288,844	1.14
Enel Spa and its related parties	9,970,271	1.11
Transcanada Corp and its related parties	9,822,852	1.09
TCC Group	9,674,992	1.07
Republic of Chile and its supervisory agency	9,484,133	1.05
T-Mobile Us Inc and its related parties	9,286,606	1.03
Ing Groep Nv and its related parties	9,085,452	1.01
Hotai Motor Group	8,842,813	0.98
China Cinda Asset Management Co Ltd and its related parties	8,779,804	0.97
Southern Company Gas and its related parties	8,741,579	0.97
Charter Communications Inc and its related parties	8,640,036	0.96
Royal Dutch Shell Plc and its related parties	8,529,542	0.95
Banco Bilbao Vizcaya Argentaria Sa and its related parties	8,368,277	0.93
Ck Hutchison Holdings Ltd and its related parties	7,799,528	0.86
Kinpo Group	7,740,700	0.86
Consolidated Edison Inc and its related parties	7,460,188	0.83
Yulon Group	7,346,749	0.81
State Grid Corp of China and its related parties	7,164,293	0.79
Conocophillips and its related parties	7,128,225	0.79
WISTRON GROUP	7,081,694	0.79
Intesa Sanpaolo Spa and its related parties	7,040,112	0.78
Abrdn Plc and its related parties	6,799,030	0.75
Triumph Transcend Group	6,734,815	0.75
Eqt Partners and its related parties	6,662,807	0.74
Deutsche Bank Ag and its related parties	6,654,822	0.74
Naspers Ltd and its related parties	6,643,651	0.74
National Australia Bank Ltd and its related parties	6,629,524	0.73
Evergreen Group	6,604,825	0.73
China State Construction Engineering and its related parties	6,550,992	0.73
China Network Group	6,543,677	0.73
Bangkok Bank Pcl and its related parties	6,507,438	0.72
Formosa Petrochemical Group	6,496,385	0.72
Gam Holding Ag and its related parties	6,462,439	0.72
Bce Inc and its related parties	6,379,707	0.71

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Barrick Gold Corp and its related parties	\$ 6,370,023	0.71
Malayan Banking Bhd and its related parties	6,286,449	0.70
British American Tobacco Plc and its related parties	6,141,836	0.68
Japan government and its supervisory agency	6,013,653	0.67
Zurich Insurance Group Ag and its related parties	5,956,027	0.66
Pimco and its related parties	5,900,457	0.65
American Electric Power Co Inc and its related parties	5,894,568	0.65
Woori Bank and its related parties	5,884,301	0.65
Formosa Chemicals and Fibre Group	5,797,173	0.64
Sultanate of Oman and its related parties	5,778,616	0.64
Pfizer Inc and its related parties	5,772,756	0.64
Industrias Penoles Sab De Cv and its related parties	5,730,438	0.64
Formosa Plastic Group	5,705,095	0.63
Vanguard Group Inc and its related parties	5,646,427	0.63
Shanghai Commercial & Savings Bank Ltd and its related parties	5,624,113	0.62
Credicorp Ltd and its related parties	5,576,268	0.62
Oneok Inc and its related parties	5,475,664	0.61
Total Sa and its related parties	5,447,335	0.60
Invesco Ltd and its related parties	5,434,602	0.60
Bayer Ag and its related parties	5,379,399	0.60
Bank of Communications Co Ltd and its related parties	5,339,938	0.59
Dbx Group Holdings Ltd and its related parties	5,136,510	0.57
DELTA ELECTRONICS Group	5,075,953	0.56
Brookfield Asset Management Inc and its related parties	5,071,748	0.56
Kasikornbank Plc and its related parties	5,028,843	0.56
Vale Sa and its related parties	4,984,958	0.55
Sino-American Crystal Group	4,964,353	0.55
AerCap Group	4,912,942	0.54
Credit Mutuel-Cml1 Group and its related parties	4,877,388	0.54
Duke Energy Corp and its related parties	4,855,922	0.54
CT&D Group	4,763,286	0.53
Republic of Italy and its supervisory agency	4,715,655	0.52
Merck & Co Inc and its related parties	4,670,569	0.52
Royal Bank of Canada and its related parties	4,620,571	0.51
Walsin Lihwa Group	4,586,484	0.51
YAGEO Group	4,556,020	0.51
Mitsubishi Corporation Group	4,542,130	0.50
Grupo Bimbo Sab De Cv and its related parties	4,464,575	0.49
Kb Financial Group Inc and its related parties	4,464,570	0.49
Power Corp of Canada and its related parties	4,350,355	0.48
Ping An Insurance (Group) Company of China	4,270,992	0.47
Cheng Loong Group	4,158,045	0.46
JUT Group	4,149,057	0.46

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Nisource Inc and its related parties	\$ 4,093,600	0.45
ELITE MATERIAL Group	4,051,126	0.45
Discovery Inc and its related parties	4,035,982	0.45
Dominion Energy Inc and its related parties	4,005,655	0.44
Ooredoo Qpsc and its related parties	4,002,058	0.44
Pitango Venture Partners and its related parties	3,985,146	0.44
Ruentex Group	3,922,140	0.43
Jih Sun Group	3,866,886	0.43
Ares Capital Co and its related parties	3,853,859	0.43
Taiwan Broadband Communications Group	3,823,677	0.42
Realtek Semiconducto Group	3,821,875	0.42
Beijing Enterprises Group Co Ltd and its related parties	3,781,010	0.42
Nextera Energy Inc and its related parties	3,705,071	0.41
Temasek Holdings Pte Ltd and its related parties	3,666,542	0.41
Williams Cos Inc and its related parties	3,630,554	0.40
WPG Group	3,585,159	0.40
TCC Group	3,534,811	0.39
Capitaland Ltd and its related parties	3,525,449	0.39
LITE-ON Technology Group	3,515,694	0.39
Sempre Energy and its related parties	3,475,050	0.39
Aon Plc and its related parties	3,449,479	0.38
Fudu New Group	3,442,100	0.38
Chow Tai Fook Group	3,438,458	0.38
State Street Corp and its related parties	3,312,641	0.37
Hitachi Ltd and its related parties	3,284,164	0.36
San Miguel Group	3,220,780	0.36
Oil India Ltd and its related parties	3,187,616	0.35
Kindom Group	3,166,770	0.35
Vingroup Group	3,166,571	0.35
HUI TENG Group	3,123,000	0.35
Nxp Semiconductors Nv and its related parties	3,050,943	0.34
United Overseas Bank Ltd and its related parties	3,045,700	0.34
County of Miami-Dade Fl Aviation and its related parties	3,029,877	0.34
Newmont Mining Corp and its related parties	3,021,850	0.34

(Concluded)

40. SUPPLEMENTAL DISCLOSURES

a. Information about significant transactions:

Code	Description	Explanation
1	Accumulated purchases and sales balance of specific investee's marketable securities over \$300 million or 10% of the paid-in capital	None
2	Acquisition or disposal of individual real estate at prices over \$300 million or 10% of the paid-in capital	None
3	Discount on processing fee the transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by subsidiaries	Table 2
6	Related information of financial assets securitization or real estate securitization by subsidiaries	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None

b. Information on investees

Code	Description	Explanation
1	Information regarding investee companies and percentage of ownership	Table 5
2	Acquisition and disposal of real estate at prices over \$300 million or 10% of the paid-in capital	Table 6
3	Discount on processing fee for transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by investees	None
6	Related information of financial assets securitization or real estate securitization by investees	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None
8	Financing provided to others	Note
9	Endorsements/guarantees provided	None
10	Marketable securities held as of December 31, 2021	Table 3 (Note)
11	Marketable securities acquired or disposed of at costs or prices over \$300 million or 10% of the paid-in capital	Table 4
12	Derivative transactions	Note 8

Note: Disclosure is not required for subsidiaries belonging to the financial services, insurance and securities industries, and whose principal business activities include financing provided to others, endorsements/guarantees provided, and trading of marketable securities.

- c. Investments in mainland China: Name of companies, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in investees in the mainland China area are disclosed in Table 7.
- d. The significant intercompany transactions among the Group are disclosed in Note 28 and Table 8
- e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9).

TABLE 1

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$300 MILLION OR 10% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Cathay Financial Holding Co., Ltd.	Cathay United Bank Co., Ltd	Subsidiary	\$ 513,935 (Note 1)	-	\$ -	-	\$ -	\$ -
	Cathay Securities Corporation	Subsidiary	373,017 (Note 1)	-	-	-	-	-
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	Parent company	5,253,915 (Note 1)	-	-	-	-	-
Conning Holdings Limited	Cathay Life Insurance Co., Ltd.	Parent company	327,992 (Note 2)	-	-	-	327,992	-

Note 1: The ending balance mainly comprises refundable tax under the integrated income tax system.

Note 2: The ending balance is mainly comprised of service fee receivable.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SALE OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

1. Summary statement:

Trade Date	Counterparty	Loans Composition	Carrying Amount (Note)	Selling Price	Gain (or Loss) on Disposal	Terms	Relationship
<u>Cathay United Bank</u>							
August 31, 2021	FitzWalter Capital Partners (Master HoldCo) Limited	Corporate loans	\$ 340,424	\$ 527,452	\$ 187,028	None	None
November 18, 2021	FETHARD LLC	Corporate loans	124,514	232,218	107,704	None	None
November 22, 2021	FETHARD LLC	Corporate loans	163,425	303,313	139,888	None	None
December 23, 2021	Moneygall LLC	Corporate loans	181,216	295,822	114,606	None	None
<u>Indovina Bank</u>							
December 8, 2021	Viet Nam Debt and Asset Trading Corporation	Corporate loans	5,405	51,391	45,986	None	None

