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Cathay Financial Holding Co., Ltd.

2022 Annual Report

Dated: March 30, 2023

I. Contact Information of Spokesperson:

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

II. Contact information of Cathay Financial Holdings 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 Co., Ltd.	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	852-291-61188
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	Tel	(02)2725-9988
CPA Office	Deloitte & Touche	Address	20F., No.100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)
Websites	www2.deloitte.com/tw/tc.html		

VI. Overseas Listings and Access to the Listing Information:

Listing Bourse	Luxembourg Stock Exchange
Information Access	Bloomberg

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One. Letter to Shareholders

I. Business Report for the year 2022

Looking back on 2022, rising inflation in major economies that was driven by supply chain bottlenecks and the Russia–Ukraine war, prompted central banks toward aggressive rate hikes to curb inflation, which resulted in turbulent global capital markets. Meanwhile, Taiwan suffered from the COVID-19 outbreak and the financial industry faced tough challenges. Despite the ever-changing business environment, thanks to the concerted efforts of our employees, Cathay Financial Holdings (Cathay FHC) recorded a consolidated after-tax profit of NT\$38.0 billion (US\$1.2 billion) and earnings per share of NT\$2.58, with subsidiaries Cathay United Bank and Cathay SITE once again achieving record-high profits.

Cathay Subsidiaries Maintained Robust Core Business Momentum in 2022

In the face of volatile financial markets, Cathay Life Insurance reinforced its risk management to pursue investment performance. Cathay Life Insurance continues to adhere to value-driven strategies. To develop products aligned with societal trends and solve concerns over the lack of insurance protection, we focused on health insurance plans and elderly needs, combined services and products to increase insurance value, and utilized digital technology to create better customer experiences. Cathay Life Insurance’s premium income remained in first place in the life insurance industry.

The consolidated after-tax profit of Cathay United Bank reached a record-high yet again. Cathay United Bank delivered outstanding performance in interest income, driven by central bank interest rate hikes and loan growth. Our asset quality remained solid as we continued to focus on the importance to risk management. With respect to our wealth management business, Cathay United Bank continues to develop diverse products and assist our customers in asset allocation. We also employ digital platforms to satisfy our customers’ financial service needs, and connect together the businesses of our group subsidiaries to provide a one-stop financial platform that allows our customers to enjoy fast, convenient and user-friendly financial services.

Although Cathay Century Insurance was affected by pandemic insurance claims, its premium income continued to grow, and ranked second in terms of market share. Cathay Securities continued to develop its innovative digital business model and delivered excellent business performance. The market share of its sub-brokerage business reached a new high and ranked first in the market. Asset management business is our third pillar of development and Cathay Securities Investment Trust reported NT\$1.2 trillion (US\$39.2 billion) in assets under management, maintaining its market leading position in Taiwan. We continued to further develop our global asset management businesses by integrating the business of Cathay Securities Investment Consulting (Cathay SICE) and Conning Holdings Corp. to establish a presence in Asia Pacific, European, and American markets. Our total assets under management was US\$191.0 billion.

Deepen Business Networks in Overseas Markets

Cathay FHC continues to deepen its business operations and networks in Greater China and ASEAN markets by connecting regional offices and discovering local needs. Meanwhile, we established ourselves as a leading brand in green finance to expand our influence across overseas countries.

In Greater China, Cathay United Bank (China) Ltd. had stable business growth and enhanced digital financial services. In November 2022, Cathay United Bank (China) Ltd. launched the first green deposits program among Taiwan banks in China. In June 2022, our Hong Kong Branch signed a Memorandum of Understanding (MOU) with the Hong Kong Quality Assurance Agency, deepening

the promotion of our green finance business and scope of cooperation. Cathay Lujiazui Life Insurance currently operates 12 offices (headquarters and branch offices) and 52 sales and service agencies, and also continues to demonstrate stable business growth. Cathay Insurance (China) continues to develop eCommerce-related business and undergo offline business transformation to optimize business structures and improve operational efficiency.

In Southeast Asia, Cathay United Bank has 60 overseas locations spread across nine of the ten ASEAN member states and continues to develop a greater variety of local financial services. In April 2022, Cathay United Bank relocated the Vietnam Chu Lai Branch to Ho Chi Minh City to better serve local clients. The Manila Branch approved the first sustainability-linked loan in the Philippine financial industry, helping local business support sustainable operations. Cathay Life Insurance (Vietnam) has 151 business offices and its premium income continues to grow. Cathay Insurance Co., Ltd. (Vietnam) is driving its digital transformation and launched its mobile insurance application.

Aim to Become a Technology Company that Provides Financial Services

Cathay FHC continues to remain committed to driving our digital transformation based on the three pillars of digital, data, and technology and the spirit of “What if We Could.” We aim to become a “technology company that provides financial services.”

Cathay Life Insurance announced its strategy of “Elder Friendly, Protection First and Sustainability (E.P.S.)” to construct a long-term strategic development blueprint, and unveiled its “Wellness Strategic Blueprint,” which supports policyholders’ health by focusing on four pillars of health: suboptimal health, elder care, health promotion, and spillover policies. Cathay Life Insurance designed the “FitBack” health promotion program in order to engage with policyholders on a more regular basis and thereby seek ways to utilize our insurance expertise, data analytics and innovative technologies and address the challenges facing the life insurance industry.

Cathay United Bank is focused on continuing to develop its mobile banking app, CUBE, which integrates banking, insurance, and securities services, provides a more flexible, convenient, and personalized banking experience, and serves as an integrated financial platform for our customers. Cathay United Bank also consolidates the rewards and benefits of multiple credit cards into the CUBE credit card and allows cardholders to select a reward plan that matches their personal preferences through the CUBE mobile banking app. Cathay FHC seeks to integrate the businesses of our subsidiaries to build a one-stop financial platform. Towards this end, we launched innovative, cross-sector digital products, including insurance that uses deposit interest to cover premium payments and variable life insurance that utilizes robo-advising technology.

By drawing on the concept of data driven, Cathay Century Insurance developed the “Smart Claim app,” which controls the risk of car insurance frauds, and “Smart Biz,” which streamlines and optimizes the commercial business insurance sales process. Cathay Securities integrated digital services to an “All-in-One” Cathay Securities app, which offers customers a smoother investment experience. Going forward, we will also continue to develop new technologies such as cloud, blockchain, and artificial intelligence. With respect to cloud technology deployment, we are actively building a cloud native architecture and adopting open-source technology. We seek to optimize our cloud strategy with a focus on operations, management, compliance, and cybersecurity and apply it to major subsidiaries in compliance with regulations to strengthen our overall digital development capability.

Continue to Keep Pace with Global Trends and Refine the Cathay Group's Corporate Governance

To continuously strengthen our corporate governance, Cathay FHC increased the number of independent directors from 4 to 5 in the 8th board of directors election in 2022, increasing the proportion of independent directors. Our newly elected independent director, Ms. Pei-Pei Yu, has extensive experience in banking, securities, investments, and business management. Ms. Yu's presence will further enhance the diversity of our board, increase the proportion of female board members, and improve the overall effectiveness of our corporate governance. In 2022, we engaged the Taiwan Institute of Ethical Business to conduct an evaluation of board performance and implement improvements based on the evaluation results. In addition, Chairman Mr. Hong-Tu Tsai received the "Responsible Business Leadership" award in the 2022 Asia Responsible Enterprise Awards, which demonstrates the international recognition of our corporate governance.

We continue to refine our corporate governance. Major achievements in 2022 include: (1) Cathay FHC ranked in the top 5% in the TWSE Corporate Governance Evaluation; (2) for the third time, Cathay FHC, Cathay Life Insurance and Cathay United Bank participated in the CG6013(2021) Corporate Governance System Evaluation, which was hosted by the Taiwan Corporate Governance Association, and once again, we received the highest rating "Excellent;" (3) Cathay FHC once again participated in the Taiwan Intellectual Property Management System (TIPS) and received Level-A certification; (4) Cathay FHC continued to improve our overall information security protection capability and completed the Security Operation Center (SOC) service mechanism while our major subsidiaries adopted the Information Security Management System (ISMS); (5) 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 emerging risks on corporate operations and Cathay FHC is the first ISO 22301-certified financial holding company in Taiwan. Major subsidiaries have successively participated in this verification to continuously improve our Business Continuity Management (BCM) mechanism; (6) Regarding regulatory compliance, Cathay FHC adopted AI management modules and continued to promote the Group's digital compliance management systems. In response to the National Risk Assessment (NRA), we considered emerging risks, such as proliferation financing risks and Virtual Asset Service Providers (VASP), in our evaluation of anti-money laundering and counter terrorism financing. We also launched a cross-industry, joint risk defense plan to strengthen our risk management module.

Looking ahead to 2023, to ensure corporate sustainability, Cathay FHC will stay committed to the government's Corporate Governance 3.0 Roadmap, monitor global trends in corporate governance, continue to improve board performance, and refine our corporate governance practices to fulfill international best practices of corporate governance in an ever-changing business environment.

Exert Financial Influence and Frame a Sustainable Future

We fully utilize our core financial competencies and focus on three areas of sustainability — "climate, health, and empowerment." The sustainability performance of Cathay FHC has been recognized internationally. Cathay FHC has been selected as a constituent in the Dow Jones Sustainability Index (DJSI) World Index for five consecutive years and as a constituent in the DJSI Emerging Markets Index for eight consecutive years. In the most recent rating, Cathay FHC achieved the highest scores on two of the financial core competencies, sustainable finance and financial inclusion, and ranked among the top global sustainable benchmark enterprises.

Amidst the wave of global sustainability and net-zero transition, Cathay FHC has for many years spared no effort in responsible finance and climate action to promote the sustainable development of enterprises and value chain partners. We leverage the influence of responsible finance through active engagement with investees and borrowers on sustainability and climate actions, and through in-depth conversations with enterprises. We join forces with industries to advance toward net-zero transition. Among enterprises with whom we have engaged, four of the major carbon emitters have made a commitment to achieve net-zero emissions or carbon neutrality.

Cathay FHC actively participates in international sustainability initiatives. In April 2022, Cathay FHC became the first member among Taiwan financial institutions in RE100, a global corporate renewable energy initiative. We have committed to using 100% renewable energy for all our business operation globally by 2050. In September 2022, we became one of the few financial institutions in the world to have our sustainable targets approved by the Science Based Targets initiative (SBTi). Our major subsidiaries have followed these targets to reduce the carbon emissions of their operations and financial assets and have resolved to achieve net-zero carbon emissions by 2050. The Cathay Sustainable Finance and Climate Change Summit has been held for six consecutive years. In 2022, we live streamed the 27th Conference of Parties (COP27) Peripheral Conference – World Climate Summit (WCS) in Egypt during our summit to share global perspectives of climate change and net-zero transition and lead our industry and value chain partners to realize sustainability.

Looking forward to 2023, as supply chain pressure eases and inflation is gradually kept under control, central banks in major countries are expected to slow the pace of interest rate hikes. However, global economic growth is facing downward pressure, and political and economic situations remain uncertain. We have operated in Taiwan for more than 60 years. Going forward, Cathay FHC will continue to focus on our core DNA of technology innovation and corporate sustainability, and utilize our core competencies in financial services to create unique competitive advantages and provide excellent customer experiences. We 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. 2023 Business Plan

In 2022, global economic growth slowed due to the impact of high inflation, interest rate hikes, and geopolitical issues. Global economic growth will remain affected by risks such as concerns about a near term economic recession, tightening monetary policies, and geopolitical threats. In 2023, we will continue to embrace new opportunities and challenges with a cautious attitude. In the new year, we will 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.” At the same time, we will maintain flexibility in our business strategy to respond to fast-changing markets.

Over the past 60 years, Cathay FHC has upheld the attitude of “take accountability with courage and pioneer new frontiers” in the face of various challenges. Going forward, Cathay FHC will employ our long-term robust development strategy by improving our regional expansion, accelerating digital transformation and business innovation, and leveraging our financial competencies to realize sustainable finance, thereby achieving a dual-transformation: “technology and sustainability.” Our 2023 business plan is outlined below:

(I) Complete Regional Expansion with the Goal of Becoming a “Leading Financial Institution in the Asia-Pacific Region”:

Cathay FHC remains committed to our vision of becoming a “leading financial institution in the Asia-Pacific region.” We will complete our regional expansion and connect our business networks in Greater China and ASEAN markets to provide overseas Taiwanese and local clients with financial services and products that meet their needs. By tapping into our successful experience in financial development and the resources of our local strategic partners, and fostering key international talent, we will further reinforce our local operations, enhance business value for the group, and create profits for our shareholders.