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

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

TABLE 3

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

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

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Cathay Venture Inc.	<u>Corporate bonds</u> SmartGames CB	N/A	Financial assets at fair value through profit or loss	-	\$ 8	-	\$ 8	
	A2G CB	"	"	-	1,250	-	1,250	
	Yonggu I	"	"	342	30,951	-	30,951	
	Validus CB	"	"	-	12,510	-	12,510	
	<u>Beneficiary certificates</u> Mega Diamond Money Market Fund	"	"	29,162	369,701	-	369,701	
	Taishin 1699 Money Market Fund	"	"	27,612	377,693	-	377,693	
	Cathay Taiwan Money Market Fund	"	"	24,644	343,455	-	343,455	
	<u>Shares</u> Tien-Tai Management Consulting Co., Ltd.	Investee accounted for using the equity method	Investments accounted for using the equity method	141	5,818	28.20	5,818	
	Tiantai II Optoelectronics Co., Ltd.	"	"	9,780	133,369	32.28	133,369	
	Tien-Tai Optronics Corporation	"	"	10,125	137,144	33.64	137,144	
	Fulgent Sun International (Holding) Co., Ltd.	N/A	Financial assets at fair value through profit or loss	626	60,634	-	60,634	
	Hiroca Holdings Ltd.	"	"	439	24,809	-	24,809	
	Man Zai Industrial Co., Ltd.	"	"	334	6,430	-	6,430	
	Senhwa Biosciences, Inc.	"	"	635	66,040	-	66,040	
	Tanvex BioPharma, Inc.	"	"	1,250	72,625	-	72,625	
	Global Tek Fabrication Co., Ltd.	"	"	24	1,214	-	1,214	
	Cathay Superior Venture Capital Limited Partnership	"	"	-	200	100.00	200	
	Shane Global Holdings Inc.	"	"	3,700	272,668	3.35	272,668	
	Brighton-Best International (Taiwan) Inc.	"	"	3,055	117,770	-	117,770	
	Nan Pao Resins Chemical Co., Ltd.	"	"	323	45,910	-	45,910	
	Compal Broadband Networks, Inc.	"	"	3	94	-	94	
	Ching Chan Optical Technology Co., Ltd.	"	"	430	16,168	1.20	16,168	
	Fusheng Precision Co., Ltd.	"	"	800	155,200	-	155,200	
	Tot Biopharm Co., Ltd	"	"	6,909	104,707	1.15	104,707	
	WW Holding Inc.	"	"	1,413	61,607	2.36	61,607	
	Airmate (Cayman) International Co Limited	"	"	746	16,981	-	16,981	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	World Known MFG (Cayman)	N/A	Financial assets at fair value through profit or loss	1,478	\$ 52,173	4.36	\$ 52,173	
	Yonggu Group Inc.	"	"	34	1,982	-	1,982	
	Easywell Biomedicals Inc.	"	"	2,025	32,198	1.24	32,198	
	Ta Chen Stainless Pipe Co., Ltd.	"	"	1,471	68,034	-	68,034	
	Trusval Technology Co., Ltd.	"	"	320	30,720	-	30,720	
	Smartdisplayer Technology Co., Ltd.	"	"	1,000	26,910	4.01	26,910	
	Sincere Group	"	"	204	12,187	1.02	12,187	
	BioGend Therapeutics Co., Ltd.	"	"	2,000	53,500	1.94	53,500	
	Winway Technology Co., Ltd.	"	"	522	226,338	1.54	226,338	
	Tigerair Taiwan Co., Ltd.	"	"	1,588	25,614	-	25,614	
	Wendell Industrial Co., Ltd.	"	"	540	81,810	2.26	81,810	
	Evergreen Steel Corp.	"	"	1,500	82,500	-	82,500	
	Weblink International Inc.	"	"	1,638	71,417	2.01	71,417	
	EasyCard Investment Holdings Co., Ltd.	"	"	1,430	8,567	1.37	8,567	
	Lan An Co., Ltd.	"	"	125	1,181	5.00	1,181	
	Koatech Technology Corp.	"	"	101	1,753	-	1,753	
	Mega Union Technology Incorporated.	"	"	3,281	119,048	9.12	119,048	
	Cathay Healthcare Management Co., Ltd.	"	"	8,250	106,920	15.00	106,920	
	Fashionguide Co., Ltd.	"	"	714	16,431	4.26	16,431	
	Sunmile Group Holding Co., Limited	"	"	528	-	1.85	-	
	NARUKO Beauty Essentials Limited	"	"	43,252	43,684	4.02	43,684	
	Shengzhuang Holdings	"	"	122	-	1.09	-	
	Bioengine Capital Inc.	"	"	18,576	198,577	3.16	198,577	
	Bravo Ideas Digital Co., Ltd.	"	"	3,386	9,852	6.03	9,852	
	Episonica Holding Ltd	"	"	2,708	60,947	11.67	60,947	
	Andros Pharmaceuticals Co., Ltd.	"	"	1,050	12,107	3.98	12,107	
	Transound Electronics Co., Ltd.	"	"	1,200	7,848	3.30	7,848	
	Hyper Crystal Inc.	"	"	2,000	-	13.80	-	
	Amaryllo International B.V.	"	"	1,000	4,760	5.00	4,760	
	Roaring Success Ltd.	"	"	317	18,308	-	18,308	
	Kuang Ming Shipping Corp.	"	"	39	-	-	-	
	Grandsys, Inc.	"	"	1,860	26,040	7.77	26,040	
	Digital Treasury Corporation, Samoa	"	"	325	1,414	2.94	1,414	
	Tennrich International Corp.	"	"	1,938	1,201	3.19	1,201	
	KKDAY	"	"	5,668	18,365	-	18,365	
	Smart Games Ltd.	"	"	164	1,569	1.35	1,569	
	PSS Co., Ltd.	"	"	330	14,038	-	14,038	
	Altek Semiconductor (Cayman) Co., Ltd.	"	"	800	38,792	2.00	38,792	
	Anywhere 2 Go Co., Ltd	"	"	2	926	8.99	926	
	Yikon Genomics	"	"	1,340	48,655	3.14	48,655	
	Rani Therapeutics, LLC	"	"	72	32,441	-	32,441	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Mimetas B.V.	N/A	Financial assets at fair value through profit or loss	8	\$ 9,486	2.81	\$ 9,486	
	Xionghuang (Samoa)	"	"	19	23,053	4.50	23,053	
	91APP, Inc.	"	"	742	195,976	-	195,976	
	Acepodia Inc.	"	"	2,454	77,183	2.02	77,183	
	Greenway Environmental Technology Co., Ltd.	"	"	4,375	51,494	11.22	51,494	
	CHU CHIEN TECHNOLOGY LIMITED	"	"	2,302	88,521	1.13	88,521	
	Pacific 8 Venture	"	"	-	141,660	15.00	141,660	
	Monk's hill Venture Fund	"	"	-	79,028	2.50	79,028	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	"	"	800	19,640	1.34	19,640	
	OneDegree	"	"	350,926	52,639	2.40	52,639	
	Validus Investment Holdings	"	"	145	50,444	2.18	50,444	
	VIZIONFOCUS INC.	"	"	1,700	70,159	3.27	70,159	
	Finaxar Pte. Ltd.	"	"	87	19,131	4.72	19,131	
	aetherHolding Co., Ltd.	"	"	582	29,816	11.72	29,816	
	Intudo Venture II, LP	"	"	-	63,115	3.76	63,115	
	King Point Enterprise Co., Ltd.	"	"	1,000	17,630	2.53	17,630	
	Cowearth Medical Holding Co., Ltd.	"	"	3,750	38,475	1.26	38,475	
	INNOPACK VIETNAM CO., LTD.	"	"	1,350	26,919	9.00	26,919	
	Pharmosa Biopharma Inc.	"	"	4,700	66,223	4.80	66,223	
	Transcene Corp.	"	"	3,000	18,870	9.94	18,870	
	Cirocomm Technology Corporation	"	"	2,000	9,840	6.85	9,840	
	Ampak Technology Inc.	"	"	1,178	76,947	1.96	76,947	
	New Garden Co., Ltd.	"	"	5,000	53,600	10.00	53,600	
	Well Tech Energy Inc.	"	"	2,144	26,521	5.53	26,521	
	TMY Technology Inc.	"	"	1,071	22,393	3.00	22,393	
	Great Giant Fiber Garment Co., Ltd.	"	"	353	33,847	-	33,847	
	Yuen Foong Yu Consumer Products Co., Ltd.	"	"	1,025	51,455	-	51,455	
	Handa Pharmaceuticals, Inc.	"	"	1,465	28,235	1.20	28,235	
	Taiwan Aerospace Corp.	"	"	1	15	-	15	
	CDIB BioScience Ventures I, Inc.	"	"	-	1	-	1	
	Winking Entertainment Co., Ltd.	"	"	5,312	86,956	9.08	86,956	
	Mycenax Biotech Inc.,	"	"	1,150	43,585	-	43,585	
	INNOPHARMAX INC.	"	"	362	4,616	-	4,616	
	Palm Drive Capital III, LP	"	"	-	26,390	2.00	26,390	
	KEE Fresh & Safe Foodtech Co., Ltd.	"	"	950	19,741	2.85	19,741	
	VisEra Technologies Co., Ltd.	"	"	580	115,229	-	115,229	
	EirGenix Inc.	"	"	67	7,471	-	7,471	
	Formosa Pharmaceuticals, Inc.	"	"	1,250	33,775	1.26	33,775	
	Phoenix Pioneer technology Co., Ltd.	"	"	1,500	26,250	-	26,250	
	Pickupp Limited	"	"	395	55,820	2.39	55,820	
	Jia Wei Lifestyle, Inc.	"	"	986	75,626	1.23	75,626	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Annji Pharmaceutical Co., Ltd.	N/A	Financial assets at fair value through profit or loss	1,210	\$ 28,350	2.74	\$ 28,350	
	Securitag Assembly Group Co., Ltd.	"	"	150	12,300	-	12,300	
	Morrison Opto-electronics Ltd.	"	"	300	41,400	1.44	41,400	
	Evergreen Aviation Technologies Corp	"	"	1,000	63,000	-	63,000	
	Intudo Venture III, LP	"	"	-	5,594	2.00	5,594	
	Morning Glow Holding	"	"	4,683	73,936	9.37	73,936	
Cathay Futures Co., Ltd.	<u>Beneficiary certificates</u> JKO Pion Money Market Fund	N/A	Financial assets at fair value through profit or loss	4,302	50,146	-	50,146	
	<u>Shares</u> Taiwan Futures Exchange	N/A	Financial assets at fair value through other comprehensive income	6,403	1,206,888	1.52	1,206,888	
	<u>Preferred Shares</u> Centerprise Services Inc.	N/A	Financial assets at fair value through other comprehensive income	400	5,869	1.76	5,869	
Conning Holdings Limited								

(Concluded)

TABLE 4

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Name (Note 1)	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Number of Shares	Amount
CUBCN Bank	<u>Stocks</u> Chongqing Ant Consumer Finance Co., Ltd.	Financial assets at fair value through other comprehensive income	-	-	-	\$ -	- (Note 1)	\$ 3,462,393 (CNY 800,000) (Note 2)	-	\$ -	\$ -	\$ -	- (Note 1)	\$ 3,462,393 (CNY 800,000) (Note 2)

Note 1: The term “securities” in this table refers to stocks, bonds, beneficiary certificates and the securities derived from those items. Chongqing Ant Consumer Finance Co., Ltd. is a limited company with no shares issued.

Note 2: Original acquisition cost.

TABLE 5**CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****INFORMATION ON INVESTEEES AND COMBINED SHAREHOLDING PERCENTAGE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Shareholding Percentage at the End of the Period	Book Value of Investment	Investment Profits or Losses Recognized in the Current Period	Combined Shareholding of the Company and its Affiliates (Note 1)				Note
							Number of Existing Shares	Number of Phantom Shares (Note 2)	Total		
									Number of Shares (In Thousands)	Shareholding Percentage	
Cathay Financial Holding Co., Ltd.	Cathay Life	R.O.C.	Life insurance	100.00%	\$ 699,016,071	\$ 112,279,833	5,851,527	-	5,851,527	100.00%	Note 3
	Cathay United Bank	R.O.C.	Commercial banking operations	100.00%	244,992,555	23,352,312	10,698,583	-	10,698,583	100.00%	Note 3
	Cathay Century	R.O.C.	Property and casualty insurance	100.00%	14,456,885	2,175,094	305,705	-	305,705	100.00%	Note 3
	Cathay Securities	R.O.C.	Securities	100.00%	13,045,570	2,200,616	730,000	-	730,000	100.00%	Note 3
	Cathay Venture	R.O.C.	Venture capital investment	75.00%	4,571,963	326,719	518,173	-	518,173	100.00%	Note 3
	Cathay Securities Investment Trust	R.O.C.	Securities investment trust	100.00%	5,142,229	1,402,270	150,000	-	150,000	100.00%	Note 3
	Conning Asia Pacific Ltd.	Hong Kong	Wealth management	17.15%	65,608	23,957	272,950	-	272,950	100.00%	Note 4

Note 1: The existing shares and phantom shares of the investees held by the Company, directors, supervisors, general managers, vice general managers, and affiliates meeting the requirements of the Company Act are included.

Note 2: a. “Phantom shares” refer to the shares acquired due to conversion under the assumption that the Company converts the marketable securities with equity characteristics or derivative instrument contracts (that have not been converted to shares) based on the transaction terms and the equity that the Company has the intention of linking to the reinvestment business, and meeting the reinvestment objectives as provided in Paragraph 2, Article 36 and Article 37 of Financial Holding Company Act.

b. The above-mentioned “marketable securities with equity characteristics” refer to the securities stated in Paragraph 1, Article 11 of the Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

c. The above-mentioned “derivative instrument contracts” refer to those that meet the definition related to derivative instruments under IFRS 9, such as stock options.

Note 3: Based on the investment profit or loss recognized in the respective company’s audited financial statements for the same period.

Note 4: Based on the investment profit or loss recognized in the respective company’s unaudited financial statements for the same period.

TABLE 6

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Buyer	Property	Event Date	Transaction Amount (Note 1)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Cathay Life Insurance Co., Ltd.	Land located at Meishi Section, Yangmei District, Taoyuan City	2021.04.28	\$ 1,458,880	Payment by installment according to the contract	Loyal Fidelity Aerospace Corp.	Related party	Chen-tech Taiwan Industries, CORP.	None	2013.08.30	\$ 608,927	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act	None
	Land located at Ruixing Section, Daix District, Taichung City	2021.05.13	1,500,000	Payment by installment according to the contract	Guan Tung Construction Limited Company	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act	None
	Land located at Gongyuan Section, Zhongshan District, Taipei City	2021.11.02	302,218	Payment by installment according to the contract		Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act	None
	Land located at Jinzhong Section, Luzhu District, Taichung City	2021.11.09	1,687,000	Payment by installment according to the contract		Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act	None
Cathay Industrial Research and Design Center Co., Ltd.	Land located at No. 205, Sub-section 2, Changchun section, Zhongshan District, Taipei City	2021.01.27	1,675,410	Payment by installment according to the contract	ROC (Managed by National Taipei University)	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment	None

Note 1: The transaction amount is the total contract price, not including the land registration fee, transcript expense, scrivener expense and stamp duty.

Note 2: The term “event date” refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of boards of directors’ resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

TABLE 7

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Business and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	a	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ 779,748	50.0	\$ 389,874 (Note 2,b,2))	\$ 6,544,145	\$ -
Cathay Century (China)	Property and casualty insurance	12,196,844	a	5,908,393	-	-	5,908,393	511,226	49.0	250,500 (Note 2,b,3))	4,824,396	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office equipment leasing company	7,223,435	a	7,223,435	-	-	7,223,435	215,754	100.0	159,488 (Note 2,b,2))	7,972,675	-
Cathay United Bank (China) Corporation Limited	Wholesale banking	14,377,562	a	14,377,562	-	-	14,377,562	238,516	100.0	238,516 (Note 2,b,2))	16,584,264	-
CDBS Cathay Asset Management Co., Ltd.	Fund management services	1,701,823	a	566,707	-	-	566,707	(233,236)	33.3	(77,668) (Note 2,b,2))	327,780	-
CDBS Cathay Asset Management Co., Ltd. (Beijing) (Note 4)	Assets management services	468,290	c	-	-	-	-	(133,256)	33.3	(44,374) (Note 2,b,2))	168,720	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 34,824,675	\$ 36,949,511	\$ 601,901,637

Note 1: The 3 methods of investment are as follows:

- a. Direct investment in China.
- b. Reinvestment in China through companies located in a third region (please indicate the companies located in that third region).
- c. Others.

Note 2: The column of investment profit or loss for the period:

- a. It should be indicated if the entity was in the preparation stage without profit or loss on investment.
- b. It should be indicated if the basis of recognizing the profit or loss on investment are of the following 3 types:
 - 1) The financial statements are reviewed and certified by international accounting firms which have partnership with R.O.C. accounting firms.
 - 2) The financial statements are reviewed and certified by the parent company's auditors in Taiwan.
 - 3) Other basis.