In addition, Cathay FHC will continue to reinforce the blueprint of our asset management business by recruiting and cultivating asset management talent, developing a complete offering of investment products, enhancing management capabilities, increasing assets under management, and extending the reach of our asset management business from a global perspective to accelerate the third pillar of group’s three engines of growth “Insurance + Banking + Asset Management.”

(II) Drive Digital Transformation and Build a Data-Driven Innovation Ecosystem:

With an aim to become a “technology company that provides financial services” with Cathay-as-a-Service (CaaS) as our core, Cathay FHC leverages digital, data, technology, and cross-organizational collaboration to strengthen cross-industry capabilities. We seek to build a data-driven culture and transform digital development processes to create excellent digital experiences. While maintaining financial services stability and optimizing service processes, we strive to develop innovative products, processes, and scenario-based finance through data empowerment, and in turn enhance customer experience and operational efficiency.

We have adopted the strategy of connecting finance with daily life activities and seek to build a comprehensive ecosystem through cross-industry cooperation, diverse payment tool integration, and solid digital capabilities. In the future, we will continue to strengthen our data infrastructure, optimize data integration processes, cooperate with our partners to create “Cathay Open Finance” cross-industry financial experiences, develop more diverse touchpoints and business models, and embed financial services into our customers’ daily life. By combining financial services, technology, and touchpoints, Cathay FHC seeks to build an innovation ecosystem.

(III) Combine Financial Competencies and Sustainable Development to Realize the Goal of Sustainability:

In the face of business risks arising from increasingly stringent financial regulations, global political and economic changes, and climate change, Cathay FHC will respond prudently and practically to the impact that market changes have on financial markets. We will continue to optimize our asset/liability management to strengthen the group’s overall capital structure and reinforce the three areas of focus: “climate, health and empowerment” to achieve sustainable development. Cathay FHC has constructed a strategic blueprint for sustainable finance by leveraging our diverse financial competencies and focusing on sustainable operations, and continues to uphold our spirit of “Sustainable Cathay; Contributing to the Community,” to realize the goal of sustainable operations and guide the industry toward the sustainable development.

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

The high inflation, looming global economy and geopolitical conflicts have driven the wild financial market fluctuations in the post-pandemic era. Since the beginning of 2022, the U.S. Federal Reserve has taken aggressive moves to raise the interest rates while major economies, such as Europe and Japan, have correspondingly adjusted their monetary policies. In addition to the high consumer price and enhanced pandemic preventive measures in China, the decline in global consumer demands calls for a pause of expected economic growth and the increasing risk of recession leading to the high volatility in stock, bond and foreign exchange markets. While the political and economic uncertainties remain high, the overall business environment is challenging under the new financial regulations and severe competition in the financial technology industry. Looking ahead to 2023, Cathay Financial Holdings will continue capturing opportunities in innovative financial technology, optimizing overall asset liability allocation and management and replenishing the Group's overall capital structure to cope with market changes. In addition to its aims of prudential enforcement of compliance, enhancement of risk management, and pursuit of sustainability, the Group supported by its core values, "Integrity, Accountability and Innovation" and fueled by the three profit engines, "insurance, banking and asset management," will persist in taking progressive steps to realize its vision of becoming "the best financial institution in Asia Pacific" and orientating itself towards "a technology company centered on finance."

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	2022/9/21	2022/9/21	2022/9/21	2022/9/21	2022/9/21
	Rating Received	twAA	twAA+	twAA+	twAA+	twAA-
	Rating Outlook	Stable	Stable	Stable	Stable	Stable
Moody's	Rating Date	2022/8/15	2022/8/4	2022/9/30	2022/10/7	None
	Rating Received	Baa1	A3	A1	A2	
	Rating Outlook	Stable	Stable	Stable	Stable	
Standard& Poor's	Rating Date	2022/9/21	2022/9/21	2022/9/21	2022/9/21	None
	Rating Received	BBB+	A-	A	A-	
	Rating Outlook	Stable	Stable	Stable	Stable	
AM Best	Rating Date	None	None	None	2022/9/16	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

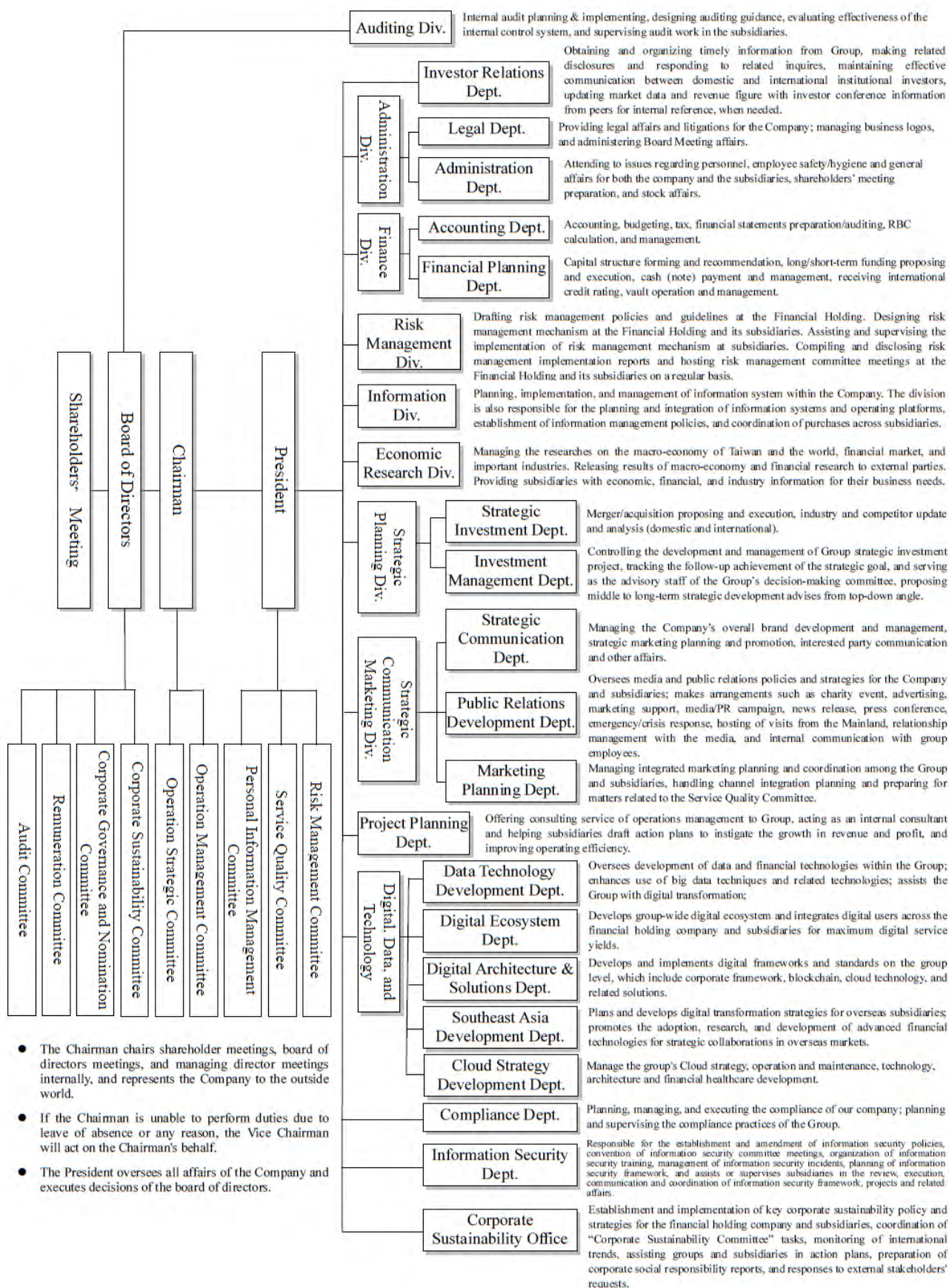
distributions.

- 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.
- In June 2022, the Company invested another NT\$10,000,000 thousand (NT\$50/share) on Cathay Century Insurance. Total paid-in capital of the securities arm became NT\$5,057,052 thousand then.
- In December 2022, the Company made a cash issue of 150 million common shares at NT\$35 each that raised a total of NT\$52.5 billion in capital, which increased paid-up capital to NT\$162.03 billion.
- In December 2022, the Company subscribed to the NT\$35,000,000 thousand cash issue of Cathay Life at NT\$70 per share and the NT\$10,000,000 thousand cash issue of Cathay Century Insurance at NT\$50 per share, increasing paid-up capital of the two subsidiaries to NT\$63,515,274 thousand and NT\$7,057,052 thousand, respectively.

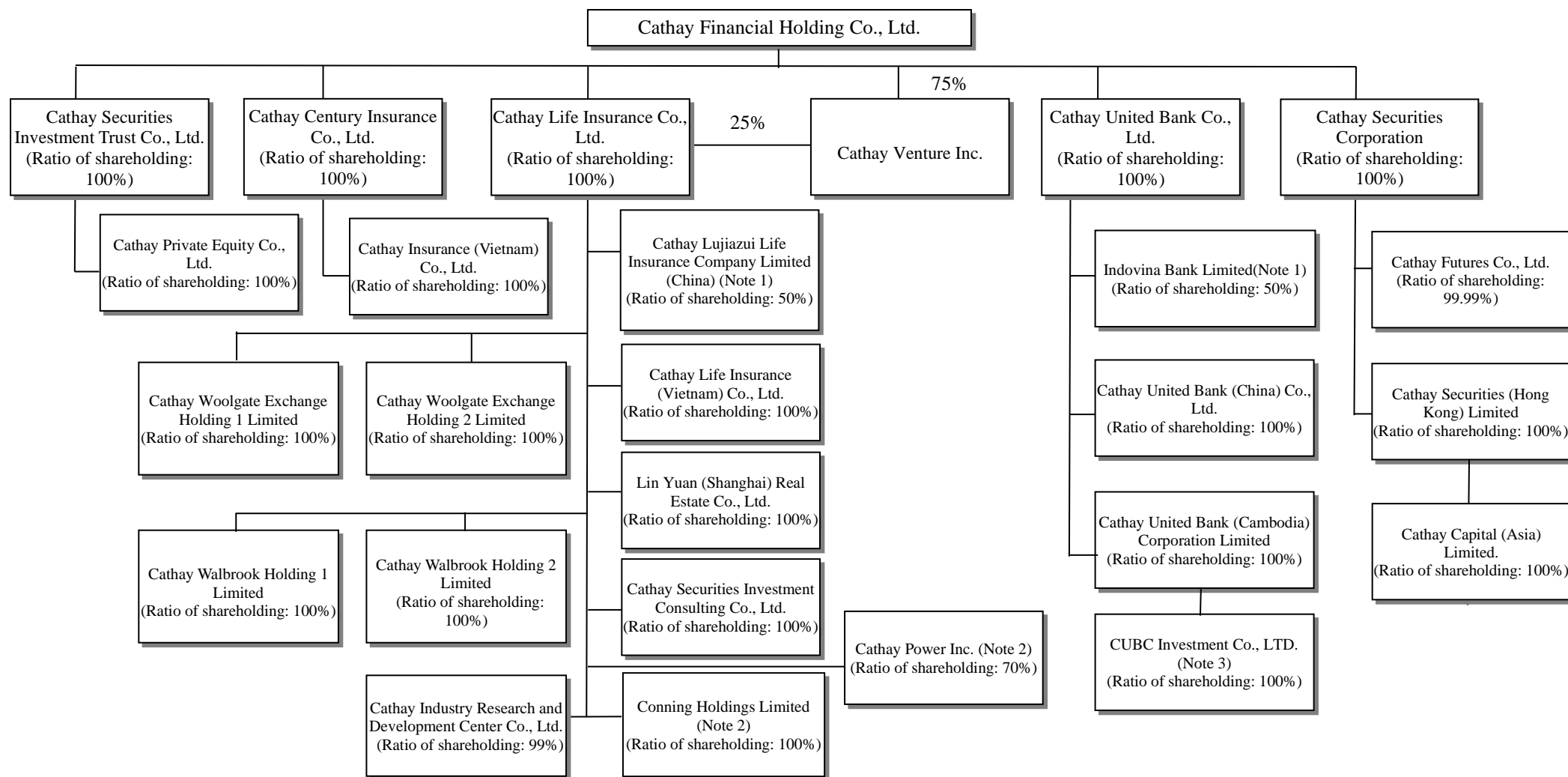
Three. Corporate Governance Report

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 merger entity

Note 3: Cathay United Bank (Cambodia) Co., Ltd. holds 49% of equity in CUBC Investment Co., Ltd., and has substantial control of the latter's operations and composition of its board of directors through proxy agreements with other shareholders, and is entitled to the 100% economic interest in it. It is therefore listed as a subsidiary of Cathay United Bank (Cambodia) Co., Ltd.