Note 3: The related figure in the schedule should be expressed in New Taiwan dollars.

(Continued)

Note 4: CDBS Cathay Asset Management Co., Ltd. invested in CDBC Cathay Asset Management Co., Ltd. (Beijing) in the amount of CNY100 million in Mainland China.

Note 5: Information on investments in mainland China

- a. On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (“MOEAIC”) authorized Cathay Life to remit US\$22,850 thousand and US\$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US\$50,000 thousand to US\$48,330 thousand, approved by the MOEAIC on December 20, 2010. Also, MOEAIC authorized Cathay Life to remit US\$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized Cathay Life to remit US\$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US\$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US\$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life’s subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. Cathay Life has remitted US\$48,330 thousand to the subsidiary as of December 31, 2009. Cathay Life injected additional US\$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized Cathay Life to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of December 30, 2021, Cathay Life’s remittances to the subsidiary totaled approximately CNY900,000 thousand and US\$78,210 thousand.
- b. On October 17, 2007, MOEAIC authorized Cathay Life to remit US\$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized Cathay Life to increase the remittances from US\$26,390 thousand to US\$28,960 thousand. On August 15, 2008, MOEAIC further authorized Cathay Life to revise the remittance from US\$28,960 thousand to US\$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century Insurance in Shanghai has acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized Cathay Life to remit CNY245,000 thousand on December 6, 2018. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, Cathay Life’s board of directors resolved to suspend capital increase on January 26, 2022. As of December 30, 2021, Cathay Life’s remittances to this general insurance company totaled approximately CNY445,000 thousand and US\$28,140 thousand.
- c. On November 1, 2011 and April 11, 2012, MOEAIC authorized Cathay Life to remit CNY300,000 (US\$47,000) thousand and CNY500,000 (US\$80,000) thousand, respectively. A total of US\$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. Cathay Life’s subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. has acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized Cathay Life to remit CNY700,000 (US\$111,000) thousand to increase the share capital. As of December 30, 2021, Cathay Life’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately CNY1,500,000 thousand.
- d. On December 31, 2006, MOEAIC authorized Cathay Century to remit US\$28,960 thousand as the registered capital to establish an insurance subsidiary (in the form of a joint venture with Cathay Life) which was also approved by China Insurance Regulatory Commission on October 8, 2007. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century in Shanghai has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. On June 13, 2013 and March 18, 2014, a remittance of CNY100,000 thousand and CNY100,000 thousand as share capital were authorized by China Insurance Regulatory Commission. On November 23, 2018, according to No. 10700281680 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 document issued by the MOEAIC, Cathay Century is 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, Cathay Century’s board of directors resolved to suspend capital increase on January 26, 2022. As of December 30, 2021, Cathay Century has remitted US\$97,290 thousand in total.
- e. MOEAIC approved Cathay United Bank to remit to China CNY400,000 (US\$60,070) thousand. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY400,000 (US\$59,770) thousand. The remaining amount of US\$300 thousand was repatriated by Shanghai Branch, Cathay United Bank on November 5, 2010. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC in January 18, 2011 and were approved on January 24, 2011. In addition, MOEAIC further approved Cathay United Bank to remit CNY600,000 (US\$95,020) thousand to China. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY600,000 (US\$94,930) thousand. The remaining amount of US\$90 thousand was repatriated by Cathay United Bank’s Shanghai Branch on February 1, 2012. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC on March 20, 2012 and were approved on March 26, 2012. MOEAIC approved Cathay United Bank’s Shanghai Branch to increase the working capital of CNY1,000,000 (US\$164,000) thousand on February 27, 2014. According to MOEAIC, further approved working capital of Cathay United Bank’s Qingdao Branch was CNY600,000 (US\$98,200) thousand on January 21, 2014. The approved working capital of Cathay United Bank’s Shamchun Branch amounted to CNY400,000 (US\$60,710) thousand on January 5, 2015 and was approved on December 22, 2016.
- f. The registered capital of Cathay United Bank (China) Co., Ltd. was CNY3 billion, whose working capital was transferred from Cathay United Bank (Shanghai), Cathay United Bank (Qingdao), Cathay United Bank (Shenzhen) upon obtaining approval from the authorities.
- g. On January 9, 2012, MOEAIC authorized Cathay Securities Investments Trust to remit CNY66,600 thousand as the registered capital to establish a China-based company named CDBS Cathay Asset Management (in the form of a joint venture with China Development Bank Securities). Cathay Securities Investment Trust held 33. 3% number of shares. CDBS Cathay Asset Management’s capital is CNY200,000 thousand, and has acquired a business license of an enterprise legal person on August 16, 2013. On November 9, 2016, the board of Cathay Securities Investments Trust approved to increase investment in CDBS Cathay Asset Management accounted for using the equity method as percentage of original ownership amounted to CNY53,280 thousand. The proposal was authorized by the FSC and MOEAIC on May 16, 2017 and June 9, 2017, respectively, on September 29, 2017 increase capital and will be executed after obtaining approval by the China authorities. As of December 30, 2021, Cathay Securities Investment Trust remittances to CDBS Cathay Asset Management totaled approximately CNY119,880 thousand.

(Concluded)

TABLE 8

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Financial Holdings	Cathay Life	a	Financial assets at fair value through profit or loss	\$ 35,000,000	Not significantly different with that of third parties	0.30
		Cathay Life	a	Payables	5,253,915	Not significantly different with that of third parties	0.05
		Cathay Life	a	Interest income	1,260,000	Not significantly different with that of third parties	0.20
		Cathay United Bank	a	Receivables	513,935	Not significantly different with that of third parties	-
		Cathay Century	a	Receivables	238,909	Not significantly different with that of third parties	-
		Cathay Securities	a	Receivables	373,017	Not significantly different with that of third parties	-
		Cathay Securities Investment Trust	a	Receivables	269,811	Not significantly different with that of third parties	-
1	Cathay Life	Cathay Financial Holdings	b	Gain on investment property	140,758	Not significantly different with that of third parties	0.02
		Cathay United Bank	c	Guarantee deposits received	187,202	Not significantly different with that of third parties	-
		Cathay United Bank	c	Cash and cash equivalents	42,128,322	Not significantly different with that of third parties	0.36
		Cathay United Bank	c	Gain on investment property	727,756	Not significantly different with that of third parties	0.12
		Cathay United Bank	c	Premium Income	112,901	Not significantly different with that of third parties	0.02
		Cathay United Bank	c	Other general and administrative expense	6,374,549	Not significantly different with that of third parties	1.02
		Cathay United Bank	c	Payables	185,415	Not significantly different with that of third parties	-
		Cathay United Bank	c	Service fee and commission fee expense	1,100,121	Not significantly different with that of third parties	0.18
		Cathay United Bank	c	Net other non-interest gain	189,892	Not significantly different with that of third parties	0.03
		Cathay United Bank	c	Gain on financial assets and liabilities at fair value through profit or loss	230,210	Not significantly different with that of third parties	0.04
		Cathay United Bank	c	Financial assets at fair value through profit or loss	593,752	Not significantly different with that of third parties	0.01
		Cathay Century	c	Net other non-interest gain	674,904	Not significantly different with that of third parties	0.11
		Cathay Century	c	Gain on investment property	112,768	Not significantly different with that of third parties	0.02
		Cathay Century	c	Other general and administrative expense	110,131	Not significantly different with that of third parties	0.02
		Cathay Futures	c	Guarantee deposits paid	2,234,611	Not significantly different with that of third parties	0.02
		Cathay Securities Investment Trust	c	Service fee and commission fee expense	466,712	Not significantly different with that of third parties	0.07
		Cathay Walbrook Holding 1 Limited	c	Loans	11,741,737	Not significantly different with that of third parties	0.10
		Cathay Walbrook Holding 1 Limited	c	Interest income	374,334	Not significantly different with that of third parties	0.06
		Cathay Walbrook Holding 2 Limited	c	Loans	617,986	Not significantly different with that of third parties	0.01
		Conning holding limited	c	Payables	327,992	Not significantly different with that of third parties	-
		Conning holding limited	c	Service fee and commission fee expense	1,306,516	Not significantly different with that of third parties	0.21
2	Cathay United Bank	Cathay Century	c	Deposits	2,432,503	Not significantly different with that of third parties	0.02
		Cathay Century	c	Service fee and commission revenue	215,418	Not significantly different with that of third parties	0.03
		Cathay Century	c	Other general and administrative expense	162,782	Not significantly different with that of third parties	0.03
		Cathay Securities	c	Deposits	14,241,811	Not significantly different with that of third parties	0.12
		Cathay Securities	c	Service fee and commission fee expense	320,255	Not significantly different with that of third parties	0.05
		Cathay Securities Investment Trust	c	Deposits	159,611	Not significantly different with that of third parties	-

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
		Cathay Futures	c	Deposits	\$ 360,353	Not significantly different with that of third parties	-
		Cathay Futures	c	Guarantee deposits paid	559,180	Not significantly different with that of third parties	-
		Lin Yuan	c	Deposits	1,395,380	Not significantly different with that of third parties	0.01
		Cathay Industrial R&D Center	c	Deposits	713,251	Not significantly different with that of third parties	0.01
		CUBC Bank	c	Due to banks	886,909	Not significantly different with that of third parties	0.01
		CUBC Bank	c	Receivables	163,225	Not significantly different with that of third parties	-
		CUBCN Bank	c	Call loans to banks	6,520,460	Not significantly different with that of third parties	0.06
		CUBCN Bank	c	Other financial assets	4,346,973	Not significantly different with that of third parties	0.04
		CUBCN Bank	c	Interest income	262,021	Not significantly different with that of third parties	0.04
3	Indovina Bank	Cathay Insurance (Vietnam)	c	Deposits	243,871	Not significantly different with that of third parties	-
		Cathay Life (Vietnam)	c	Deposits	1,830,226	Not significantly different with that of third parties	0.02
		Cathay Life (Vietnam)	c	Interest expense	131,557	Not significantly different with that of third parties	0.02
4	Cathay Securities	Cathay Futures	c	Financial assets at fair value through profit or loss	1,340,849	Not significantly different with that of third parties	0.01
5	Cathay Securities Investment Trust	Conning Asia Pacific Ltd.	c	Other general and administrative expense	147,739	Not significantly different with that of third parties	0.02

Note 1: Parent company is numbered 0, subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationship:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Between subsidiaries.

Note 3: Percentage of transaction amount to total consolidated operating income and assets is calculated as follows:

For balance sheet accounts: Transaction amount ÷ Total consolidated assets

For income statement accounts: Accumulated transaction amount ÷ Total consolidated profit from operations.

Note 4: Disclosure of the important intercompany transactions above is decided by the Company based on the materiality principle.

(Concluded)

TABLE 9**CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****INFORMATION ON MAJOR SHAREHOLDERS****DECEMBER 31, 2021**

Names of Major Shareholders	Shares	
	Number of Shares held	Shareholding Percentage (%)
Wan Pao Development Co., Ltd.	2,309,617,689	15.70
Lin Yuan Investment Co., Ltd.	2,016,949,426	13.71

Note 1: Information on major shareholders in this table is regarding the shareholders who hold more than 5% of the Company's dematerialized ordinary shares and preference shares (including treasury shares) that have been registered and delivered, as calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The capital recorded in the Company's consolidated financial statements and the actual number of dematerialized shares that have been registered and delivered may differ due to the difference between the basis of preparation and calculation.

Note 2: If a shareholder holds its shares by trust, the information is individually presented in the above disclosures by the trustee who opened the trust account. As for the handling of insider shareholding declaration for shareholders holding more than 10% of the Company's shares in accordance with the Securities and Exchange Act, the number of shares held includes those held by trust in which the shareholder has the power to decide the allocation of trust assets. For more information regarding insider shareholding declaration, please refer to the Market Observation Post System website.

Cathay Financial Holding Co., Ltd.

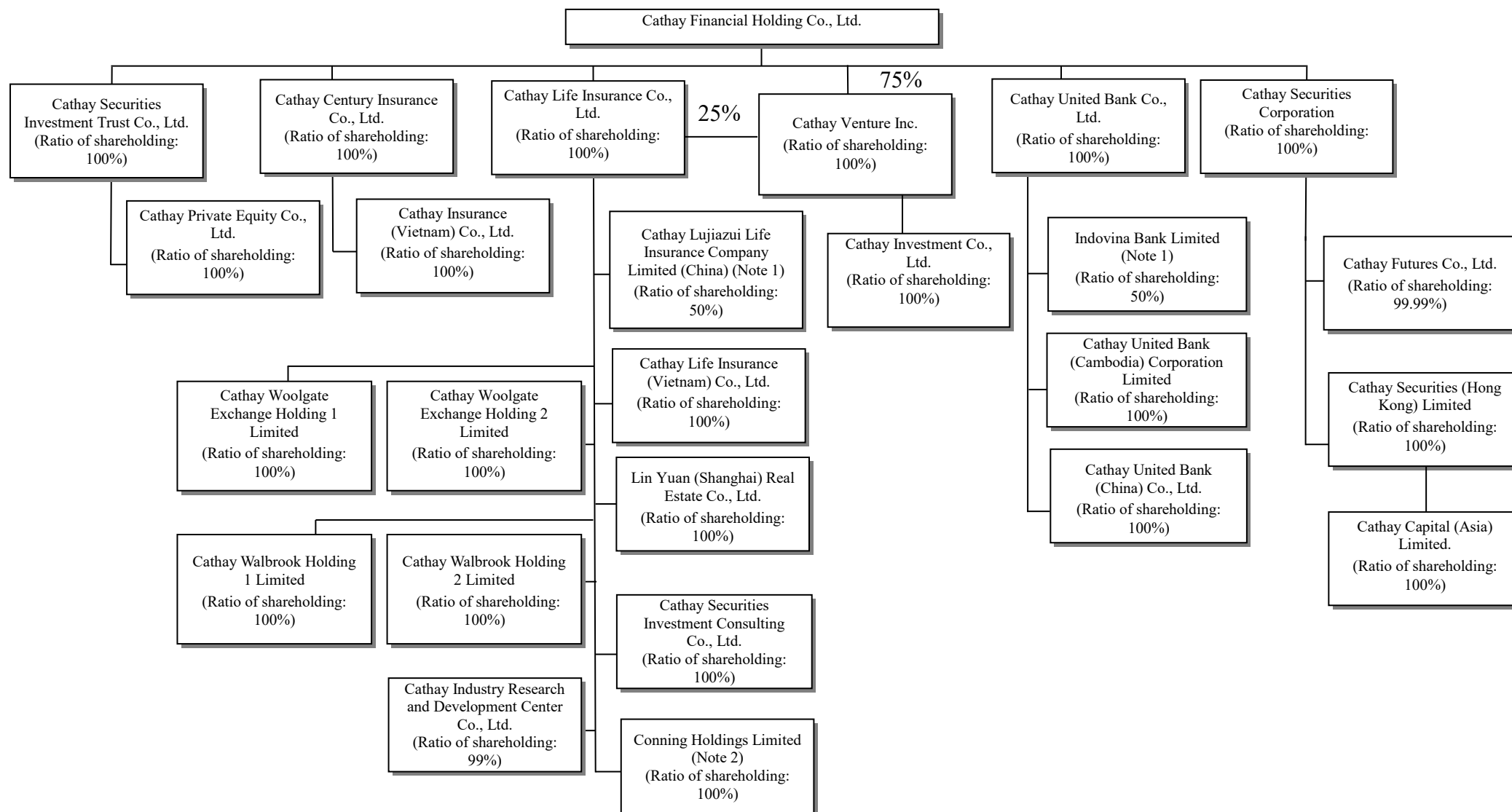
Consolidated business reports of affiliated enterprises

2021

Address: No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

Tel: (02) 2708-7698

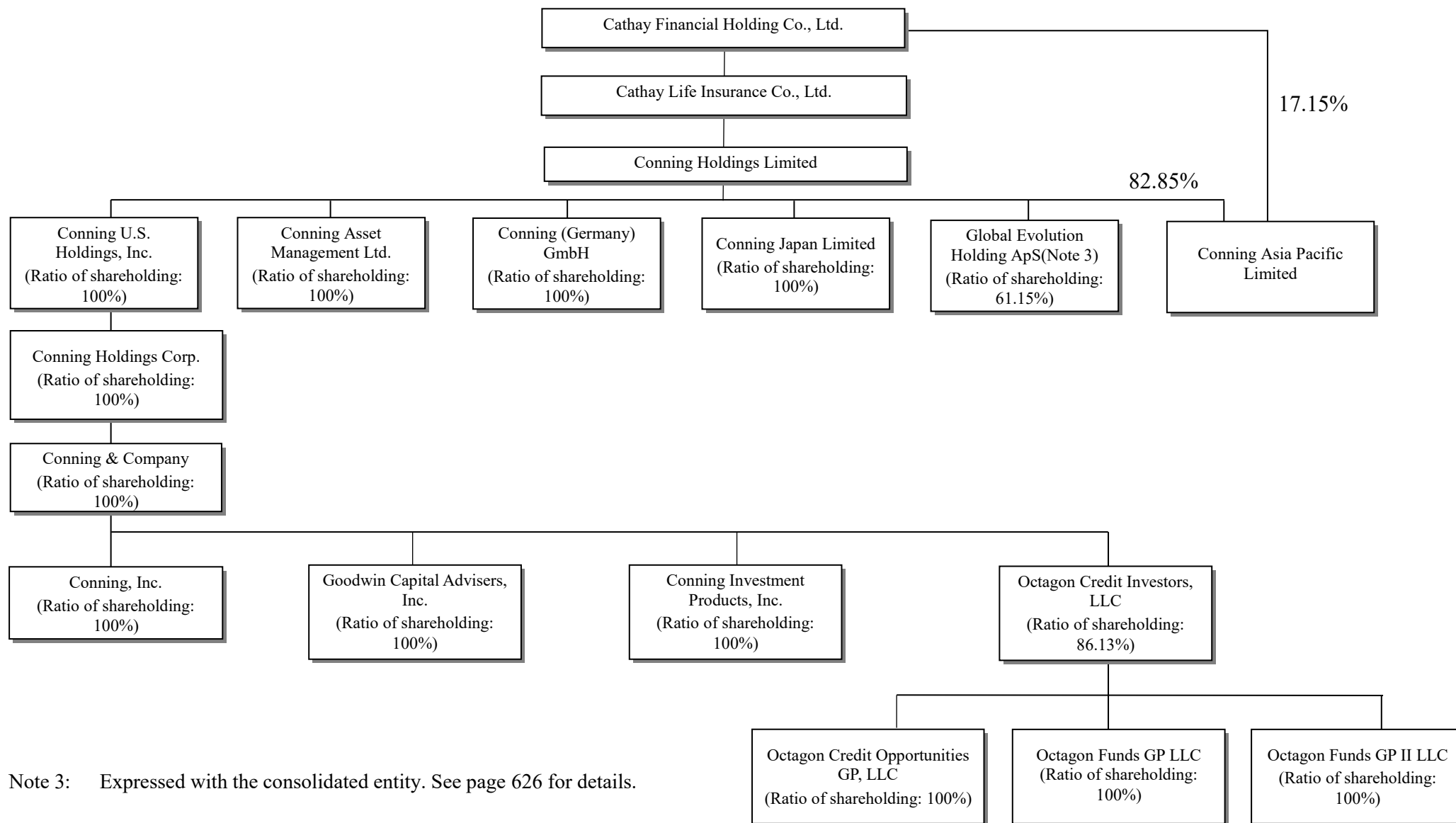
Organizational Chart of Affiliated Companies



Note 1: A subsidiary other than those referred to in Article 4 of the Financial Holding Company

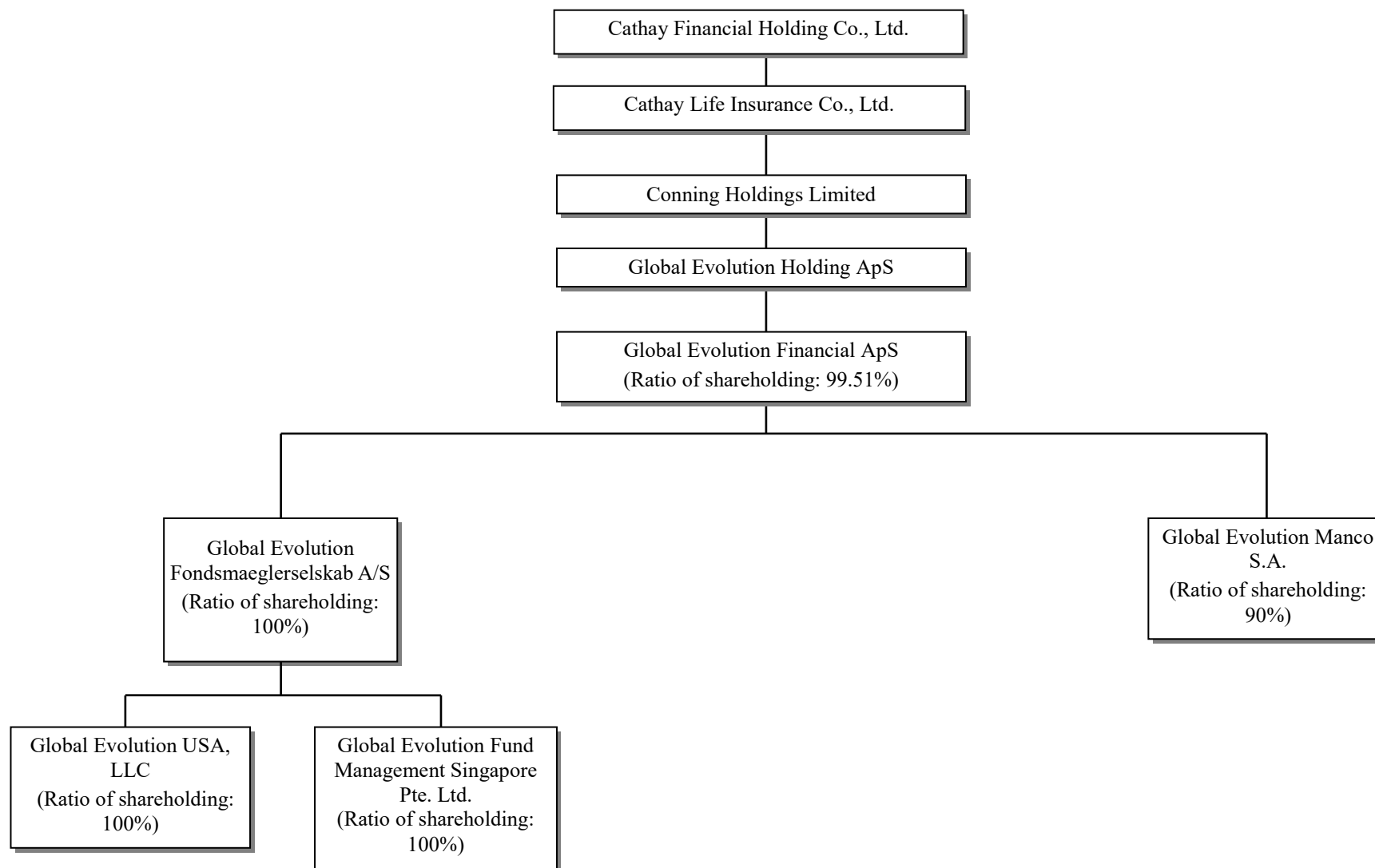
Note 2: Act. Expressed with the consolidated entity. See page 625 for details.

Organizational Chart of Affiliated Companies (Continued)



Note 3: Expressed with the consolidated entity. See page 626 for details.

Organizational Chart of Affiliated Companies (Continued)



Basic information on affiliates

Unit: NT\$ thousand

Corporate name	Date of Establishment	Address	Paid-in capital	Scope of business/production
Cathay Financial Holding Co., Ltd.	2001.12.31	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	\$ 147,025,102	Financial Holdings
Cathay Life Insurance Co., Ltd.	1962.10.23	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	58,515,274	Personal Insurance
Cathay United Bank Co., Ltd.	1975.1.4	No.7, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	106,985,830	Commercial Bank
Cathay Century Insurance Co., Ltd.	1993.7.19	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	3,057,052	Property and Casualty Insurance
Cathay Securities Corporation	2004.5.12	19F. & 20F., No. 333 and 6F., 10F., 18F., 19F., 20F., 21F., & 22F., No. 335, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	7,300,000	Securities Business
Cathay Venture Inc.	2003.4.10	7F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	5,181,730	Venture Capital Business
Cathay Securities Investment Trust Co., Ltd.	2000.2.11	6F., No. 39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	1,500,000	Securities Investment Trust
Cathay Securities Investment Consulting Co., Ltd.	2002.11.25	6F., No. 108, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	300,000	Securities investment consulting
Cathay Industry Research and Development Center Co., Ltd.	110.01.08	12F., No. 339, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	1,000,000	Real estate leasing
Cathay Lujiazui Life Insurance Company Limited	2004.12.29	38F., Qiantan Center, No.588, Dongyu Road/No.555, Haiyang West Road, Pilot Free Trade Zone, Shanghai, China	13,497,155	Personal Insurance
Lin Yuan (Shanghai) Real Estate Co., Ltd.	2012.8.15	Room 306, 3F., Dining-2 Department, Hua Du Tower, No. 828-838 Zhangyang Road, Pilot Free Trade Zone, Shanghai	7,223,435	Leasing of Proprietary Office Space
Cathay Life Insurance (Vietnam) Co., Ltd.	2007.11.21	46-48-50 Pham Hong Thai Street, District 1, Ho Chi Minh City, Vietnam	20,370,930	Personal Insurance
Cathay Woolgate Exchange Holding 1 Limited	2014.7.30	IFC 5, St. Helier, Jersey, JE1 1ST	16,654,013	Management of Real Estate Investment
Cathay Woolgate Exchange Holding 2 Limited	2014.7.30	IFC 5, St. Helier, Jersey, JE1 1ST	168,222	Management of Real Estate Investment
Cathay Walbrook Holding 1 Limited	2015.3.31	IFC 5, St. Helier, Jersey, JE1 1ST	10,189,090	Management of Real Estate Investment
Cathay Walbrook Holding 2 Limited	2015.3.31	IFC 5, St. Helier, Jersey, JE1 1ST	536,268	Management of Real Estate Investment

Basic information on affiliates (Continued)