Note 4: Organization chart was dated March 30, 2023

February 28, 2023

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%	6,351,527	169,009,366	456,529,220
Cathay United Bank Co., Ltd.	100%	10,859,866	102,302,226	244,044,925
Cathay Century Insurance Co., Ltd.	100%	705,705	23,240,964	13,530,335
Cathay Securities Corporation	100%	770,000	6,099,992	13,315,646
Cathay Securities Investment Trust Co., Ltd.	100%	150,000	3,488,754	5,743,312
Cathay Venture Inc.	75%	388,630	2,390,881	4,523,637

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

II. Directors, Supervisors, President, Executive Vice Presidents, Senior Vice Presidents and Top Managers from Each Division and Subsidiary

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

Board Members and Supervisors Information (1)

April 11, 2023

Title (Note 1)	Nationality or Place of Registration	Name	Gender / Age (Note 2)	Date Elected	Term Expires	Date first Elected (Note 3)	Shareholding when Elected			Current shareholding (Note 5)		Shares Currently Held by Spouse & Minors (Note 5 & 6)		Shares held in the name of others (Note 5)		Selected Education, Past Positions & Current Positions (Note 11)	Other concurrent positions in the Company or in other companies (Note 7)	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks (Note 12)
							Ratio of shareholding	Number of shares	Ratio of shareholding	Ratio of shareholding	Ratio of shareholding	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares			Relationship			
																			Common stock	Number of shares	
Chairman	R. O. C.	Hong-Tu Tsai	M 61~70 Years Old	2022/6/17	3 Years	2001/12/31	45,424,978	0.345%	49,632,697	0.338%	—	—	—	—	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 Senior Executive Vice President	Cheng-Ta Tsai Cheng-Chiu Tsai Tsung-Hsien Tsai	Brothers Brothers Paternity	None	
							6,128,386	0.399%	6,128,386	0.399%	—	—	—	—							
Director	R. O. C.	Chia Yi Capital Co., Ltd.	-	2022/6/17	3 Years	2013/6/14	55,087,569	0.418%	60,004,377	0.409%	—	—	—	—	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	
							5,153,614	0.336%	5,153,614	0.336%	—	—	—	—							
		Representative: Cheng-Ta Tsai	M 71~79 Years Old	2022/6/17	3 Years	2007/6/15	32,624,464	0.248%	35,287,230	0.241%	—	—	—	—							
							—	—	—	—	—	—	—	—							
Director	R. O. C.	Chen-Sheng Industrial Co., Ltd.	-	2022/6/17	3 Years	2010/6/18	33,875,134	0.257%	36,639,978	0.250%	—	—	—	—	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	2022/6/17	3 Years	2007/6/15	620,634	0.005%	671,289	0.005%	—	—	—	—							
							—	—	—	—	—	—	—	—							
Director	R. O. C.	Chia Yi Capital Co., Ltd.	-	2022/6/17	3 Years	2013/6/14	55,087,569	0.418%	60,004,377	0.409%	—	—	—	—	Chairman and CEO (legal representative), Moderntimes (China) Co., Ltd.; 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), Moderntimes Co., Ltd.; Director, Cathay United Bank, Essence Management Services Limited, and 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	2022/6/17	3 Years	2013/6/14	4,545	0%	4,915	0%	—	—	—	—							
							—	—	—	—	—	—	—	—							

Title (Note 1)	Nationality or Place of Registration	Name	Gender / Age (Note 2)	Date Elected	Term Expires	Date first Elected (Note 3)	Shareholding when Elected			Current shareholding (Note 5)		Shares Currently Held by Spouse & Minors (Note 5 & 6)		Shares held in the name of others (Note 5)		Selected Education, Past Positions & Current Positions (Note 11)	Other concurrent positions in the Company or in other companies (Note 7)	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks (Note 12)
							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	
Director	R. O. C.	Cathay United Bank Foundation	-	2022/6/17	3 Years	2007/6/15 (Note 8)	6,500,740	0.049%	6,500,740	0.044%	-	-	-	-	Chairman, Cathay United Bank (M.B.A., Baruch College, City University of New York, USA)	Chairman, Cathay United Bank; Independent Director, Samson Holding Ltd., and Zhongshan Huali Enterprise Group Co., Ltd.; Director, Cathay Securities Investment Trust, Cathay Private Equity Co., Ltd., Financial Information Service Co., Ltd., Long Chen Paper Co., Ltd., Far East Horizon Limited, Cathay Medical Care Corporate; Supervisor, The Bankers Association of Taipei and NTU Children's Health Foundation, etc.	None	None	None	None	
							100,000	0.007%	100,000	0.007%	-	-	-	-							
		Representative: Andrew Ming-Jian Kuo	M 61~70 Years Old	2022/6/17	3 Years	2007/6/15 (Note 9)	-	-	200,000	0.001%	-	-	-	-							
							-	-	-	-	-	-	-	-							
Director	R. O. C.	Cathay Life Employees' Welfare Committee	-	2022/6/17	3 Years	2010/6/18	34,590,372	0.263%	34,590,372	0.236%	-	-	-	-	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, etc.	None	None	None	None	
							-	-	-	-	-	-	-	-							
		Representative: Tiao-Kuei Huang	M 71~79 Years Old	2022/6/17	3 Years	2001/12/31 (Note 10)	289,980	0.002%	515,861	0.004%	32,180	0%	-	-							
							27,127	0.002%	27,127	0.002%	2,763	0%	-	-							
Director	R. O. C.	Cathay Life Employees' Welfare Committee	-	2022/6/17	3 Years	2010/6/18	34,590,372	0.263%	34,590,372	0.236%	-	-	-	-	Vice Chairman, Cathay Life Insurance; Former President, Cathay Life Insurance (M.S., University of Iowa, USA)	Vice Chairman, Cathay Life Insurance; Director, Cathay United Bank Foundation and Cathay Medical Care Corporate, etc.	None	None	None	None	
							-	-	-	-	-	-	-	-							
		Representative: Ming-Ho Hsiung	M 61~70 Years Old	2022/6/17	3 Years	2007/6/15	61,570	0%	211,570	0.001%	-	-	-	-							
							25,000	0.002%	25,000	0.002%	-	-	-	-							

Title (Note 1)	Nationality or Place of Registration	Name	Gender / Age (Note 2)	Date Elected	Term Expires	Date first Elected (Note 3)	Shareholding when Elected			Current shareholding (Note 5)		Shares Currently Held by Spouse & Minors (Note 5 & 6)		Shares held in the name of others (Note 5)		Selected Education, Past Positions & Current Positions (Note 11)	Other concurrent positions in the Company or in other companies (Note 7)	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks (Note 12)
							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	
Director	R. O. C.	Cathay Life Employees' Welfare Committee	-	2022/6/17	3 Years	2010/6/18	34,590,372	0.263%	34,590,372	0.236%	-	-	-	-	-	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	2022/6/17	3 Years	2010/6/18	131,729	0.001%	360,112	0.002%	-	-	-	-	-						
							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 3)	Shareholding when Elected			Current shareholding (Note 5)		Shares Currently Held by Spouse & Minors (Note 5 & 6)		Shares held in the name of others (Note 5)		Selected Education, Past Positions & Current Positions (Note 11)	Other concurrent positions in the Company or in other companies (Note 7)	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks (Note 12)
							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.	Feng-Chiang Miao	M 71~79 Years Old	2022/6/17	3 Years	2016/6/8	—	—	—	—	—	—	—	—	—	Chairman, MiTAC Holdings Corporation; Former ITRI Laureate; President, UPC Technology Corporation, Lien Hwa Industrial Gases Co., Ltd.; Chairman, Synnex Corporation; Independent Director, Galileo International Inc., British Oxygen Company, Linde AG; Representative of APEC Business Advisory Council (ABAC); Convener, Civil Advisory Committee of National Information and Communications Initiative Committee (NICI); (Honorary Ph.D., 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; Chairman, Lien Hwa Industrial Holdings Corp., UPC Technology Corporation, Synnex Technology International Corp., MiTAC Holdings Corporation, MiTAC Incorporated, MiTAC International Corporation, Harbinger Venture Management Co., Ltd., Harbinger Venture Capital, UPC Venture Capital; Director, Getac Holdings Corporation, MiTAC Computing Technology Corporation, MiTAC Digital Technology Corporation, MiTAC Information Technology Corp., Lien Hwa Industrial Gases Co., Ltd., Lien Hwa Milling Corporation, Harbinger III Venture Capital Corp., TD Synnex Corporation, GLORY ACE INTERNATIONAL INC., Synnex Global Ltd., CTCI Foundation; Chairman of Chinese National Federation of Industries, 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 3)	Shareholding when Elected			Current shareholding (Note 5)		Shares Currently Held by Spouse & Minors (Note 5 & 6)		Shares held in the name of others (Note 5)		Selected Education, Past Positions & Current Positions (Note 11)	Other concurrent positions in the Company or in other companies (Note 7)	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks (Note 12)
							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	2022/6/17	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	2022/6/17	3 Years	2019/6/14		-	-	-	-	-	-	-	Chairman, Pension Funds Association in Taiwan; Professor, National Chengchi University Department of Risk Management and Insurance; 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 Acturial 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, 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 3)	Shareholding when Elected			Current shareholding (Note 5)		Shares Currently Held by Spouse & Minors (Note 5 & 6)		Shares held in the name of others (Note 5)		Selected Education, Past Positions & Current Positions (Note 11)	Other concurrent positions in the Company or in other companies (Note 7)	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks (Note 12)
							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	2022/6/17	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, Cathay Life Insurance and Cathay Century Insurance; Managing (Independent) Director, Cathay United Bank; Secretary-General, 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, Mr. Chao-Chin Huang Foundation; Chairman, Alumni Association of Department of Public Finance, National Taipei University; Supervisor, Alumni Association of National Taipei University, Taiwan-Russia 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 3)	Shareholding when Elected			Current shareholding (Note 5)		Shares Currently Held by Spouse & Minors (Note 5 & 6)		Shares held in the name of others (Note 5)		Selected Education, Past Positions & Current Positions (Note 11)	Other concurrent positions in the Company or in other companies (Note 7)	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks (Note 12)
							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			Relationship	Name	Title	
Independent Director	R. O. C.	Pei-Pei Yu	F 51~60 Years Old	2022/6/17	3 Years	2022/6/17			-	-	-	-	-	-	-	Chairman, Vigor Kobo Co., LTD.; Independent Director, Wistron Corporation; Director, Hong Ting Investment Management Limited; Former Chairman, Zoyi Venture Capital Co., Ltd; Managing Director, Goldman Sachs (Asia) L.L.C. (Hong Kong); President, Goldman Sachs (Asia) L.L.C., Taipei Branch; Assistant Vice President, Union Bank of Switzerland Taipei Branch; Manager, Citibank Taiwan, Ltd. Taipei Branch; (Master of Business Administration, University of British Columbia, Canada; Department of Banking, National Chengchi University).	Independent director of Cathay Life, Cathay Century Insurance, and Wistron Corporation; Chairman, Vigor Kobo Co., LTD.; Director of Hong Ting Investment Management Limited, SmartBee Intelligence Company Ltd., CMVT Ltd., and He-Fu-Run-Sheng Enterprise Co., Ltd., 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 state the actual age, or, alternatively, state the age interval into which the actual age falls, e.g., 41–50 years, 51–60 years.

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 11, 2023.

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. 2023.

Note 8: The Cathay United Bank Foundation 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 17, 2022.

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.