Unit: NT\$ thousand

Corporate name	Date of Establishment	Address	Paid-in capital	Scope of business/production
Conning Holdings Limited	2015.6.10	24 Monument Street, London, EC3R 8AJ, United Kingdom	\$ 15,723,539	Holdings Company
Conning U.S. Holdings, Inc.	2015.6.10	One Financial Plaza, Hartford, CT, 06103, USA	-	Holdings Company
Conning Asset Management Ltd.	1998.10.16	24 Monument Street, London, EC3R 8AJ, United Kingdom	191,303	Asset Management
Conning (Germany) GmbH	2012.1.10	Augustinerstr. 10, 50667, Cologne, Germany	938	Risk Management Software Business
Conning Asia Pacific Limited	2011.7.6	19/F LHT Tower, 31 Queen's Road Central, Hong Kong	577,686	Asset Management
Conning Japan Limited	2015.9.3	Oak Minami-Azabu Building 2F, 3-19-23 Minami-Azabu, Minato-ku, Tokyo, Japan	-	Asset Management
Global Evolution Holding ApS	2007.5.1	Kokholm 3A, DK-6000 Kolding, Denmark	127,319	Holdings Company
Conning Holdings Corp.	2009.6.5	One Financial Plaza, Hartford, CT, 06103, USA	-	Holdings Company
Conning & Company	1986.7.10	One Financial Plaza, Hartford, CT, 06103, USA	4,485	Holdings Company
Conning, Inc.	1982.9.13	One Financial Plaza, Hartford, CT, 06103, USA	329	Asset Management
Goodwin Capital Advisers, Inc.	1930.3.14	One Financial Plaza, Hartford, CT, 06103, USA	172	Asset Management
Conning Investment Products, Inc.	2002.2.13	One Financial Plaza, Hartford, CT, 06103, USA	-	Securities Business
Octagon Credit Investors, LLC	1998.12.29	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Asset Management
Octagon Credit Opportunities GP, LLC	2014.6.13	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business
Octagon Funds GP LLC	2014.11.13	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business
Octagon Funds GP II LLC	2016.1.21	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business

Basic information on affiliates (Continued)

Unit: NT\$ thousand

Corporate name	Date of Establishment	Address	Paid-in capital	Scope of business/production
Global Evolution Financial ApS	2019.1.1	Kokholm 3A, DK-6000 Kolding, Denmark	\$ -	Asset Management
Global Evolution Fondsmæglerselskab A/S	2007.6.4	Kokholm 3A, DK-6000 Kolding, Denmark	-	Asset Management
Global Evolution Manco S.A.	2016.8.17	15, Rue d'Epernay, L-1490 Luxemboug, Luxemburg	-	Asset Management
Global Evolution USA, LLC	2012.1.27	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Asset Management
Global Evolution Fund Management Singapore Pte. Ltd.	2019.10.10	6 Battery Road, #30-00, Singapore 0499909	-	Asset Management
Cathay Insurance (Vietnam) Co., Ltd.	2010.11.2	6th floor, 46-48-50 Pham Hong Thai Street, District 1, Ho Chi Minh City, Vietnam	845,585	Property and Casualty Insurance
Indovina Bank Limited	1992.10.29	97A Nguyen Van Troi Street Ward 12, Phu Nhuan Dist., HCMC, Vietnam	6,094,911	Banking
Cathay United Bank (Cambodia) Corporation Limited	1993.7.5	No.68, Samdech Pan Street (St.214), Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia	3,020,769	Banking
Cathay United Bank (China) Co., Ltd.	2018.9.3	Unit 01-03, 8F., and Unit 01 and 04B, 15F., No. 1366, Lujiazui Ring Road, Pudong New District, Shanghai (Foxconn Building)	14,377,562	Banking
Cathay Futures Co., Ltd.	1993.12.29	19F., No. 333, and 5F and 10F., No. 335, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	667,000	Futures business
Cathay Securities (Hong Kong) Limited	2007.3.22	Room 1001, 10F., China Building, No. 29 Queen's Road Central, Hong Kong	1,108,244	Securities Business
Cathay Capital (Asia) Limited.	2020.2.24	Unit B, 17th floor, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong.	3,875	Investment Business
Cathay Investment Co., Ltd.	2019.11.5	7F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	35,000	Venture Capital Business
Cathay Private Equity Co., Ltd.	2017.11.15	6F., No. 39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	150,000	Private equity service

Information on common shareholders assumed to be in a controlling and subordinate relationship

Unit: NT\$ thousand; Share; %

Reason of assumption	Name (Note 1)	Number of shares held (Note 2)		Date of Establishment	Address	Paid-in capital	Core Business
		Number of shares	Ratio of shareholding				
None							

Note 1: If the subsidiaries share identical shareholders that are corporations, the preparer should fill in the name of the corporations. If the subsidiaries share identical individual shareholders, the preparer should fill in the name of the individuals. Individual shareholders only need to fill in the reason of assumption, the names, and the number of shares held.

Note 2: The preparer fills in the information on stock ownership on the company that shareholders control in the section on the shares held.

Information on directors, supervisors, and presidents of affiliated corporations

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Financial Holding Co., Ltd.	Chairman	Hong-Tu Tsai	51,553,364	0.35%
	Vice Chairman	Tsu-Pei Chen (Representative of Culture and Charity Foundation of the Cathay United Bank)	6,600,740	0.05%
	Director	Andrew Ming-Jian Kuo (Representative of Culture and Charity Foundation of the Cathay United Bank)	6,600,740	0.05%
	Director	Cheng-Ta Tsai (Representative of Chia Yi Capital Co., Ltd.)	60,241,183	0.41%
	Director	Chi-Wei Joong (Representative of Chia Yi Capital Co., Ltd.)	60,241,183	0.41%
	Director	Cheng-Chiu Tsai (Representative of Chen-Sheng Industrial Co., Ltd.)	33,875,134	0.23%
	Director	Tiao-Kuei Huang (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.24%
	Director	Ming-Ho Hsiung (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.24%
	Director	Chang-Ken Lee (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.24%
	Independent Director	Edward Yung-Do Way	-	-
	Independent Director	Feng-Chiang Miao	-	-
	Independent Director	Li-Ling Wang	-	-
	Independent Director	Tang-Chieh Wu	-	-
	President	Chang-Ken Lee	151,729	0.001%

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Life Insurance Co., Ltd.	Chairman	Tiao-Kuei Huang (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Vice Chairman	Ming-Ho Hsiung (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Tzung-Han Tsai (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Chung-Yan Tsai (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Chung-Chiang Chu (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Shang-Chi Liu (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Chao-Ting Lin (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Yi-Tsung Wang (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Independent Director	Li-Ling Wang (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Independent Director	Tang-Chieh Wu (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Managing Supervisor	Chih-Ying Tsai (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Supervisor	Chih-Ming Lin (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Supervisor	Yung-Chen Li (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Supervisor	Han-Chang Tsai (Representative of Cathay Financial Holdings)	5,851,527,395	100%
	President	Shang-Chi Liu	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay United Bank Co., Ltd.	Chairman	Andrew Ming-Jian Kuo (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Vice Chairman	Tzung-Han Tsai (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Managing Director/Independent Director	Tang-Chieh Wu (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Managing Director	Alan Lee (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Managing Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Han-Guo Chen (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Chi-Wei Joong (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Grace Chen (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Tsung-Hsien Tsai (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Wei-Hua Chou (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Jian-Hsing Wu (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Sophia Cheng (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Independent Director	Edward Yung-Do Way (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Managing Supervisor	Yao-Chun Lai (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Supervisor	Ching-Hua Chiu (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	President	Alan Lee	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Century Insurance Co., Ltd.	Chairman	Cheng-Chiu Tsai (Representative of Cathay Financial Holdings)	305,705,194	100%
	Vice Chairman	Jung-Hsien Hsu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Fa-Te Chang (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Tsu-Yao Lu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Chih-Yi Yu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Tsung-Hsien Tsai (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Wan-Hsiang Chen (Representative of Cathay Financial Holdings)	305,705,194	100%
	Independent Director	Tang-Chieh Wu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	305,705,194	100%
	Managing Supervisor	Chin-Hsing Liu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Supervisor	Tso-Hsing Hsu (Representative of Cathay Financial Holdings)	305,705,194	100%
	President	Wan-Hsiang Chen	-	-
Cathay Securities Corporation	Chairman	Shun-Yu Chuang (Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Chin-Hsing Liu (Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Kuan-Cheng Chou (Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Chuang-Hao Lo (Representative of Cathay Financial Holdings)	730,000,000	100%
	Independent Director	Edward Yung-Do Way (Representative of Cathay Financial Holdings)	730,000,000	100%
	Independent Director	Wei-Kang Pan (Representative of Cathay Financial Holdings)	730,000,000	100%
	Supervisor	Ta-Kun Liu (Representative of Cathay Financial Holdings)	730,000,000	100%
	Supervisor	Bo-Sheng Fu (Representative of Cathay Financial Holdings)	730,000,000	100%
	President	Kuan-Cheng Chou	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Venture Inc.	Chairman	Jen-Ho Chang (Representative of Cathay Financial Holdings)	388,629,745	75%
	Director	Sophia Cheng (Representative of Cathay Financial Holdings)	388,629,745	75%
	Director	Grace Chen (Representative of Cathay Financial Holdings)	388,629,745	75%
	Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	388,629,745	75%
	Director	Chuan-Yen Hu (Representative of Cathay Financial Holdings)	388,629,745	75%
	Supervisor	Shun-Yu Chuang	-	-
	President	Jen-Ho Chang	-	-
Cathay Securities Investment Trust Co., Ltd.	Chairman	Jeff Chang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Andrew Ming-Jian Kuo (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Yung-Chuan Chang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Yi-Fang Tsai (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Linwood (“Woody”) E. Bradford, Jr. (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Hung-Ming Li (Representative of Cathay Financial Holdings)	150,000,000	100%
	Supervisor	Jui-Hung Hung (Representative of Cathay Financial Holdings)	150,000,000	100%
	President	Yung-Chuan Chang	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Securities Investment Consulting Co., Ltd.	Chairman	Yi-Tsung Wang (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Ching-Li Chang (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Linwood (“Woody”) E. Bradford, Jr. (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Hsiang-Sung Chang (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Chun-Hung Wu (Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Ruo-Lan Huang (Representative of Cathay Life Insurance)	30,000,000	100%
	Supervisor	Wei-Chi Li (Representative of Cathay Life Insurance)	30,000,000	100%
	President	Ruo-Lan Huang	-	-
Cathay Industry Research and Development Center Co., Ltd.	Chairman	Jen-Ho Chang	-	-
	Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	99,000,000	99%
	Director	Min-Hung Shih	-	-
	Supervisor	Xu-Feng Zheng	-	-
	President	-	-	-
Cathay Lujiazui Life Insurance Company Limited	Chairman	Tso-Chiang Li (Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.)	-	50%
	Director	Yen Wang (Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.)	-	50%
	Director	Tung-Kai Ou Yang (Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.)	-	50%
	Director	Shih-Chiao Lin (Representative of Cathay Life Insurance)	-	50%
	Director	Chun-Hung Wu (Representative of Cathay Life Insurance)	-	50%
	Director	Chih-Jung Kun (Representative of Cathay Life Insurance)	-	50%
	Independent Director	Fang-Shu Chan (Representative of Cathay Life Insurance)	-	50%
	Independent Director	Chiang-Feng Lin (Representative of Cathay Life Insurance)	-	50%
	Independent Director	Chung-Chi Chang (Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.)	-	50%
	Independent Director	Tao-Yung Lou (Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.)	-	50%
	President	Chih-Jung Kun	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Chairman	Wen-Kai Kuo (Representative of Cathay Life Insurance)	-	100%
	Director	Wei-Chi Li (Representative of Cathay Life Insurance)	-	100%
	Director	Min-Hung Shih (Representative of Cathay Life Insurance)	-	100%
	Supervisor	Xu-Feng Zheng (Representative of Cathay Life Insurance)	-	100%
	President	-	-	-
Cathay Life Insurance (Vietnam) Co., Ltd.	Chairman	Chun-Hung Wu (Representative of Cathay Life Insurance)	-	100%
	Director	Shih-Chiao Lin (Representative of Cathay Life Insurance)	-	100%
	Director	Hsun-Yu Li (Representative of Cathay Life Insurance)	-	100%
	Supervisor	Ke-Wen Chang (Representative of Cathay Life Insurance)	-	100%
	President	Hsun-Yu Li	-	-
Cathay Woolgate Exchange Holding 1 Limited	Executive Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	326,700,000	100%
	Director	Ting-Lun Li (Representative of Cathay Life Insurance)	326,700,000	100%
	Director	Min-Hung Shih (Representative of Cathay Life Insurance)	326,700,000	100%
	President	-	-	-
Cathay Woolgate Exchange Holding 2 Limited	Executive Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	3,300,000	100%
	Director	Yi-Hui Chien (Representative of Cathay Life Insurance)	3,300,000	100%
	Director	Min-Hung Shih (Representative of Cathay Life Insurance)	3,300,000	100%
	President	-	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Walbrook Holding 1 Limited	Executive Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	213,750,000	100%
	Director	Xu-Feng Zheng (Representative of Cathay Life Insurance)	213,750,000	100%
	Director	Ting-Lun Li (Representative of Cathay Life Insurance)	213,750,000	100%
	President	-	-	-
Cathay Walbrook Holding 2 Limited	Executive Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	11,250,000	100%
	Director	Xu-Feng Zheng (Representative of Cathay Life Insurance)	11,250,000	100%
	Director	Min-Hung Shih (Representative of Cathay Life Insurance)	11,250,000	100%
	President	-	-	-
Conning Holdings Limited	Chairman	Linwood (“Woody”) E. Bradford, Jr. (Representative of Cathay Life Insurance)	2,029,287	100%
	Director	David P. Sun (Representative of Cathay Life Insurance)	2,029,287	100%
	Director	Tzung-Han Tsai (Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	John Boneparth (Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	Meryl D. Hartzband (Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	Ronald P. Joelson (Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	David P. Marks (Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	Jason Rotman (Representative of Cathay Life Insurance)	2,029,287	100%
	President	-	-	-
Conning U.S. Holdings, Inc.	Chairman	Linwood (“Woody”) E. Bradford, Jr. (Representative of Conning Holdings Limited)	218	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	218	100%
	President	-	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Conning Asset Management Ltd.	Chairman	Linwood (“Woody”) E. Bradford, Jr. (Representative of Conning Holdings Limited)	3,734,000	100%
	Director	Russell Busst (Representative of Conning Holdings Limited)	3,734,000	100%
	Director	Simon Hawkins (Representative of Conning Holdings Limited)	3,734,000	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	3,734,000	100%
	Non-Executive Director	Michael Carpenter (Representative of Conning Holdings Limited)	3,734,000	100%
	Non-Executive Director	David P. Marks (Representative of Conning Holdings Limited)	3,734,000	100%
	President	-	-	-
Conning (Germany) GmbH	Chairman	Linwood (“Woody”) E. Bradford, Jr. (Representative of Conning Holdings Limited)	25,100	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	25,100	100%
	President	-	-	-
Conning Asia Pacific Limited	Chairman	Linwood (“Woody”) E. Bradford, Jr. (Representative of Conning Holdings Limited)	226,150,417	82.85%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	226,150,417	82.85%
	Director	Bo Rolf Anders Kratz (Representative of Conning Holdings Limited)	226,150,417	82.85%
	Director	Siew Mee Yeo (Representative of Conning Holdings Limited)	226,150,417	82.85%
	President	-	-	-
Conning Japan Limited	Director	Bo Rolf Anders Kratz (Representative of Conning Holdings Limited)	1	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	1	100%
	President	-	-	-
Global Evolution Holding ApS	Chairman	Linwood (“Woody”) E. Bradford, Jr. (Representative of Conning Holdings Limited)	4,254,102	61.15%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	4,254,102	61.15%
	President	-	-	-
Conning Holdings Corp.	Chairman	Linwood (“Woody”) E. Bradford, Jr. (Representative of Conning U.S. Holdings, Inc.)	1,000	100%
	Director	Jung W. Lee (Representative of Conning U.S. Holdings, Inc.)	1,000	100%
	President	-	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Conning & Company	Chairman	Linwood (“Woody”) E. Bradford, Jr. (Representative of Conning Holdings Corp.)	1,000	100%
	Director	Jung W. Lee (Representative of Conning Holdings Corp.)	1,000	100%
	Director	Michael E. Haylon (Representative of Conning Holdings Corp.)	1,000	100%
	President	-	-	-
Conning, Inc.	Chairman	Linwood (“Woody”) E. Bradford, Jr. (Representative of Conning & Company)	100	100%
	Director	Jung W. Lee (Representative of Conning & Company)	100	100%
	Director	Michael E. Haylon (Representative of Conning & Company)	100	100%
	President	-	-	-
Goodwin Capital Advisers, Inc.	Chairman	Linwood (“Woody”) E. Bradford, Jr. (Representative of Conning & Company)	628,000	100%
	Director	Jung W. Lee (Representative of Conning & Company)	628,000	100%
	Director	Richard Sega (Representative of Conning & Company)	628,000	100%
	Director	Michael E. Haylon (Representative of Conning & Company)	628,000	100%
	President	-	-	-
Conning Investment Products, Inc.	Chairman	Linwood (“Woody”) E. Bradford, Jr. (Representative of Conning & Company)	1,000	100%
	Director	Jung W. Lee (Representative of Conning & Company)	1,000	100%
	Director	Michael E. Haylon (Representative of Conning & Company)	1,000	100%
	President	-	-	-
Octagon Credit Investors, LLC	Chairman	Linwood (“Woody”) E. Bradford, Jr. (Representative of Conning & Company)	-	86.13%
	Director	Jung W. Lee (Representative of Conning & Company)	-	86.13%
	Director	Richard Sega (Representative of Conning & Company)	-	86.13%
	Director	Andrew D. Gordon (Representative of Conning & Company)	-	86.13%
	Director	Michael Nechamkin (Representative of Conning & Company)	-	86.13%
	President	-	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Octagon Credit Opportunities GP, LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funds GP LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funds GP II LLC	N/A	Octagon Credit Investors, LLC	-	100%
Global Evolution Financial ApS	N/A	Global Evolution Holding ApS	-	99.51%
Global Evolution Fondsmaglerselskab A/S	N/A	Global Evolution Financial ApS	-	100%
Global Evolution Manco S.A.	N/A	Global Evolution Financial ApS	-	90%
Global Evolution USA, LLC	N/A	Global Evolution Fondsmaglerselskab A/S	-	100%
Global Evolution Fund Management Singapore Pte. Ltd.	N/A	Global Evolution Fondsmaglerselskab A/S	-	100%
Cathay Insurance (Vietnam) Co., Ltd.	Chairman	Yi-Min Hu (Representative of Cathay Insurance Co., Ltd.)	-	100%
	Director	Yu-Tang Lin (Representative of Cathay Insurance Co., Ltd.)	-	100%
	Director	Ming-Chiao Liang (Representative of Cathay Insurance Co., Ltd.)	-	100%
	President	Yu-Tang Lin	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Indovina Bank Limited	Chairman	Le Duy Hai (Representative of Vietinbank)	-	50%
	Vice Chairman	Ming-Hsien Li (Representative of Cathay United Bank)	-	50%
	Director	Jun-Hao Liu (Representative of Cathay United Bank)	-	50%
	Director	Yi-Fang Chan (Representative of Cathay United Bank)	-	50%
	Director	Tran Thi Hong Anh (Representative of Vietinbank)	-	50%
	Director	Pham Bao Khue (Representative of Vietinbank)	-	50%
	President	Jun-Hao Liu	-	-
Cathay United Bank (Cambodia) Corporation Limited	Chairman	Chung-Yi Teng (Representative of Cathay United Bank)	100,000,000	100%
	Director	David P. Sun (Representative of Cathay United Bank)	100,000,000	100%
	Director	Chih-Feng Wang (Representative of Cathay United Bank)	100,000,000	100%
	Director	Hua-Ben Miao (Representative of Cathay United Bank)	100,000,000	100%
	Director	Hsiu-Chu Chuang (Representative of Cathay United Bank)	100,000,000	100%
	Independent Director	Wu-Shui Cheng (Representative of Cathay United Bank)	100,000,000	100%
	Independent Director	Chang-Chuan Hsia (Representative of Cathay United Bank)	100,000,000	100%
	President	Hsiu-Chu Chuang	-	-
Cathay United Bank (China) Co., Ltd.	Chairman	Wei-Hua Chou (Representative of Cathay United Bank)	-	100%
	Director	Alan Lee (Representative of Cathay United Bank)	-	100%
	Director	Chung-Yi Teng (Representative of Cathay United Bank)	-	100%
	Director	Francis Peng (Representative of Cathay United Bank)	-	100%
	Independent Director	Bin Tang	-	100%
	Independent Director	Wu-Shui Cheng (Representative of Cathay United Bank)	-	100%
	Independent Director	Ching-Cheng Hua (Representative of Cathay United Bank)	-	100%
	Supervisor	Hsiang-Hsin Tsai (Representative of Cathay United Bank)	-	100%
	President	Francis Peng	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Corporate name	Title	Name of individual or representative(s)	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Futures Co., Ltd.	Chairman	Kuan-Cheng Chou (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Ju-Ping Chiu (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Chuang-Hao Lo (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Chao-Kuei Kuo (Representative of Cathay Securities)	66,693,748	99.99%
	Supervisor	Yu-Mei Lee	-	-
	President	Chuang-Hao Lo	-	-
Cathay Securities (Hong Kong) Limited	Managing Director	Shun-Yu Yang (Representative of Cathay Securities)	-	100%
	Director	Wan-Jin, Chen (Representative of Cathay Securities)	-	100%
	Director	Hsing-Chien Chao (Representative of Cathay Securities)	-	100%
	President	-	-	-
Cathay Capital (Asia) Limited.	Managing Director	Shun-Yu Yang (Representative of Cathay Securities (Hong Kong) Limited)	-	100%
	Director	Chu-Wang Wu (Representative of Cathay Securities (Hong Kong) Limited)	-	100%
	Director	Chi-Wu Chen (Representative of Cathay Securities (Hong Kong) Limited)	-	100%
	President	-	-	-
Cathay Investment Co., Ltd.	Chairman	Jen-Ho Chang (Representative of Cathay Venture)	3,500,000	100%
	Supervisor	Chang-Hui Hung (Representative of Cathay Venture)	3,500,000	100%
	President	Jen-Ho Chang	-	-
Cathay Private Equity Co., Ltd.	Chairman	Jeff Chang (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Director	Andrew Ming-Jian, Kuo (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Director	Yung-Chuan, Chang (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Director	Chuan-Yen Hu (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Director	Hui-Chun Wu (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Supervisor	Kuo-Chung Huang (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	President	Chuan-Yen Hu	-	-

Operating overview of affiliated corporations

Unit: NT\$ thousand

Corporate name	Location	Capital	Total assets	Total Liabilities	Net worth	Operating revenues	Operating Profit /Net income	Current pre-tax profit	Income tax (expense) credit	Current net income	Earnings per share (NT\$)
Cathay Financial Holding Co., Ltd.	Taiwan	\$ 147,025,102	\$1,024,772,420	\$ 122,734,274	\$ 902,038,146	Note 1	\$ 142,322,780	\$ 140,556,310	(\$ 1,042,228)	\$ 139,514,082	10.34
Cathay Life Insurance Co., Ltd.	Taiwan	58,515,274	7,985,611,163	7,251,168,251	734,442,912	914,869,993	123,035,433	124,599,073	(12,368,278)	112,230,795	19.18
Cathay United Bank Co., Ltd.	Taiwan	106,985,830	3,380,077,555	3,133,726,443	246,351,112	Note 1	61,210,193	26,716,196	(3,372,000)	23,344,196	2.18
Cathay Century Insurance Co., Ltd.	Taiwan	3,057,052	49,312,402	34,865,089	14,447,313	21,836,128	2,514,397	2,556,763	(381,465)	2,175,298	7.12
Cathay Securities Corporation	Taiwan	7,300,000	56,869,433	43,824,399	13,045,034	6,840,727	2,666,641	2,720,376	(519,834)	2,200,542	3.01
Cathay Venture Inc.	Taiwan	5,181,730	6,477,090	52,520	6,424,570	518,051	466,237	465,005	(29,369)	435,636	0.84
Cathay Securities Investment Trust Co., Ltd.	Taiwan	1,500,000	4,540,105	988,137	3,551,968	3,855,397	1,877,684	1,778,571	(376,153)	1,402,418	9.35
Cathay Securities Investment Consulting Co., Ltd.	Taiwan	300,000	924,924	224,950	699,974	941,120	318,187	317,483	(63,496)	253,987	8.47
Cathay Industry Research and Development Center Co., Ltd.	Taiwan	1,000,000	2,388,697	1,471,679	917,018	(33,281)	(95,348)	(95,348)	12,366	(82,982)	(0.83)
Cathay Lujiazui Life Insurance Company Limited	China	13,497,155	71,971,070	58,882,780	13,088,290	18,345,788	703,957	696,328	83,420	779,748	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	China	7,223,435	8,820,894	672,881	8,148,013	329,311	287,672	287,672	(71,918)	215,754	-
Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	20,370,930	32,411,634	9,635,734	22,775,900	4,409,627	80,884	88,010	-	88,010	-
Cathay Woolgate Exchange Holding 1 Limited	Jersey Island	16,654,013	13,142,740	151	13,142,589	479,060	370,847	370,847	(32,379)	338,468	-
Cathay Woolgate Exchange Holding 2 Limited	Jersey Island	168,222	130,595	151	130,444	4,829	3,049	3,049	(165)	2,884	-
Cathay Walbrook Holding 1 Limited	Jersey Island	10,189,090	20,330,244	11,746,604	8,583,640	578,970	102,463	102,463	(14,813)	87,650	-
Cathay Walbrook Holding 2 Limited	Jersey Island	536,268	1,072,473	625,653	446,820	30,470	4,404	4,404	(262)	4,142	-
Conning Holdings Limited (Note 2)	UK	15,723,539	24,855,613	9,605,029	15,250,584	10,453,473	2,627,127	2,627,127	(541,300)	2,085,827	-
Conning U.S. Holdings, Inc.	USA	-	16,074,629	5,423,894	10,650,735	7,422,919	1,289,717	1,289,717	(258,481)	1,031,236	-
Conning Asset Management Ltd.	UK	191,303	402,349	136,504	265,845	282,400	37,117	37,117	(5,351)	31,766	-
Conning (Germany) GmbH	Germany	938	46,304	22,022	24,282	13,287	3,583	3,583	(2,118)	1,465	-
Conning Asia Pacific Limited	Hong Kong	577,686	560,888	115,867	445,021	484,926	149,916	149,916	(9,805)	140,111	-
Conning Japan Limited	Japan	-	11	-	11	-	-	-	-	-	-
Global Evolution Holding ApS	Denmark	127,319	2,004,210	782,784	1,221,426	2,309,929	1,283,691	1,283,691	(307,032)	976,659	-
Conning Holdings Corp.	USA	-	11,057,616	4,390,364	6,667,252	7,422,919	1,383,466	1,383,466	(285,971)	1,097,495	-
Conning & Company	USA	4,485	10,359,635	4,402,731	5,956,904	7,422,938	1,386,447	1,386,447	(285,833)	1,100,614	-
Conning, Inc.	USA	329	2,840,592	1,641,565	1,199,027	3,677,383	244,795	244,795	(25,932)	218,863	-
Goodwin Capital Advisers, Inc.	USA	172	63,638	19,313	44,325	84,736	43,946	43,946	(8,096)	35,850	-
Conning Investment Products, Inc.	USA	-	20,773	2,440	18,333	13,084	(2,720)	(2,720)	(98)	(2,818)	-
Octagon Credit Investors, LLC	USA	-	3,709,634	1,210,923	2,498,711	3,783,786	1,304,820	1,304,820	(33,213)	1,271,607	-