Chart 1: Major Shareholders of Institutional Shareholders

April 11, 2023

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.)
Cathay United Bank Foundation	Not applicable. (Cathay United Bank Co., Ltd. (22.77%) (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 11, 2023

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 Regarding the Professional Qualifications and Experience of Directors and Supervisors and the Independence of Independent Directors:

Criteria Name	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)	<ul style="list-style-type: none"> ■ Serving as the Chairman of Cathay Financial Holdings for over 21 years; having served as the Chairman of Cathay Life for over 27 years. ■ At least 5 years of working experience in financial holding companies, and meeting the professional qualification of financial holding companies. ■ At least 5 years of working experience in insurance, and meeting the insurance professional qualifications. ■ Not been a person of any conditions defined in Article 30 of the Company Act. 	<ul style="list-style-type: none"> ■ The director is not an employee of the Company or any of its affiliates. ■ Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 6 and 8, Paragraph 1 of Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). ■ Not the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship with the Company. 	0
Cheng-Ta Tsai (Director)	<ul style="list-style-type: none"> ■ Served as the Managing Director of Cathay Life Insurance for over 30 years; having served as the Director of Cathay Financial Holdings for over 15 years. ■ At least 5 years of working experience in financial holding companies, and meeting the professional qualification of financial holding companies. ■ At least 5 years of working experience in insurance, and meeting the insurance professional qualifications. ■ Not been a person of any conditions defined in Article 30 of the Company Act. 	<ul style="list-style-type: none"> ■ The director is not an employee of the Company or any of 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship with the Company. 	0
Cheng-Chiu Tsai (Director)	<ul style="list-style-type: none"> ■ Serving as the Chairman of Cathay Century Insurance for over 20 years; having served as the Director of Cathay Financial Holdings for over 15 years. ■ At least 5 years of working experience in financial holding companies, and meeting the professional qualification of financial holding companies. ■ At least 5 years of working experience in insurance, and meeting the insurance professional qualifications. ■ Not been a person of any conditions defined in Article 30 of the Company Act. 	<ul style="list-style-type: none"> ■ The director is not an employee of the Company or any of its affiliates. ■ The shareholding in the Company of the director, including the spouse, minor children or in the name of others, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. ■ 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 the shareholder holding 5% or 	0

Criteria Name	Professional qualifications and experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
		more of the total outstanding shares of a specified company or institution that has a financial and business relationship with the Company.	
Chi-Wei Joong (Director)	<ul style="list-style-type: none"> Has served as a director of Cathay Financial Holdings and Cathay United Bank for over nine years, and was the General Manager of Credit Card Center, China Merchants Bank for six years, the Vice President of the Consumer Finance Division of CTBC for five years, the Chief Financial Officer of Credit Card Center, Citibank (Taiwan) for two years, and the Chief Financial Officer of Credit Card Center, AIA for one year. At least 5 years of working experience in financial holding companies, and meeting the professional qualification of financial holding companies. At least five years of banking experience and meeting the professional banking qualifications. Not been a person of any conditions defined in Article 30 of the Company Act. 	<ul style="list-style-type: none"> The director is not an employee of the Company or any of its affiliates. The shareholding in the Company of the director, including the spouse, minor children or in the name of others, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. The director's spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship, are not directors, supervisors, or managerial officers 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship with the Company. 	0
Andrew Ming-Jian Kuo (Director)	<ul style="list-style-type: none"> Has served as Chairman of Cathay United Bank for over five years; former independent director of Cathay Financial Holdings/Cathay United Bank/Cathay Securities for over eight years, and as President of JP Morgan Chase Bank in Taiwan and Hong Kong for over three years. At least 5 years of working experience in financial holding companies, and meeting the professional qualification of financial holding companies. At least five years of working experience in banking and securities, meeting the professional qualifications in banking and securities. Not been a person of any conditions defined in Article 30 of the Company Act. 	<ul style="list-style-type: none"> The director is not an employee of the Company or any of its affiliates. The shareholding in the Company of the director, including the spouse, minor children or in the name of others, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship with the Company. 	0
Tiao-Kuei Huang (Director)	<ul style="list-style-type: none"> Serving as the Chairman of Cathay Life Insurance for over 5 years, the director of Cathay Financial Holdings for over 17 years; having served as the Vice Chairman President of Cathay 	<ul style="list-style-type: none"> The director is not an employee of the Company or any of its affiliates. The shareholding in the Company of the director, including the spouse, minor children or in the name of others, are not a natural person shareholder of the 	0

Criteria Name	Professional qualifications and experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
	<p>Life Insurance for over 6 years.</p> <ul style="list-style-type: none"> At least 5 years of working experience in financial holding companies, and meeting the professional qualification of financial holding companies. At least 5 years of working experience in insurance, and meeting the insurance professional qualifications. Not been a person of any conditions defined in Article 30 of the Company Act. 	<p>Company holding more than 1% of the shares or one of the top 10 shareholders.</p> <ul style="list-style-type: none"> The director's spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship, are not directors, supervisors, or managerial officers 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship with the Company. 	
Ming-Ho Hsiung (Director)	<ul style="list-style-type: none"> Serving as the Vice Chairman of Cathay Life Insurance for over 5 years, the director of Cathay Financial Holdings for over 15 years; having served as the President of Cathay Life Insurance for over 9 years. At least 5 years of working experience in financial holding companies, and meeting the professional qualification of financial holding companies. At least 5 years of working experience in insurance, and meeting the insurance professional qualifications. Not been a person of any conditions defined in Article 30 of the Company Act. 	<ul style="list-style-type: none"> The director is not an employee of the Company or any of its affiliates. The shareholding in the Company of the director, including the spouse, minor children or in the name of others, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. The director's spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship, are not directors, supervisors, or managerial officers 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship with the Company. 	0
Chang-Ken Lee (Director)	<ul style="list-style-type: none"> Has served as President and Director of Cathay Financial Holdings for more than 12 years; Director of Cathay Securities for more than six years; President of Cathay United Bank for more than five years; Director of Cathay United Bank for more than 12 years; Executive Vice President of Cathay Life for 2.5 years/Senior Vice President for 0.5 years/Manager for 1.5 years; 	<ul style="list-style-type: none"> The shareholding in the Company of the director, including the spouse, minor children or in the name of others, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. The director's spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship, are not directors, supervisors, or managerial officers of the Company or its affiliates. 	0

Criteria Name	Professional qualifications and experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
	<p>clerk, sub-section chief, section chief for more than 13 years.</p> <ul style="list-style-type: none"> At least 5 years of working experience in financial holding companies, and meeting the professional qualification of financial holding companies. At least five years of working experience in banking and insurance, meeting the professional qualifications in banking and insurance. Not been a person of any conditions defined in Article 30 of the Company Act. 	<ul style="list-style-type: none"> Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per subparagraphs 6 and 8, Paragraph 1 of Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). Not the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship with the Company. 	
Feng-Chiang Miao (Independent Director)	<ul style="list-style-type: none"> Has served as Chairman of MiTAC Information Systems Corp. for over nine years; Chairman of Synnex Technology International Corp. for over 34 years; Chairman of UPC Technology Corporation for over 46 years; Independent Director of Cathay Financial Holdings/ Cathay United Bank for over six years; Independent Director of Cathay Life for over three years and Independent Director of Cathay Century Insurance for over six years. Has financial holding working experience for more than five years; competent to operate a financial holding company, and is able to operate the business of a financial holding company in a sound and effective manner, and meets the professional qualifications for financial holding companies. 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. 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. 	<ul style="list-style-type: none"> Independence conforming to Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” Except for serving as the independent director of the Company and the Company’s 100% owned subsidiary, Cathay United Bank, not a director, supervisor, or employee of the Company or its affiliates. The director’s spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship, are not directors, supervisors, or managerial officers of the Company or its affiliates. The number and weight of the shareholding in the Company of the director, including the spouse, minor children or in the name of others: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. The number and weight of the shareholding in the Company of the director, the spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has 	0

Criteria Name	Professional qualifications and experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
		<p>a financial and business relationship with the Company.</p> <ul style="list-style-type: none"> 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. 	
Edward Yung-Do Way (Independent Director)	<ul style="list-style-type: none"> 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 12 years, independent director of both Cathay Financial Holdings and Cathay United Bank for over 5 years, independent director of Cathay Securities for over 3 years. Competent to operate a financial holding company, and is able to operate the business of a financial holding company in a sound and effective manner, and meets the professional qualifications for financial holding companies. 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. 	<ul style="list-style-type: none"> Independence conforming to Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” Except for serving as the independent director of the Company and the Company’s 100% owned subsidiaries, Cathay United Bank and Cathay Securities, not a director, supervisor, or employee of the Company or its affiliates. The director’s spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship, are not directors, supervisors, or managerial officers of the Company or its affiliates. The number and weight of the shareholding in the Company of the director, including the spouse, minor children or in the name of others: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. The number and weight of the shareholding in the Company of the director, the spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has 	3

Criteria Name	Professional qualifications and experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
		<p>a financial and business relationship with the Company.</p> <ul style="list-style-type: none"> 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. 	
Li-Ling Wang (Independent Director)	<ul style="list-style-type: none"> Serving as Professor of Risk Management and Insurance, National Chengchi University for over 14 years, Chairman of Pension Funds Association of R.O.C. in Taiwan for over 5 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 3 years. Competent to operate a financial holding company, and is able to operate the business of a financial holding company in a sound and effective manner, and meets the professional qualifications for financial holding companies. At least 5 years of working experience in insurance, and meeting the insurance professional qualifications. 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. 	<ul style="list-style-type: none"> Independence conforming to Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” Except for serving as the independent director of the Company and the Company’s 100% owned subsidiary, Cathay Life, not a director, supervisor, or employee of the Company or its affiliates. The director’s spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship, are not directors, supervisors, or managerial officers of the Company or its affiliates. The number and weight of the shareholding in the Company of the director, including the spouse, minor children or in the name of others: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. The number and weight of the shareholding in the Company of the director, the spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship 	0

Criteria Name	Professional qualifications and experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
		<p>with the Company.</p> <ul style="list-style-type: none"> 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. 	
Tang-Chieh Wu (Independent Director)	<ul style="list-style-type: none"> 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 3 years. Competent to operate a financial holding company, and is able to operate the business of a financial holding company in a sound and effective manner, and meets the professional qualifications for financial holding companies. At least five years of experience in financial administration or management, and has been recommended for appointment to posts of Grade eight equivalent or higher, with excellent performance; meeting the professional qualifications in banking, insurance and securities. 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. 	<ul style="list-style-type: none"> Independence conforming to Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” Except for serving as the independent director of the Company and the Company’s 100% owned subsidiaries, Cathay Life, Cathay United Bank and Cathay Century Insurance, not a director, supervisor, or employee of the Company or its affiliates. The director’s spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship, are not directors, supervisors, or managerial officers of the Company or its affiliates. The number and weight of the shareholding in the Company of the director, including the spouse, minor children or in the name of others: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. The number and weight of the shareholding in the Company of the director, the spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship 	2

Criteria Name	Professional qualifications and experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
		<p>with the Company.</p> <ul style="list-style-type: none"> 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. 	
Pei-Pei Yu (Independent Director)	<ul style="list-style-type: none"> Was the Managing Director of Managing Director, Goldman Sachs (Hong Kong) L.L.C. for over 5.5 years; President, Goldman Sachs (Asia) L.L.C., Taipei Branch for over 2.5 years; Manager/Vice President of Goldman Sachs (Hong Kong) L.L.C. for five years; Assistant Vice President, UBS AG, Taipei for over four years; and Manager, Citibank (Taipei Branch) for over 2.5 years; independent director of Cathay Financial Holdings/ Cathay Life/Cathay Century Insurance for more than 0.5 years. Competent to operate a financial holding company, and is able to operate the business of a financial holding company in a sound and effective manner, and meets the professional qualifications for financial holding companies. At least five years of working experience in securities, with professional qualifications in securities. 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. 	<ul style="list-style-type: none"> Independence conforming to Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” Except for serving as the independent director of the Company and the Company’s 100% owned subsidiaries, Cathay Life and Cathay Century Insurance, not a director, supervisor, or employee of the Company or its affiliates. The director’s spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship, are not directors, supervisors, or managerial officers of the Company or its affiliates. The number and weight of the shareholding in the Company of the director, including the spouse, minor children or in the name of others: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. The number and weight of the shareholding in the Company of the director, the spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship 	2

Criteria Name	Professional qualifications and experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director (Note 3)
		<p>with the Company.</p> <ul style="list-style-type: none"> 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: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates? Specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? Specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

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

- (I) Board diversity: specify the diversity policy, objectives, and achievement of the Board. The Diversity policy includes, but not limited to, the criteria for selection of directors, the composition or ratios of professional knowledge and skills required by the Board, gender, as well as age, nationality, and culture; the specific objectives and achievements of the said policy shall be specified.

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 seven non-executive directors, five independent directors (two of whom are Ms. Li-Ling Wang and Ms. Pei-Pei Yu) and one executive director (Chang-Ken Lee, concurrently acting as the President). The board members collectively possess extensive experience and expertise in finance, digital finance, fintech, 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 38% of all directors and female directors (Li-Ling Wang and Pei-Pei Yu) accounted for 15% of all directors; and the five independent directors with an average term of office service period of 3.9 years (one independent director with the term of office service period less than three years, two independent directors with the term of office service period of 3.5 years, one independent director with the term of office service period of 5.5 years, and one independent director with the term of office service period of 6.5 years). The average age of the board of directors is 66 years old; four directors are at the age between 71–79 years old, five directors are at the age between 61–70 years old, and four 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 7 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: Specify the number and proportion of independent directors, describe the Board's independence, and whether there is no circumstance of Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act, including specifying any spousal and relative relationships between directors, supervisors, or directors and supervisors.

The Company's current Board of Directors (8th) 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, digital finance, digital information, overseas markets, M&A, and risk management. Through the involvement of the external and independent directors 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, 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. On June 17, 2022, the election of the 8th term of directors was completed, and the number of independent directors was increased from four to five. The new independent director, Ms. Pei-Pei Yu, has professional experience and knowledge in banking, securities, business administration and finance, effectively enhancing the diversity of the Company's Board and the effectiveness of corporate governance.

All of the independent directors of the Company comply with the requirements regarding the independence of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." The candidates of independent directors are nominated and reviewed for the qualifications by the "Corporate Governance and Nomination Committee." During the process, each independent director candidate is required to present the Statement of Independence, and the Company verifies their professionalism and independence by adopting related procedures. Upon the resolution of the Board, the candidates are submitted to the shareholders' meeting for election. In addition, the Company believes that the independence of independent directors must be judged on its merits. The Company is committed to ensuring the independence of the independent directors continuously. The factors taken into account include: whether they can consistently raise constructive issues for management and other directors, whether the views they express are independent of management or other directors, and whether they act and speak appropriately both in and out of the Board. All the independent directors' conducts meet the aforementioned expectations and demonstrates the relevant characteristics, and thus the Company considers all of the independent directors to be independent of the Company.

Among all directors of the Company (13 seats), three seats are spouses or relatives within second degrees of kinship (Directors Cheng-Ta Tsai, Hong-Tu Tsai, and Cheng-Chiu Tsai are brothers). Therefore, the Company complies with Paragraph 3, Article 26-3 of the Securities and Exchange Act, which requires that more than half of the seats of directors shall not be held by spouses or relatives within two degrees of kinship to each other.

In addition, the Company does not have any supervisor, so the requirement of Paragraph 4, Article 26-3 of the Securities and Exchange Act, where at least one or more supervisors, or one or more supervisors and directors must not have spousal relationship or familial relationship within the second degree of kinship, is not applicable.

Implementation of board diversity policy at Cathay Financial Holdings

Diversity Core Item Directors	Basic composition								Industry experience							Professional knowledge/skills								
	Nationality/ place of registration	Gender	Concurrent positions in our company (and Executive Director)	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	3 years and below	3 to 9 years	9 years and above															
Hong-Tu Tsai	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		✓				✓ (Note)	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓			✓	
Tang-Chieh Wu	R.O.C.	M			✓			✓ (Note)	✓	✓	✓	✓	✓	✓			✓	✓		✓			✓	
Pei-Pei Yu	R.O.C.	F		✓			✓			✓		✓	✓		✓		✓	✓		✓			✓	
Note: As of December 31, 2022, Independent Director, Feng-Chiang Miao has served 6.5 years; Independent Director, Edward Yung-Do Way has served 5.5 years; the term of office of Independent Directors, Li-Ling Wang and Tang-Chieh Wu have served 3.5 years.																								

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

April 11, 2023

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			Remarks (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	360,112		0.002%	-	-	-	-	M.B.A., University of Pennsylvania, USA	Chairman, 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
					20,000		0.001%	-	-	-	-						
Chief Auditor	R. O. C.	Hung-Chang Yang	2021/03/18	M	159,853		0.001%	19,145	0%	-	-	LL.B., Chinese Culture University	None	None	None	None	None
					9,000		0.001%	-	-	-	-						
Chief Financial Officer	R. O. C.	Grace Chen	2004/01/09	F	170,586		0.001%	-	-	-	-	M.B.A., National Chengchi University	Director, Cathay United Bank, Cathay Venture, Cathay United Bank Foundation	None	None	None	None
					25,000		0.002%	-	-	-	-						
Senior Executive Vice President	US A	David P. Sun	2008/02/01	M	44,930		0%	-	-	-	-	M.B.A. & M.S., Harvard University, USA	Senior Executive Vice President, Cathay Life Insurance; Chairman, Symphox Information; Director, Cathay United Bank (Cambodia), Conning Holdings Limited and Quantifeed Holdings Limited	None	None	None	None
					15,000		0.001%	-	-	-	-						
Chief Investment Officer	R. O. C.	Sophia Cheng	2012/07/23	F	82,511		0.001%	-	-	-	-	M.S., Golden Gate University, USA	Director, Cathay United Bank, Cathay Charity Foundation, Brim Biotechnology, Inc., Ascendo Biotechnology, Inc. Taiwan Branch (Cayman Islands)	None	None	None	None
					6,000		0%	-	-	-	-						
Chief Information Officer	R. O. C.	Jian-Hsing Wu	2021/11/10	M	136,123		0.001%	18,991	0%	-	-	M.S., Tamkang University	Senior Executive Vice President, Cathay United Bank; Director, Cathay United Bank and Cathay United Bank Foundation	None	None	None	None
					39,000		0.003%	-	-	-	-						

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			Remarks (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						
Senior Executive Vice President	R. O. C.	Tsung-Hsien Tsai	2017/08/18	M	10,864,458		0.074%	-	-	-	-	M.S. in Electronic Engineering, Harvard University, USA	Senior Executive Vice President, Cathay Century Insurance; Vice Chairman, Symphox Information; Director, Cathay United Bank, Cathay Century Insurance	Chairman	Hong-Tu Tsai	Paternity	None
					15,000		0.001%	-	-	-	-						
Senior Executive Vice President	R. O. C.	Hsiang Hsin Tsai	2020/03/12	F	133,062		0.001%	-	-	-	-	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	101,000		0.001%	-	-	-	-	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%	-	-	-	-						
Executive Vice President and Chief Corporate Governance Officer	R. O. C.	Deh-Yen Weng	2011/06/29	F	138,974		0.001%	-	-	-	-	M.B.A., Massachusetts Institute of Technology, USA	Director, Cathay Real Estate Culture and Education Foundation	None	None	None	None
					9,000		0.001%	-	-	-	-						
Executive Vice President	R. O. C.	Shu-Ying Wu	2013/05/01	F	33,532		0%	1,467	0%	-	-	M.B.A., Michigan State University, USA	Executive Vice President, Cathay Life Insurance	None	None	None	None
					4,000		0%	-	-	-	-						
Executive Vice President	R. O. C.	Ta-Ching Hung	2013/12/28	M	87,810		0.001%	-	-	-	-	M.B.A., National Chengchi University	Executive Vice President, Cathay Life Insurance; Supervisor, Cathay Securities Corporation; Director, EasyCard Corporation	None	None	None	None
					25,000		0.002%	-	-	-	-						
Executive Vice President	R. O. C.	Fu-Min Wang	2017/04/28	M	100,000		0.001%	-	-	-	-	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	79,746		0%	-	-	-	-	LL.B., National Taipei University	Senior Executive Vice President, Cathay Securities Corporation; Supervisor, Cathay Futures	None	None	None	None
					-		-	-	-	-	-						

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			Remarks (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						
Chief Risk Officer	R. O. C.	Ching-Lu Huang	2018/09/14	M	56,008		0%	30,067	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	100,000		0.001%	-	-	-	-	M.B.A., Department of Information Management, Ming Chuan University	Executive Vice President, Cathay United Bank	None	None	None	None
					3,000		0%	-	-	-	-						
Chief Information Security Officer (CISO)	R. O. C.	Pei-Ching Lin	2020/03/12	F	61,664		0%	7,682	0%	-	-	M.B.A., National Taiwan Univeristy	Executive Vice President, Cathay Life Insurance	None	None	None	None
					-		-	-	-	-	-						
Executive Vice President	R. O. C.	Kuang-Hsueh Chen	2021/02/04	M	57,000		0%	2,163	0%	-	-	M.B.A., University of California, USA	Executive Vice President, Cathay United Bank	None	None	None	None
					-		-	-	-	-	-						
Executive Vice President	U. S.	Hua-Ben Miao	2021/03/11	M	30,000		0%	550	0%	-	-	M.B.A., University of Pennsylvania, USA	Executive Vice President, Cathay United Bank; Director of 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	30,000		0%	-	-	-	-	M.B.A., State University of New York	Executive Vice President, Cathay United Bank	None	None	None	None
					-		-	-	-	-	-						
Executive Vice President	R. O. C.	Cheng-Lung Chu	2023/02/01	M	34,492		0%	2,000	0%	-	-	Master of Science of Risk Management and Insurance, National Chengchi University	Chief Compliance Officer, Cathay Century Insurance	None	None	None	None
					-		-	-	-	-	-						
Senior Vice President	R. O. C.	Shao-Ling Weng	2013/11/12	F	5,000		0%	-	-	-	-	M.B.A., National Cheng Kung University	None	None	None	None	None
					6,000		0%	-	-	-	-						
Senior Vice President	R. O. C.	Gwang-Ying She	2014/04/01	F	10,160		0%	-	-	-	-	M.B.A., Oregon State University, USA	None	None	None	None	None
					-		-	-	-	-	-						

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			Remarks (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						
Senior Vice President	R. O. C.	Sheng-Hsiung Tsai	2015/02/07	M	16,408		0%	1,632	0%	-	-	M.B.A., National Taiwan University	None	None	None	None	
					-		-	20,000	0.001%	-	-						
Senior Vice President	R. O. C.	Hwa-Hsin Yang	2016/07/26	M	10,000		0%	-	-	-	-	M.B.A., Rutgers University, USA	Senior Vice Presidents, Cathay Life Insurance	None	None	None	None
					-		-	-	-	-	-						
Senior Vice President	R. O. C.	Chin-Tang Lu	2018/04/27	M	11,000		0%	-	-	-	-	M.B.A., Yuan Ze University	None	None	None	None	None
					-		-	-	-	-	-						
Senior Vice President	R. O. C.	Yao-Te Wang	2018/05/02	M	14,326		0%	-	-	-	-	M.S., University of Southern California, USA	Senior Vice President, Cathay United Bank	None	None	None	None
					-		-	-	-	-	-						
Senior Vice President	R. O. C.	Wan-Yu Ho	2019/04/09	F	22,834		0%	-	-	-	-	M.B.A., National Taiwan University of Science and Technology	None	None	None	None	None
					-		-	-	-	-	-						
Senior 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
					-		-	-	-	-	-						
Senior Vice President	R. O. C.	Chun-Chieh Chen	2020/04/30	M	15,219		0%	-	-	-	-	M.B.A., National Taiwan University	None	None	None	None	None
					2,000		0%	-	-	-	-						
Senior Vice President	R. O. C.	Chi-Ya Hua	2020/06/12	F	43		0%	-	-	-	-	M.B.A., Massachusetts Institute of Technology, USA	None	None	None	None	None
					-		-	-	-	-	-						
Senior Vice President	R. O. C.	Jui-Hung Hung	2020/06/13	M	22,283		0%	-	-	-	-	Accounting, Soochow University	Supervisor, Cathay Securities Investment Trust	None	None	None	None
					-		-	-	-	-	-						

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			Remarks (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						
Senior Vice President	R. O. C.	Chun-Lan Shih	2021/06/20	F	-		-	-	-	-	M.I.B., The University of Melbourne	None	None	None	None	None	
					-		-	-	-	-							
Senior Vice President	R. O. C.	Wei-Ming Chen	2021/08/20	M	10,000		0%	-	-	-	Department of Information Management, Tamkang University	None	None	None	None	None	
					-		-	-	-	-							
Senior Vice President	R. O. C.	Hao-Hsiang Liu	2021/11/10	M	10,000		0%	-	-	-	M.A. Economics, National Sun Yat-sen University	Senior Vice President, Cathay Century Insurance	None	None	None	None	
					-		-	-	-	-							
Senior Vice President	R. O. C.	Chi-Liang Huang	2022/01/01	M	21,195		0%	-	-	-	M.B.A., National Chengchi University	None	None	None	None	None	
					-		-	-	-	-							
Senior Vice President	R. O. C.	Chin-Chi Chen	2022/12/01	M	8,000		0%	-	-	-	M.A. Economics, National Taiwan University	None	None	None	None	None	
					-		-	-	-	-							

Note 1: This should include all President, Executive 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 11, 2023 (the book closure date). The number and percentage of preferred shares include both Class A and Class B.