Corporate name	Location	Capital	Total assets	Total Liabilities	Net worth	Operating revenues	Operating Profit /Net income	Current pre-tax profit	Income tax (expense) credit	Current net income	Earnings per share (NT\$)
Octagon Credit Opportunities GP, LLC	USA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Octagon Funds GP LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funds GP II LLC	USA	-	-	-	-	-	-	-	-	-	-
Global Evolution Financial ApS	Denmark	-	-	-	-	-	-	-	-	-	-
Global Evolution Fondsmæglerselskab A/S	Denmark	-	-	-	-	-	-	-	-	-	-
Global Evolution Manco S.A.	Luxembourg	-	-	-	-	-	-	-	-	-	-
Global Evolution USA, LLC	USA	-	-	-	-	-	-	-	-	-	-
Global Evolution Fund Management Singapore Pte. Ltd.	Singapore	-	-	-	-	-	-	-	-	-	-
Cathay Insurance (Vietnam) Co., Ltd.	Vietnam	845,585	1,214,847	587,784	627,063	360,019	38,018	37,177	(10,112)	27,065	-
Indovina Bank Limited	Vietnam	6,094,911	68,528,509	59,776,329	8,752,180	Note 1	2,175,330	1,138,282	(210,046)	928,236	-
Cathay United Bank (Cambodia) Corporation Limited	Cambodia	3,020,769	12,083,921	9,135,232	2,948,689	Note 1	533,115	117,807	(15,685)	102,122	1.02
Cathay United Bank (China) Co., Ltd.	China	14,377,562	81,801,723	65,217,459	16,584,264	Note 1	1,237,674	311,968	(73,452)	238,516	-
Cathay Futures Co., Ltd.	Taiwan	667,000	14,470,981	12,337,563	2,133,418	373,013	(12,531)	56,615	(7,341)	49,274	0.74
Cathay Securities (Hong Kong) Limited	Hong Kong	1,108,244	1,150,989	617,754	533,235	95,696	(44,118)	(40,735)	-	(40,735)	-
Cathay Capital (Asia) Limited.	Hong Kong	3,875	1,405,235	1,398,834	6,401	24,688	6,332	6,337	(3,029)	3,308	-
Cathay Investment Co., Ltd.	Taiwan	35,000	34,276	39	34,237	54	(156)	(154)	(141)	(295)	(0.08)
Cathay Private Equity Co., Ltd.	Taiwan	150,000	118,338	14,196	104,142	17,504	(24,944)	(28,210)	4,946	(23,264)	(2.19)

Note 1: Due to revisions in Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and Regulations Governing the Preparation of Financial Reports by Public Banks, the financial statements of such companies do not include items such as operating revenue and operating income. Therefore, the company only discloses net income.

Note 2: Conning Holdings Limited is presented on a consolidated basis.

Brief descriptions of the operations of affiliated corporations

I. Businesses activities covered by affiliated companies:

- (1) Cathay Financial Holding Co., Ltd.: Financial Holdings
- (2) Cathay Life Insurance Co., Ltd.: Personal Insurance
- (3) Cathay United Bank Co., Ltd.: Commercial Bank
- (4) Cathay Century Insurance Co., Ltd.: Property and Casualty Insurance
- (5) Cathay Securities Corporation: Securities Business
- (6) Cathay Venture Inc.: Venture Capital Business
- (7) Cathay Securities Investment Trust Co., Ltd.: Securities Investment Trust Business
- (8) Cathay Securities Investment Consulting Co., Ltd.: Securities Investment Consulting Services
- (9) Cathay Industry Research and Development Center Co., Ltd.: Real estate leasing.
- (10) Cathay Lujiazui Life Insurance Company Limited: Personal Insurance
- (11) Lin Yuan (Shanghai) Real Estate Co., Ltd.: Leasing of Proprietary Office Space
- (12) Cathay Life Insurance (Vietnam) Co., Ltd.: Personal Insurance
- (13) Cathay Woolgate Exchange Holding 1 Limited: Management of Real Estate Investment
- (14) Cathay Woolgate Exchange Holding 2 Limited: Management of Real Estate Investment
- (15) Cathay Walbrook Holding 1 Limited: Management of Real Estate Investment
- (16) Cathay Walbrook Holding 2 Limited: Management of Real Estate Investment
- (17) Conning Holdings Limited: Holdings Company
- (18) Conning U.S. Holdings, Inc.: Holdings Company
- (19) Conning Asset Management Ltd.: Asset Management Business
- (20) Conning (Germany) GmbH: Risk Management Software Business
- (21) Conning Asia Pacific Limited: Asset Management Business
- (22) Conning Japan Limited: Asset Management Business
- (23) Global Evolution Holding ApS: Holdings Company

- (24) Conning Holdings Corp.: Holdings Company
- (25) Conning & Company: Holdings Company
- (26) Conning, Inc.: Asset Management Business
- (27) Goodwin Capital Advisers, Inc.: Asset Management Business
- (28) Conning Investment Products, Inc.: Securities Business
- (29) Octagon Credit Investors, LLC: Asset Management Business
- (30) Octagon Credit Opportunities GP, LLC: Fund Management Business
- (31) Octagon Funds GP LLC: Fund Management Business
- (32) Octagon Funds GP II LLC: Fund Management Business
- (33) Global Evolution Financial ApS: Asset Management Business
- (34) Global Evolution Fondsmæglerselskab A/S: Asset Management Business
- (35) Global Evolution Manco S.A.: Asset Management Business
- (36) Global Evolution USA, LLC: Asset Management Business
- (37) Global Evolution Fund Management Singapore Pte. Ltd.: Asset Management Business
- (38) Cathay Insurance (Vietnam) Co., Ltd.: Property and Casualty Insurance
- (39) Indovina Bank Limited: Banking.
- (40) Cathay United Bank (Cambodia) Co., Ltd.: Banking
- (41) Cathay United Bank (China)Ltd.: Banking
- (42) Cathay Futures Co., Ltd.: Futures
- (43) Cathay Securities (Hong Kong) Limited: Securities Business
- (44) Cathay Capital (Asia) Limited.: Investment Business
- (45) Cathay Investment Co., Ltd.: Venture Capital Business
- (46) Cathay Private Equity Co., Ltd.: Private Equity Service

II. Cooperation among all affiliated companies:

(I) Joint business promotion

To improve competitiveness and operational synergy, our Company consolidated diverse financial institutions, including the bank, the insurance Company, and the securities firm, to create an operation platform with comprehensive product lines. By having 667 business locations throughout Taiwan and nearly 30,000 well-trained sales staff, the Company develops comprehensive financial management and provides one-stop shopping service for customers.

(II) Interoperability of information

To provide comprehensive financial products and services to customers, our Company has stipulated “Regulations Governing Management of Joint Marketing Among Subsidiaries of Cathay Financial Holdings,” “Joint Marketing Agreement Among Subsidiaries of Cathay Financial Holdings,” “Business and Customer Information Confidentiality Agreement Among Subsidiaries of Cathay Financial Holdings,” “Joint Statement of Confidentiality Measures Among Subsidiaries of Cathay Financial Holdings,” “Regulations Governing Surveillance on Marketing of Subsidiaries by Marketing and Planning Department of Cathay Financial Holdings,” and “Regulations Governing Data Storage Management of Cathay Financial Holdings” pursuant to “Financial Holding Company Act,” “Personal Data Protection Act,” “Regulations Governing Management of Joint Marketing Among Subsidiaries of a Financial Holding Company,” “Rules on Self-regulation for Financial Holding Companies and Their Subsidiaries,” and other applicable letters and orders by FSC. Our Company also provides exit mechanism for customers, striving to use customer information from one another and provide comprehensive financial products and services in an environment that is as lawful, secure, and confidential as possible.

(III) Shared business facilities or locations

To implement “one-stop shopping” financial services, our Company continues to expand joint marketing business within the scope provided by laws and orders.

1. Cathay United Bank has 165 branches involved in the joint marketing of securities. Following deregulation a few years back, Cathay United Bank began providing insurance agency services on April 29, 2016, and has since been coordinating its 165 branches nationwide for the sale of life insurance and non-life insurance products.
2. Similarly, Cathay Life began joint marketing of banking and non-life insurance services through its 58 service centers.
3. Meanwhile, Cathay Securities has set up joint marketing offices at 32 branches of Cathay Life including Zhong Xiao Branch. By sharing business premises and equipment among subsidiaries, the group has made it convenient for customers to open up securities accounts.

(IV) Amortization and amount of revenue, cost, expense and income

Our Company uses the direct attribution method to allocate the revenue, costs, expenses, and income to each relative transaction Company for the joint selling and promotion among subsidiaries based on the nature of operation.

Cathay Financial Holding Co., Ltd.

Affiliation report

2021

Address: No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

Tel: (02) 2708-7698

Declaration

The 2021 (from January 1 to December 31, 2021) Affiliation Report of the Company has been prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” and there is no material nonconformity between the information disclosed and relevant information disclosed in the notes of the financial statements for the aforementioned period.

Hereby declared as above.

Company Name: Cathay Financial Holding Co., Ltd.

Chairman: Hong-Tu Tsai

March 11, 2022

Affiliation Report

To Cathay Financial Holding Co., Ltd.:

We have audited the 2021 financial statements of Cathay Financial Holding Co., Ltd. in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards, and issued our unqualified opinion on March 11, 2022. The attached 2021 affiliation report of Cathay Financial Holding Co., Ltd. was prepared separately based on “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises,” for which we have obtained the customer’s statement, verified relevant financial information, and undertaken necessary procedures to complete our audit.

In our opinion, the 2021 affiliation report of Cathay Financial Holding Co., Ltd. has been prepared in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises”; the financial information presented in this report was consistent with the financial statements, and no material amendment was required.

Deloitte & Touche

Certified Public Accountant Cheng-Hung Kuo

Certified Public Accountant Shu-Wan Lin

March 11, 2022

Relationship between Subordinate Company and Controlling Company

Unit: shares; %

Name of the controlling company	Reason of control	Share ownership and pledges of the controlling company			Appointment of members of the controlling company as the directors, supervisors, or managers	
		Number of shares held	Ratio of shareholding	Number of shares pledged	Title	Name
None						

Note: When the controlling company of the subordinate company is a subordinate company of another company, the other company's relevant information shall also be indicated. When the other company is still a subordinate company of a different other company, the same requirements shall also be applied mutatis mutandis.

Purchase, Sale Transactions

Unit: NT\$ thousand; %

Transactions with the controlling company				Terms of transactions with the controlling company		Arm's length terms of transaction		Reason of the difference	Accounts and notes receivable (payable)		NPL			Remarks
Purchase (sales)	Amount	Percentage of total purchase (sales)	Gross profit from sales	Price (NT\$)	Duration of credit	Price (NT\$)	Duration of credit		Balance	Percentage of total accounts and notes receivable (payable)	Amount	Method of processing	Amount of allowance for bad debt	
None														

Note 1: For the condition of advance receipts (payments), it is necessary to describe the reason, contract terms and conditions, amount and general transaction differences in the Remarks field.

Note 2: For the account items listed in the table that are not applicable, such items may be adjusted individually. If there are no applicable account items as listed in the table due to industry characteristics, this table may be exempted from filling.

Property Transactions

Unit: NT\$ thousand

Transaction type (acquisition or disposal)	Name of property	Transaction date or the date when the event occurred	Transaction amount	Delivery or payment terms	Payment and receipt of consideration	Disposal gains (Note 1)	The reasons why transaction counterparties are controlling companies	Previous data transfer (Note 2)				The methods for determining the transactions (Note 3)	The basis for determining the prices	The purpose of acquisition or disposal and the condition of use	Other stipulations
								Holder	Relationship with the company	Transfer date	Amount				
None															

Note 1: Acquisition of property is exempted being stated in the table.

Note 2: (1) For acquisition of property, the original data obtained by the controlling company shall be stated. For disposal of property, the original data obtained by the subordinate company shall be stated.

(2) The field of “Relationship with the Company” shall explain the relationship of the owner with the subordinate company and the controlling company.