Note 5: Managerial officers' concurrent employments are as at Feb to Mar 2023.

(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, executive vice presidents and employees in the latest fiscal year

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

(aggregate disclosure of directors' names and range of remuneration)

December 31, 2022; 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				
										Cash Amount	Stock Amount					Cash Amount	Stock Amount					
Chairman	Hong-Tu Tsai	32,241	146,646	0	1,458	1,800	1,800	3,165	8,066	37,206; 0.10%	157,970; 0.42%	53,405	53,405	0	0	7	0	7	0	90,618; 0.24%	211,382; 0.57%	319
Director	Representative of Chia Yi Capital Co., Ltd.: Cheng-Ta Tsai																					
Director	Representative of Chen-Sheng Industrial Co., Ltd.: Cheng-Chiu Tsai																					
Director	Representative of Chia Yi Capital Co., Ltd.: Chi-Wei Joong																					
Director	Cathay United Bank Foundation: Ming-Jian Kuo																					
Director	Representative of Cathay Life Employees' Welfare Committee: Tiao-Kuei Huang																					
Director	Representative of Cathay Life Employees' Welfare Committee: Ming-Ho Hsiung																					
Director	Representative of Cathay Life Employees' Welfare Committee: Chang-Ken Lee																					
Former Vice Chairman	Cathay United Bank Foundation: Tsu-Pei Chen (The office term ended on June 17, 2022)																					
Independent Director	Feng-Chiang Miao	20,216	20,216	0	0	0	0	864	2,420	21,080; 0.06%	22,636; 0.06%	0	0	0	0	0	0	0	21,080; 0.06%	22,636; 0.06%	0	
Independent Director	Edward Yung-Do Way																					
Independent Director	Li-Ling Wang																					
Independent Director	Tang-Chieh Wu																					
Independent Director	Pei-Pei Yu																					
<div><div>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. Performance evaluation and salary/compensation rules are subject to review or amendment by the Remuneration Committee every three years.</div><div>2. Apart from the aforementioned disclosure, the remuneration to directors of the Company for service rendered (such as serving as a non-employee consultant of the parent company/the companies included in the financial statements/the investees): None</div></div>																						

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)	The parent company and all invested businesses (Note 9)
Under NT\$ 1,000,000	Cheng-Ta Tsai, Chang-Ken Lee	Cheng-Ta Tsai	Cheng-Ta Tsai	Cheng-Ta Tsai
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (non-inclusive)	Hong-Tu Tsai, Cheng-Chiu Tsai, Tiao-Kuei Huang, Ming-Ho Hsiung, Ming-Jian Kuo	Hong-Tu Tsai, Chang-Ken Lee	Hong-Tu Tsai, Cheng-Chiu Tsai, Tiao-Kuei Huang, Ming-Ho Hsiung, Ming-Jian Kuo	Hong-Tu Tsai
NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (non-inclusive)	Pei-Pei Yu	Pei-Pei Yu, Cheng-Chiu Tsai	Pei-Pei Yu	Pei-Pei Yu, Cheng-Chiu Tsai
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, Feng-Chiang Miao, Chi-Wei Joong	Li-Ling Wang, Feng-Chiang Miao, Edward Yung-Do Way, Chi-Wei Joong	Li-Ling Wang, Feng-Chiang Miao, Chi-Wei Joong
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive)	Tang-Chieh Wu	Tang-Chieh Wu, Edward Yung Do Way,	Tang-Chieh Wu	Tang-Chieh Wu, Edward Yung Do Way
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)	Tsu-Pei Chen	Tsu-Pei Chen	Tsu-Pei Chen	Tsu-Pei Chen
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive)	None	Tiao-Kuei Huang, Ming-Ho Hsiung, Ming-Jian Kuo	None	Tiao-Kuei Huang, Ming-Ho Hsiung, Ming-Jian Kuo
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive)	None	None	Chang-Ken Lee	Chang-Ken Lee
Over NT\$ 100,000,000	None	None	None	None
Total	14	14	14	14

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\$3,182 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 IFRS2 "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

(collective disclosure by name and range of remuneration)

December 31, 2022; 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	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Chang-Ken Lee	84,306	143,187	0	0	132,386	185,848	147	0	147	0	216,839; 0.58%	329,182; 0.88%	469
Chief Auditor	Hung-Chang Yang													
Chief Financial Officer	Grace Chen													
Chief Information Officer	Jian-Hsing Wu													
Senior Executive Vice President	Tsung-Hsien Tsai													
Executive Vice President	Deh-Yen Weng													
Senior Executive Vice President	Hsiang Hsin Tsai													
Senior Executive Vice President	David P. Sun													
Senior Executive Vice President	Chung-Yi Teng													
Executive Vice President	Ta-Ching Hung													
Chief Investment Officer	Sophia Cheng													
Executive Vice President	Shu-Ying Wu													
Chief Risk Officer	Ching-Lu Huang													
Executive Vice President	Fu-Min Wang													
Executive Vice President	Yu-Mei Lee													
Senior Executive Vice President	Xu-Jie Yao													
Executive Vice President	Ming-Chiao Liang													
Chief Information Security Officer (CISO)	Pei-Ching Lin													
Executive Vice President	Hua-Ben Miao													
Executive Vice President	Kuang-Hsueh Chen													
Executive Vice President	Fa-Hsiang Chang													
Former Executive Vice President Judie Hsu resigned on April 1, 2022.														

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

Remuneration Range

Remuneration to President and Executive Vice presidents (NT\$) Remuneration Range	President & Executive Vice President Name	
	The Company (Note 6)	The parent company and all invested businesses (Note 7)
Under NT\$ 1,000,000	Fu-Min Wang, Pei-Ching Lin, Hua-Ben Miao, Fa-Hsiang Chang	None
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (non-inclusive)	Ta-Ching Hung, Kuang-Hsueh Chen, Ching-Lu Huang, Hsiang Hsin Tsai	None
NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (non-inclusive)	None	None
NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (non-inclusive)	Yu-Mei Lee	Pei-Ching Lin
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive)	Jian-Hsing Wu, Shu-Ying Wu, Xu-Jie Yao, Deh-Yen Weng, Ming-Chiao Liang, Judie Hsu, Hung-Chang Yang	Fu-Min Wang, Yu-Mei Lee, Ta-Ching Hung, Deh-Yen Weng, Fa-Hsiang Chang, Ming-Chiao Liang, Judie Hsu, Ching Lu Huang, Hung-Chang Yang
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (non-inclusive)	Grace Chen, Tsung-Hsien Tsai	Shu-Ying Wu, Hua-Ben Miao, Kuang-Hsueh Chen, Grace Chen, Tsung-Hsien 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, Hsiang Hsin Tsai
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive)	None	Chung-Yi Teng
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive)	Chang-Ken Lee	Chang-Ken Lee
Over NT\$ 100,000,000 (inclusive)	None	None
Total	22	22

Note 1: Names of the presidents and executive vice presidents must be shown separately. Any directors who co-headed the President or Executive 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 to the president and executive vice presidents 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\$4,326 thousand for the period. Salary expenses recognized in accordance with IFRS2 "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, 2022; 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	259	259	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				
	Chief Information Security Officer (CISO)	Pei-Ching Lin				
	Executive Vice President	Deh-Yen Weng				
	Executive Vice President	Shu-Ying Wu				
	Executive Vice President	Ta-Ching Hung				
	Senior Executive Vice President	Hsiang Hsin Tsai				
	Executive Vice President	Yu-Mei Lee				
	Senior Executive Vice President	Xu-Jie Yao				
	Executive Vice President	Fu-Min Wang				
	Executive Vice President	Hua-Ben Miao				
	Executive Vice President	Kuang-Hsueh Chen				
	Executive Vice President	Fa-Hsiang Chang				
	Senior Vice President	Wan-Yu Ho				
	Senior Vice President	Gwang-Ying She				
	Senior Vice President	Hao-Hsiang Liu				
	Senior Vice President	Chin-Tang Lu				
	Senior Vice President	Ya-Jou Chang				
	Senior Vice President	Chun-Lan Shih				
	Senior Vice President	Hwa-Hsin Yang				
	Senior Vice President	Yao-Te Wang				
	Senior Vice President	Shao-Ling Weng				
	Senior Vice President	Chi-Ya Hua				
	Senior Vice President	Sheng-Hsiung Tsai				
	Senior Vice President	Chun-Chieh Chen				
	Senior Vice President	Chin-Chi Chen				
	Senior Vice President	Wei-Ming Chen				
	Senior Vice President	Chi-Liang Huang				
	Senior Vice President	Jui-Hung Hung				

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) senior vice president 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/supervisor shareholding percentage for 3 consecutive months or longer during the most recent fiscal year shall disclose the remuneration of individual directors/supervisors:

None.

(V) A Company that has had an average ratio of share pledging by director supervisors in excess of 50% 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% 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% 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 2-2 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, president and executive vice presidents by the Company and all entities included in the consolidated financial statements amounted to NT\$508,715 thousand dollars in 2022 and NT\$485,957 thousand dollars in 2021, representing 1.36% of 0.35% 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. Fees: 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) According to the Company's "Manager Compensation Guidelines," managers' compensation includes monthly salary, performance bonus, and retirement benefit, etc. Managers' monthly salaries are determined based on their responsibilities, performances, competence, and the industry compensation benchmark. Salaries are proposed by the Chairman and effected with the consent of Remuneration Committee members 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.

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)

The 7th board of directors (data range: 2022.1.1–2022.6.16)

A total of 5 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	5	0	100%	—
Vice Chairman	Cathay United Bank Foundation Representative: Tsu-Pei Chen	5	0	100%	
Director	Chia Yi Capital Co., Ltd. Representative: Cheng-Ta Tsai	0	5	0%	
Director	Chen-Sheng Industrial Co., Ltd. Representative: Cheng-Chiu Tsai	5	0	100%	
Director	Chia Yi Capital Co., Ltd. Representative: Chi-Wei Joong	5	0	100%	
Director	Cathay United Bank Foundation Representative: Andrew Ming-Jian Kuo	5	0	100%	
Director	Cathay Life Insurance Co., Ltd. Employees' Welfare Committee Representative: Tiao-Kuei Huang	5	0	100%	
Director	Cathay Life Insurance Co., Ltd. Employees' Welfare Committee Representative: Ming-Ho Hsiung	5	0	100%	
Director	Cathay Life Insurance Co., Ltd. Employees' Welfare Committee Representative: Chang-Ken Lee	5	0	100%	
Independent Director	Feng-Chiang Miao	5	0	100%	
Independent Director	Edward Yung-Do Way	5	0	100%	
Independent Director	Li-Ling Wang	5	0	100%	
Independent Director	Tang-Chieh Wu	5	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.

The 8th board of directors (data range: 2022.6.17–2022.12.31)

A total of 7 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	7	0	100%	2022.6.17 Re-elected
Director	Chia Yi Capital Co., Ltd. Representative: Cheng-Ta Tsai	0	7	0%	
Director	Chen-Sheng Industrial Co., Ltd. Representative: Cheng-Chiu Tsai	7	0	100%	
Director	Chia Yi Capital Co., Ltd. Representative: Chi-Wei Joong	7	0	100%	
Director	Cathay United Bank Foundation Representative: Andrew Ming-Jian Kuo	7	0	100%	
Director	Cathay Life Insurance Co., Ltd. Employees' Welfare Committee Representative: Tiao-Kuei Huang	7	0	100%	
Director	Cathay Life Insurance Co., Ltd. Employees' Welfare Committee Representative: Ming-Ho Hsiung	7	0	100%	
Director	Cathay Life Insurance Co., Ltd. Employees' Welfare Committee Representative: Chang-Ken Lee	7	0	100%	
Independent Director	Feng-Chiang Miao	7	0	100%	
Independent Director	Edward Yung-Do Way	7	0	100%	
Independent Director	Li-Ling Wang	7	0	100%	
Independent Director	Tang-Chieh Wu	7	0	100%	
Independent Director	Pei-Pei Yu	7	0	100%	2022.6.17 Newly elected

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 2022:

✓: In person; ☆: By proxy; ✕: Absent

2022	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th	11 th	12 th	Remarks
Feng-Chiang Miao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2022.6.17 Re-elected; required attendance: 12 sessions
Edward Yung-Do Way	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Li-Ling Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Tang-Chieh Wu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Pei-Pei Yu	—	—	—	—	—	✓	✓	✓	✓	✓	✓	✓	2022.6.17 Newly elected; required attendance: 7 sessions

Directors' and supervisors' ongoing education in 2022

Title	Name	Course date		Exam Administrator	Course name	Course hours	Remarks
		From	To				
Chairman	Hong-Tu Tsai	20220712	20220712	Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7	2022.6.17 Re-elected
		20221215	20221215	Cathay Financial Holding Co., Ltd.	Corporate Governance Forum-Corporate Governance Practices - Recent High Profile Cases as a Reference I	2.5	
		20221215	20221215	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Corporate governance in practice - Learn from high-profile cases in the recent years II	4.0	
Director	Cheng-Ta Tsai	20220519	20220519	Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7	2022.6.17 Re-elected
		20221215	20221215	Cathay Financial Holding Co., Ltd.	Corporate Governance Forum - Corporate governance in practice - Learn from high-profile cases in the recent years I	2.5	
		20221215	20221215	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Corporate governance in practice - Learn from high-profile cases in the recent years II	4.0	
Director	Cheng-Chiu Tsai	20220517	20220517	Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7	2022.6.17 Re-elected
		20221215	20221215	Cathay Financial Holding Co., Ltd.	Corporate Governance Forum - Corporate governance in practice - Learn from high-profile cases in the recent years I	2.5	
		20221215	20221215	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Corporate governance in practice - Learn from high-profile cases in the recent years II	4.0	
Director	Chi-Wei Joong	20220517	20220517	Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7	2022.6.17 Re-elected
		20220902	20220902	Cathay United Bank Co., Ltd.	[Promotion of knowledge to executives] Internal ratings-based (IRB) for credit risk	0.5	
		20220930	20220930	Cathay United Bank Co., Ltd.	Anti-Money Laundering and Counter Terrorism Financing Education and Training	1.0	

Title	Name	Course date		Exam Administrator	Course name	Course hours	Remarks
		From	To				
		20221110	20221110	Taipei Foundation of Finance	Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2.0	
		20221110	20221110	Taipei Foundation of Finance	Theory and practice of principle for fair treatment	3.0	
		20221114	20221114	Taiwan Stock Exchange Corporation (TWSE)	2022 Cathay Sustainable Finance and Climate Change Summit	6.0	
		20221201	20221201	Cathay United Bank Co., Ltd.	2022 Information Security Advisory Group for the Board of Directors: Q1~Q2 Information Security Threat Analysis Report	0.3	
Director	Andrew Ming-Jian Kuo	20220309	20220309	Taiwan Academy of Banking and Finance	Corporate Governance Classroom – The Future World under the US–China Competition and Rivalry	3.0	2022.6.17 Re-elected
		20220422	20220422	Taiwan Institute for Sustainable Energy (TAISE)	Taishin 30 Sustainable Net Zero Summit Forum - Real Net Zero Accomplish Sustainability 2030	3.0	
		20220531	20220531	Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7	
		20220826	20220826	Institute of Financial Law and Crime Prevention	Principle for Financial Service Industries to Treat Clients Fairly	3.0	
		20220902	20220902	Cathay United Bank Co., Ltd.	[Promotion of knowledge to executives] Internal ratings-based (IRB) for credit risk	0.5	
		20220930	20220930	Cathay United Bank Co., Ltd.	Anti-Money Laundering and Counter Terrorism Financing Education and Training	1.0	
		20221118	20221118	Taipei Foundation of Finance	Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2.0	
		20221130	20221130	Cathay United Bank Co., Ltd.	2022 Information Security Advisory Group for the Board of Directors: Q1~Q2 Information Security Threat Analysis Report	0.3	
Director	Tiao-Kuei Huang	20220309	20220309	Taiwan Academy of Banking and Finance	Corporate Governance Classroom – The Future World under the US–China Competition and Rivalry	3.0	2022.6.17 Re-elected
		20220323	20220323	Independent Director Association Taiwan (TIDA)	Information security protection, strategy and crisis management from the metaverse boom	3.0	
		20220512	20220512	Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7	
		20220815	20220815	Cathay Life Insurance Co., Ltd.	IFRS17 Education and Training	3.0	
		20221031	20221031	Cathay Life Insurance Co., Ltd.	Education and training of principle for fair treatment	0.5	
		20221031	20221031	Cathay Life Insurance Co., Ltd.	“Anti-Money Laundering and Counter Terrorism Financing” Education and Training	1.0	
		20221031	20221031	Cathay Life Insurance Co., Ltd.	IT Security Education and Training	0.5	
Director	Ming-Ho Hsiung	20220506	20220506	Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7	2022.6.17 Re-elected
		20220729	20220729	Cathay Life Insurance Co., Ltd.	IFRS17 Education and Training	3.0	
		20220913	20220913	Securities and Futures Institute	Opportunities for the foundry and advanced packaging technologies and supply chain	3.0	
		20221114	20221114	Taiwan Stock Exchange Corporation (TWSE)	2022 Cathay Sustainable Finance and Climate Change Summit	3.0	
		20221121	20221121	Cathay Life Insurance Co., Ltd.	Education and training of principle for fair treatment	0.5	
		20221121	20221121	Cathay Life Insurance Co., Ltd.	“Anti-Money Laundering and Counter Terrorism Financing” Education and	1.0	

Title	Name	Course date		Exam Administrator	Course name	Course hours	Remarks
		From	To				
		20221121	20221121	Cathay Life Insurance Co., Ltd.	IT Security Education and Training	0.5	
Director	Chang-Ken Lee	20220210	20220210	Taiwan Institute for Sustainable Energy (TAISE)	The 27th CEO Lecture and Keynote Speech	2.0	2022.6.17 Re-elected
		20220826	20220826	Institute of Financial Law and Crime Prevention	Principle for Financial Service Industries to Treat Clients Fairly	3.0	
		20220902	20220902	Taiwan Corporate Governance Association	Principle for Financial Service Industries to Treat Clients Fairly and Case Studies	3.0	
		20220930	20220930	Cathay United Bank Co., Ltd.	Anti-Money Laundering and Counter Terrorism Financing Education and Training	1.0	
		20221020	20221020	Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7	
		20221113	20221114	Taiwan Stock Exchange Corporation (TWSE)	2022 Cathay Sustainable Finance and Climate Change Summit	6.0	
		20221129	20221129	Cathay United Bank Co., Ltd.	2022 Information Security Advisory Group for the Board of Directors: Q1~Q2 Information Security Threat Analysis Report	0.3	
		20221130	20221130	Taipei Foundation of Finance	Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2.0	
Independent Director	Feng-Chiang Miao	20220707	20220707	Taiwan Stock Exchange Corporation (TWSE)	Promotional seminar of sustainable development roadmap with industry themes	2.0	2022.6.17 Re-elected
		20220902	20220902	Cathay United Bank Co., Ltd.	[Promotion of knowledge to executives] Internal ratings-based (IRB) for credit risk	0.5	
		20220920	20220920	Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7	
		20220930	20220930	Cathay United Bank Co., Ltd.	Anti-Money Laundering and Counter Terrorism Financing Education and Training	1.0	
		20221005	20221005	Securities and Futures Institute	2022 Legal compliance seminar for insider equity trading	3.0	
		20221011	20221011	Taiwan Stock Exchange Corporation (TWSE)	Release of Reference Guidelines for Independent Directors and Audit Committee on the Exercise of the Powers, and Promotion to Directors and Supervisors	3.0	
		20221014	20221014	Securities and Futures Institute	2022 Promotional seminar for prevention of insider trading	3.0	
		20221216	20221216	Taipei Foundation of Finance	Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2.0	
		20221216	20221216	Taipei Foundation of Finance	Theory and practice of principle for fair treatment	3.0	
		20221216	20221216	Cathay United Bank Co., Ltd.	2022 Information Security Advisory Group for the Board of Directors: Q1~Q2 Information Security Threat Analysis Report	0.3	
Independent Director	Edward Yung-Do Way	20220225	20220225	Taiwan Corporate Governance Association	2022 Economic Outlook, Global and Taiwan	1.0	2022.6.17 Re-elected
		20220324	20220324	Taiwan Academy of Banking and Finance	Seminar on Information Security Governance (22nd Session)- Development Trend of Fintech and Information Security Risk	3.0	
		20220526	20220526	Taiwan Academy of Banking and Finance	Corporate Governance Class - The importance of corporate sustainability reports	3.0	
		20220607	20220607	Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7	

Title	Name	Course date		Exam Administrator	Course name	Course hours	Remarks
		From	To				
		20220707	20220707	Taiwan Corporate Governance Association	The Net Zero Carbon Reduction Pathway for TWSE and TPex Listed Companies	1.0	
		20220831	20220831	Taiwan Corporate Governance Association	New Vision of Digital Transformation	1.0	
		20220902	20220902	Cathay United Bank Co., Ltd.	[Promotion of knowledge to executives] Internal ratings-based (IRB) for credit risk	0.5	
		20220930	20220930	Cathay United Bank Co., Ltd.	Anti-Money Laundering and Counter Terrorism Financing Education and Training	1.0	
		20221110	20221110	Taipei Foundation of Finance	Theory and practice of principle for fair treatment	3.0	
		20221111	20221111	Taipei Foundation of Finance	Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2.0	
		20221123	20221123	Cathay United Bank Co., Ltd.	2022 Information Security Advisory Group for the Board of Directors: Q1~Q2 Information Security Threat Analysis Report	0.3	
		20221213	20221213	Taiwan Corporate Governance Association	Risks and Opportunities of the Climate Change	3.0	
Independent Director	Li-Ling Wang	20220705	20220705	Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7	2022.6.17 Re-elected
		20220906	20220906	Taiwan Corporate Governance Association	The real value created by the circulation and low carbon innovation - understand the circular economy and governance	3.0	
		20220927	20220927	Cathay Life Insurance Co., Ltd.	IFRS17 Education and Training	3.0	
		20221113	20221114	Taiwan Stock Exchange Corporation (TWSE)	2022 Cathay Sustainable Finance and Climate Change Summit	6.0	
		20221128	20221128	Cathay Life Insurance Co., Ltd.	Education and training of principle for fair treatment	0.5	
		20221128	20221128	Cathay Life Insurance Co., Ltd.	"Anti-Money Laundering and Counter Terrorism Financing" Education and Training	1.0	
		20221128	20221128	Cathay Life Insurance Co., Ltd.	IT Security Education and Training	0.5	
Independent Director	Tang-Chieh Wu	20220628	20220628	Taiwan Corporate Governance Association	Quick reading and preparation for ESG disclosure requirements under Corporate Governance 3.0	3.0	2022.6.17 Re-elected
		20220707	20220707	Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7	
		20220719	20220719	Taiwan Corporate Governance Association	The way of carbon management towards Net-Zero and the countermeasures	3.0	
		20220812	20220812	Taiwan Academy of Banking and Finance	Trust Supervisors (Including In-service Personnel) Workshop	3.0	
		20220816	20220816	Cathay Life Insurance Co., Ltd.	IFRS17 Education and Training	3.0	
		20220902	20220902	Cathay United Bank Co., Ltd.	[Promotion of knowledge to executives] Internal ratings-based (IRB) for credit risk	0.5	
		20220908	20220908	Insurance Institute of the Republic of China	2022 Connect to IFRS17, Forum of Insurance Operation Trends	3.0	
		20220930	20220930	Cathay United Bank Co., Ltd.	Anti-Money Laundering and Counter Terrorism Financing Education and Training	1.0	
		20221107	20221107	Cathay Life Insurance Co., Ltd.	IT Security Education and Training	0.5	
		20221107	20221107	Cathay Life Insurance Co., Ltd.	"Anti-Money Laundering and Counter Terrorism Financing" Education and Training	1.0	
		20221107	20221107	Cathay Life	Education and training of principle for	0.5	