(3) If the counterparty of the last preceding transfer transaction is a related party, then the information on the last preceding transfer of such related party shall be further indicated in the same field.

Note 3: The determining hierarchy of the transaction shall be explained.

Financing

Unit: NT\$ thousand; %

Transaction type (Borrowing or lending)	Highest balance	Balance at the end of the period	Interest rate range	Total interest in this period	Duration of financing	Reason of financing	Acquiring (providing) collaterals		The methods for determining the transactions (Note 1)	Provision of the allowance for bad debt (Note 2)
							Name	Amount		
None										

Note 1: The determining hierarchy of the transaction shall be explained.

Note 2: For fund borrowing, it is exempted from being stated in the table.

Asset Leasing

Unit: NT\$ thousand

Transaction type (rent or lease)	Property		Lease duration	Nature of the lease (Note 1)	Basis of determining the rent	Method of collection (payment)	Comparison with regular rent levels	Total rent in this period	Payment and receipt in this period	Other stipulations (Note 2)
	Name	Location								
None										

Note 1: It is necessary to explain whether the nature of leasing is capital leasing or operational leasing.

Note 2: If there is other setting of rights, such as superficies, lien right and easement, such setting of rights shall be indicated.

Endorsements and Guarantees

Unit: NT\$ thousand; %

Highest balance	Balance at the end of the period		Cause of endorsement/guarantee	Providing collateral as guarantee			Conditions or dates for releasing the guarantee or recovering the collateral	The amount of contingent loss already recognized in financial statements	Violations of operation regulations codified by the company
	Amount	Percentage of net assets in the financial statement		Name	Quantity	Value			
None									

Cathay Financial Holding Co., Ltd.

Declaration of Internal Control System

On behalf of Cathay Financial Holding Co., Ltd., we hereby declare that, between the period January 1 and December 31, 2021, the Company had duly implemented internal control system and exercised risk management in accordance with “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.” These policies and practices were also inspected by an independent audit department that reported regularly to the Board of Directors and the Audit Committee. Upon careful assessment, the internal control and legal compliance status of all units of the Company, except for the matters listed in the attachment, have been thoroughly and effectively executed. This Declaration shall become part of the main content of the annual report and prospectuses of the company, and shall be publicly disclosed externally. Any illegal misrepresentation or non-disclosure in the public statement above is subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

Respectfully submitted to
Financial Supervisory Commission

Declarant

Chairman: Hong-Tu Tsai (Signature and seal)

President: Chang-Ken Lee (Signature and seal)

Chief Auditor: Hung-Chang Yang (Signature and seal)

Chief Compliance Officer: Judie Hsu (Signature and seal)

March 11, 2022

Cathay Financial Holding Co., Ltd.

Areas of Improvement and Rectification of the Internal Control System

(Baseline date: December 31, 2021)

Deficiencies to be Corrected	Corrective Action	Scheduled Completion Time
[Cathay Life Insurance Subsidiary] Regarding the credit checking of the international syndicated loan case in May 2018, the reexamination operation was subject to the deficiencies of “fail to confirm rationality of appraisal assumption criteria and parameters and fail to preserve traces” and “fail to properly specify the type of abnormalities such that the reexamination early warning cannot achieve its function.”	Accordingly, the “Directions for Corporate Credit Review Operation” has been amended to further include the operation procedure for a syndicated loan case with outsourcing appraisal, and the rationality assessment shall be preserved with the trace. In addition, the “Regulations for Reexamination Operation” is also amended to further include the type of abnormality of reexamination.	Already completed.
The evaluation process for aircraft collateral for the period from September 2017 to June 2018 was inadequate.	The “Directions for Corporate Credit Review Operation” has been amended to further include the project review mechanism for non-performing loan ratio with the collateral of vessel or aircraft.	Already completed.
In May 2021, for sales specialist known to have had contact with a COVID-19 confirmed case but had not yet received a home quarantine notice, the Company only relied on the active report of the sales specialist, and the post-event management method was adopted. Accordingly, there was no relevant early control measures, and all employees could not be supervised to comply with all internal epidemic control regulations established by the Company.	Public announcement has been made to request the sales department to enhance the education on the epidemic control SOP during the weekly compliance education and training in order to emphasize that any staff in contact with a confirmed case must not visit customers. In addition, according to relevant suspension principles approved by the competent authority, the measures of remote insurance application and remote security service are implemented.	Already completed.
Since October 2005, the Company has	The renewal premium payment notice	Already

Deficiencies to be Corrected	Corrective Action	Scheduled Completion Time
mailed the renewal premium payment notice (request for payment) to the proposers according to their latest addresses indicated in all insurance policies of the Company.	(request for payment) and insurance policy loan borrowing payment notice (request for payment) have been adjusted to mail to the latest address of the insurance policy.	completed.
In 2020, the Company established the review mechanism to determine whether customers applied for the insurance policy loan borrowing and contract surrender within the first three months of the insurance enrollment. However, for the insurance cases reviewed, the Company had not conducted further review on cases where the content indicated by the sales specialist in the solicitation report was inconsistent with the actual fact.	The system review mechanism with enhanced review has been implemented (including insurance cases of insurance agency and broker channels) and relevant units have been informed in order to strengthen the educational promotion of sales specialists.	Already completed.
The solicitation and approval operations for the disabled are determined to have the following deficiencies: 1. In 2020, for the telephone marketing operation, the product telephone marketing notification procedure listed people with disability cards (above severe level) as unacceptable insured disease matter and the telephone marketing sales pitch was inappropriate. 2. For the period from November to December 2018, for the approval of cases of disabled applicants, applications were rejected without proper evaluation of the health condition of the applicants.	The solicitation and approval operations for the disabled are determined to have the following deficiencies: 1. The health notification and inquiry process content has been adjusted, and the telephone marketing personnel have been educated to provide proper sales pitch and such content has been included in the sales pitch model template. 2. Review measures for evaluation of insurance application approval determination reasoning have been established in order to enhance the approval education and to strengthen the internal control audit.	Already completed.

Deficiencies to be Corrected	Corrective Action	Scheduled Completion Time
In 2020, for the accepted insurance termination cases, determination on whether telephone interview was necessary was not made, and surrender fees were paid first before conducting telephone interview.	The telephone interview product scope has been expanded to include all products.	Already completed.
Product endorsement design was applicable to policyholders purchasing products during a specific period (before March 31, 2019), such that for policyholders applying for one identical product with the same insured amount and the same premium, the value appreciation feedback sharing fund calculation had two different calculation methods of monthly declaration for monthly applicability and monthly declaration for annual applicability. In addition, the value appreciation feedback sharing fund calculation method was changed based on the endorsement directly without informing the policyholders and without their consent.	The Company has further established the review mechanism where during the product development ESG issue review it is necessary to determine whether the product design complies with the “Principle for Financial Service Industries to Treat Clients Fairly,” and the product design personnel related education and training are therefore enhanced.	Already completed.
In 2020, for termination of accessory contract together with main contract cases, unearned premiums were found to be returned to the proposers actively without following the terms and conditions of the accessory contract.	A system has been established to comprehensively perform systematic inspection on the return of unearned premiums of accessory contract, and the emittance or check payment method has been adopted to complete the premium return operation.	Already completed.
For mobile insurance application data saved as images in the mobile devices, periodic testing mechanism has not been established.	For relevant APPs, information security testing has been performed to comply with the “Self-Regulations for Insurance Firms to Implement Information Security Protection.” 17 loan, life insurance marketing types	Already completed.

Deficiencies to be Corrected	Corrective Action	Scheduled Completion Time
	of APPs have been established with the image trace preservation mechanism and the system development report has also been introduced, in order to automatically mail notice letters and analysis reports to the responsible unit.	
An abnormality inspection report was not generated for insurance cases solicited by one identical insurance sales specialist with the shared use of one identical IP address, and the situation where sales specialists shared the use of one identical mobile phone number was inappropriate.	In addition to the periodic generation of reports, for the abnormalities occurred, telephone will be used to ensure that the policyholders understand their transaction contents. An inspection mechanism has been implemented for full inspection, and there are no personnel with repetitive use of mobile phone numbers.	Already completed.
In 2019, a new insurance policy approval operation was performed; however, policyholders were not informed to apply for existing insurance policy reinstatement, and new insurance policies were applied directly, which was not advantageous to the protection of the interests of the consumers.	“Suspension, Extension of Fixed Term, Deduction for Customer Insurance Application Agreement Confirmation Letter” has been newly added to further improve the system inspection function.	Already completed.
In 2020, the Company failed to review the downtrend of overseas loan quality promptly and proposed specific responsive improvement measurements, which was inappropriate.	The Company has continued to enhance the tracking for corporate loan abnormal cases during the monthly asset quality meeting and has adopted necessary responsive measures.	Already completed.
For the credit operation performed during the period from 2017 to 2020, the construction plans provided to loan borrowers were not analyzed for feasibility, and loan borrower construction plans were self-established and collaterals were not	The “Directions for Corporate Credit Review Operation” and “Loan Department Corporate Loan Regulatory Compliance Operation Checklist” have been amended to explicitly specify that it is necessary to be aware of the feasibility of the	Already completed.

Deficiencies to be Corrected	Corrective Action	Scheduled Completion Time
verified to determine whether multiple sales were made for one identical house, which was inappropriate.	construction plan and its required content, in order to implement credit review operation thoroughly.	
In 2018, the Company invested in a venture capital company, and the actual investment of the venture capital company purchased stocks irrelevant to the purpose of investment and took a loan to purchase special stocks, which was not in conformity with the investment plan.	A control mechanism has been further included in the post-investment management operation items for venture capital companies of investment projects.	Already completed.
For the foreign stock stop-loss operation performed during the period from 2018 to 2019, loss control reports had been issued multiple times for individual stocks; however, the subsequent stop-loss handling failed to comply with the handling recommendations.	The system optimization has been completed to automatically examine the stop-loss handling recommendation execution status and to issue a warning.	Already completed.
In 2020, it was found that the discretionary trust institution purchased subject matters not complying with the domestic laws and regulations, no relevant procedures and control mechanisms were established, and no reports were submitted to the board of directors, which was inappropriate.	The “Fund Discretionary Trust Investment Handling Procedure” of the Company has been amended. In the contract, the content of relevant control mechanisms that shall be designed has been explicitly specified in the contract, and the performance review report has further included the disclosure of facts and conditions of securities invested by trust institutions violating domestic laws and regulations.	Already completed.
For the anti-money laundering operation and countering the financing of terrorism operation, the suspicious transaction monitoring system failed to include all contract termination reasons for control, and the parameter	For cases satisfying relevant warning threshold, regardless of the reason of surrender, such cases must be reviewed by the Compliance Department, in order to improve the control of money laundering prevention.	Already completed.

Deficiencies to be Corrected	Corrective Action	Scheduled Completion Time
setting was inappropriate.		
In 2018, the Company performed transactions with interested parties other than loan extension, and the transactions with a third party of the interested parties indirectly were not included in the control mechanism, which was inappropriate.	The “Internal Control Operation Handling Procedure” has been amended to newly include the review mechanism required during the contract execution process, in order to enhance the operation control and to prevent occurrence of a similar deficiency.	Already completed.
In 2020, there were cases where users failed to properly input the reason of use after the use of a VPN, and their supervisors failed to review such incidents.	Control measures have been enhanced, and after the use of a VPN, an e-mail is sent out to notify the user to input the reason of use.	Already completed.
Local computer USB access behavior failed to be controlled properly.	Computers of the company area have been notified that the use of a USB is prohibited, and the VES software on the computers of the company area has been removed, in order to ensure the proper execution of USB control.	Already completed.
The system vulnerability patch was not completed and deployed to the official environment within the deadline according to the internal regulations.	The “Penetration Test Management Guideline” has been completed and amended to include relevant acceptance criteria in the standard operation procedure.	Already completed.
[Cathay United Bank Subsidiary] The information system and equipment software reversion plan needs to be improved, and the abnormality emergency response operation is not complete.	1. Large project online management operation is enhanced, project test case breadth and depth are enhanced, and relevant responsive plans are established.	Already completed.
	2. Before Q2 of this year, the aforementioned responsive plan and drill operation will be completed in order to ensure the completeness of the project online response system.	2022/6/30
	3. The change management and	2022/12/31

Deficiencies to be Corrected	Corrective Action	Scheduled Completion Time
	version update system for each information system of the entire bank are improved and enhanced, in order to reduce system online risk and to ensure the customer service security.	
[Cathay Century Insurance Subsidiary] Regarding the health and injury insurance, vehicle insurance and fire insurance approval operation, the operations related to disabled persons applying for insurances, vehicle extended warranty contract and fire premium rate, etc., violated relevant regulations.	The health and injury insurance and fire insurance related control regulations have been amended and the vehicle extended warranty contract products have been discontinued.	Already completed.
The compliance operation for newly launched services and the insurance policy address verification control operation failed to comply with relevant regulations.	For new processes and new services, the headquarters compliance head is requested to issue opinion letters, and the insurance policy address filing standardization has been completed.	Already completed.
The analysis and decision making operation for domestic securities ETF investment are inadequate.	The cost difference evaluation of the investment analysis report has been improved.	Already completed.
For information maintenance and information security management operation, no relevant regulations or control mechanisms were established.	Relevant regulations and control mechanisms have been explicitly established.	Already completed.
The transaction scope for substantial interested party control operation is inadequate.	Relevant regulations have been amended to completely define the transaction scope.	Already completed.