Title	Name	Course date		Exam Administrator	Course name	Course hours	Remarks
		From	To				
				Insurance Co., Ltd.	fair treatment		
		20221123	20221123	Taipei Foundation of Finance	Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2.0	
		20221207	20221207	Cathay United Bank Co., Ltd.	2022 Information Security Advisory Group for the Board of Directors: Q1~Q2 Information Security Threat Analysis Report	0.3	
		20221208	20221208	Taipei Foundation of Finance	Theory and practice of principle for fair treatment	3.0	
Independent Director	Pei-Pei Yu	20220813	20220813	Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7	2022.6.17 Newly elected
		20220815	20220815	Cathay Life Insurance Co., Ltd.	IFRS17 Education and Training	3.0	
		20220930	20220930	Taiwan Corporate Governance Association	Principles of handling public relations for corporate legal events	3.0	
		20220930	20220930	Taiwan Corporate Governance Association	2030/2050 Green Industrial Revolution	3.0	
		20221109	20221109	Cathay Life Insurance Co., Ltd.	Education and training of principle for fair treatment	0.5	
		20221109	20221109	Cathay Life Insurance Co., Ltd.	"Anti-Money Laundering and Counter Terrorism Financing" Education and Training	1.0	
		20221109	20221109	Cathay Life Insurance Co., Ltd.	IT Security Education and Training	0.5	

Other items to be stated:

- 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:
 - 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.
 - Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.
- In instances where an 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
Hong-Tu Tsai, Chang-Ken Lee	Allocation of employees remuneration	This motion concerned the interests of Director Hong-Tu Tsai's direct relatives and the following directors	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

Directors	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Hong-Tu Tsai	The Company intends to purchase digital development manpower to assist in 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
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, Feng-Chiang Miao, Edward Yung-Do Way, Li-Ling Wang, Tang-Chieh Wu	To nominate and confirm candidates for the election of the Company's 8th board of directors (including independent directors), and to review eligibility of independent directors candidates	This motion concerned "interests of Director Cheng-Ta Tsai himself, blood relative(s) within the 2nd degree of kinship, and the corporate he represents;" Director Hong-Tu Tsai himself and blood relative(s) within the 2nd degree of kinship," "interests of Director Cheng-Chiu Tsai himself and 2nd-degree direct relatives and the corporate entities represented," "interests of Director Tsu-Pei Chen," "interests of corporate represented by Directors Chi-Wei Joong, Andrew Ming-Jian Kuo, Tiao-Kuei Huang, Ming-Ho Hsiung and Chang-Ken Lee and the corporate entities represented," and "interests of Directors Feng-Chiang Miao, Edward Yung-Do Way, Li-Ling Wang, and Tang-Chieh Wu themselves."	Disassociated from discussion and voting
Chi-Wei Joong, Andrew Ming-Jian Kuo, Chang-Ken Lee, Feng-Chiang Miao, Edward Yung-Do Way	Removal of restrictions imposed against the Company's directors for involving in competing businesses	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Hong-Tu Tsai, Tsu-Pei Chen, Chang-Ken Lee	Periodic review of the managerial officers' salaries, salary adjustment to the directors indeed involving the business execution, and the managerial officers' compensations	This motion concerned the interests of Director Hong-Tu Tsai's direct relatives and the following directors	Disassociated from discussion and voting
Edward Yung-Do Way, Tang-Chieh Wu, Pei-Pei Yu	Appointment of the Company's 5th Remuneration Committee members	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Ming-Ho Hsiung, Edward Yung-Do Way, Li-Ling Wang	Appointment of the Company's 3rd Corporate Governance and Nomination Committee members	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Hong-Tu Tsai, Chi-Wei Joong, Andrew Ming-Jian Kuo, Chang-Ken Lee, Feng-Chiang Miao, Edward Yung-Do Way, Tang-Chieh Wu, Pei-Pei Yu	To appoint new directors and supervisors for the Company's subsidiaries "Cathay United Bank" and "Cathay Securities," and to appoint replacement directors for subsidiaries "Cathay Life Insurance" and "Cathay Century Insurance".	This motion concerned the interests of Director Hong-Tu Tsai's direct relatives and the following directors	Disassociated from discussion and voting

Directors	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Chi-Wei Joong, Feng-Chiang Miao, Edward Yung-Do Way, Li-Ling Wang, Tang-Chieh Wu, Pei-Pei Yu	Compensation for independent directors and external directors of the 8th board	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Chang-Ken Lee	Presentation of “2023 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, Chang-Ken Lee	Allocation of subscription quota for managers in the Company’s 2022 cash issue	This motion concerned the interests of Director Hong-Tu Tsai’s direct relatives and the following directors	Disassociated from discussion and voting
Hong-Tu Tsai, Chang-Ken Lee	Proposal to implement the employee shareholding trust, and the Company’s contribution for the managerial officers’ participation in the employee shareholding trust.	This motion concerned the interests of Director Hong-Tu Tsai’s direct relatives and the following directors	Disassociated from discussion and voting
Hong-Tu Tsai, Cheng-Ta Tsai, Cheng-Chiu Tsai, Andrew Ming-Jian Kuo, Tiao-Kuei Huang, Ming-Ho Hsiung, Chang-Ken Lee	The Company’s specific parties contacted for the 2022 cash capital increase involved the stakeholder and are subject to observation for the transaction; hence it is intended to comply with Article 45 of the Financial Holding Company Act and the “Self-Disciplinary Principles for Transactions between the Company and Subsidiaries and the Parties Subject to Observation.”	The contents of the proposal involved “Director Hong-Tu Tsai, Director Cheng-Ta Tsai, Director Cheng-Chiu Tsai, themselves and/or their relatives within the second degree of kinship,” “Director Andrew Ming-Jian Kuo himself and his spouse and son(s),” and the other directors listed on the left	Disassociated from discussion and voting
Hong-Tu Tsai	The Company intended to renew the title sponsorship of the e-sports team operated by Bowl Cut Entertainment Co., Ltd.	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 2021 performance for board of directors	At least once every three years	January 1, 2021 ~ December 31, 2021	Board of Directors	<ul style="list-style-type: none"> ■ 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 March 2022, 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 2021. The results were raised for discussion during the board of directors meeting held on May 4, 2022, 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 2021, and to survey and interview directors individually. The goal of this executive panel was 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. The executive panel possessed expertise 	<p>The External Evaluator had made the following conclusions and recommendations based on observation of the board’s performance:</p> <ol style="list-style-type: none"> 1. The composition of the Company’s Board has become increasingly diverse, and the diversity of directors for different aspects may be further enhanced in the future: The diversity of the Company’s Board has been enhanced by including a female director with academic background and experience in competent authorities. It is recommended to consider increasing the proportion of female directors in the future, to enhance gender diversity in the composition of the Board. Another recommendation is to introduce more members with information expertise to the Board; the criteria for selecting director candidates may be adjusted depending on the actual needs in the future, to cope with the changes in the market environment of the financial industry. 2. It is recommended that directors attend the board meeting in person: The Company held eight board meetings in 2021, and the chairman and most of the directors attended the board meetings in person; it is recommended that the directors of the Company should attend the board meetings in person as much as possible, to personally understand the content of the proposals, and discuss with other directors, as well as having the opportunity to communicate with the management team. 3. The Company has planned and implemented many aspects of corporate social responsibility

	Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
				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.	<p>and sustainable governance: The Company and its subsidiaries have invested numerous resources in the implementation of ESG-related aspects. The Board of the Company also recognizes the importance of sustainable corporate development. In addition to internal regulations including the Corporate Sustainability Best-Practice Principles, the Declaration of Sustainable Values, and the Environmental and Energy Policy, the subsidiaries of the Company have actually implemented financial sustainability principles, such as the Equator Principles, seeking to encourage companies with business relationships to pay attention to sustainability issues through the influence of financial institutions, and introduce a carbon verification mechanism, to select investment targets based on international standards. This demonstrates that the Company has been actively implementing its corporate social responsibility of the financial industry in its daily business.</p> <p>The Company has planned and taken the following improvement measures in response to the assessment report and recommendations raised by the External Evaluator:</p> <ol style="list-style-type: none"> 1. Regarding the recommendation from the external evaluation institution specifying that the Company's Board may further enhance the diversity of directors for different aspects in the future, the current directors of the Company have industrial experiences in financial holdings, banking, insurance, securities, and asset management, as well as the rich experience in digital finance, fintech, and information technology; in addition, as a whole, the Board has the professional knowledge in commerce,

	Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
					<p>finance and accounting, law, finance, mathematics/actuarial science, and digital information, overseas market/M&A, and risk management, meeting the diversity requirements of Paragraph 2, Article 30 of the Company's Corporate Governance Best-Practice Principles. The Company has completed the re-election of directors in 2022, and has increased the proportion of independent directors and female directors to enhance the diversity of the Board. In the future, the Company will continue to enhance the effectiveness of the diverse composition of the Board by considering the Company's strategic development, industry trends, and business needs.</p> <p>2. Regarding the recommendation from the external evaluation institution specifying that the directors of the Company should attend the board meetings in person as much as possible, for the convention of any board meeting, the detailed meeting materials are sent to the directors seven days prior to the meeting pursuant to laws; where any director cannot attend a meeting in person, the appointed proxy participates the discussions and resolutions the meeting. Meanwhile, the attendance of the board meeting also conforms to the requirements of the current corporate evaluation indicators. In the future, the in-person attendance will be encouraged in the meeting notices.</p> <p>3. In terms of sustainability, the Group's three major engines of operation – insurance, banking and asset management – are aligned with international sustainability frameworks such as the Principles for Sustainable Insurance (PSI), Equator Principles (EPs),</p>

	Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
					Principles for Responsible Banking (PRB) and Principles for Responsible Investment (PRI), to control potential risks and strengthen the Company's core competitive advantages. Through the integration of sustainability and core functions, the Company has been recognized by authoritative international sustainability rating agencies for many years, including the constituents of world and emerging market segment of the DJSI Sustainability Index for more than five years; Top 10% of DJSI Sustainability Yearbook and AA Grade in MSCI ESG Contest for three consecutive years, demonstrating the ambition and concrete actions of the Company to pursue the excellent sustainability governance.
Internal evaluation of 2022 performance for board of directors and functional committees	Once a year	January 1, 2022 ~ December 31, 2022	Board of directors and functional committees (including Audit Committee, Remuneration Committee and Corporate Governance and Nomination Committee)	<ul style="list-style-type: none"> ■ 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. 	<p>Internal assessment of board and functional committees performance covered five main aspects:</p> <ol style="list-style-type: none"> 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. <p>The internal assessment of board and functional committee performance in 2022 was completed using self-assessed "qualitative indicators" of five main aspects from directors and functional committee members, as well as "quantitative indicators" calculated by the board meeting organizer. Based on attainment rates that the meeting organizer had calculated for all assessment indicators, the board of directors and functional committees (including the Audit Committee, the Remuneration Committee, and the Corporate Governance and Nomination Committee) were considered to have performed Above Standard in 2022. This result was discussed and approved</p>

	Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
					during the board of directors meeting dated January 17, 2023.
Evaluation of 2022 performance for individual directors	Once a year	January 1, 2022 ~ December 31, 2022	Applies to individual board members who remain in duty at the time of assessment.	<ul style="list-style-type: none"> ■ 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. 	<p>Individual director performance assessment covered the following aspects:</p> <ol style="list-style-type: none"> 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 sustainability (CS). <p>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.</p> <p>The results of director performance assessment were determined to be "Pass" for all the directors in 2022.</p>

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, 2022, 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:

■ **Strengthen the composition and functions of the Board of Directors**

The Board of Directors:

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. The Board consists of more than ten directors, and each of the directors has extensive experience and expertise in the fields of finance, commerce, digital finance, digital information, overseas markets, M&A, and risk management. Through the involvement of the external and independent directors 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. On June 17, 2022, the election of the 8th term of directors was completed, and the number of independent directors was increased from four to five. The new independent director, Ms. Pei-Pei Yu, has professional experience and knowledge in banking, securities, business administration and finance, effectively enhancing the diversity of the Company’s Board and the effectiveness of corporate governance. (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 2022 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.

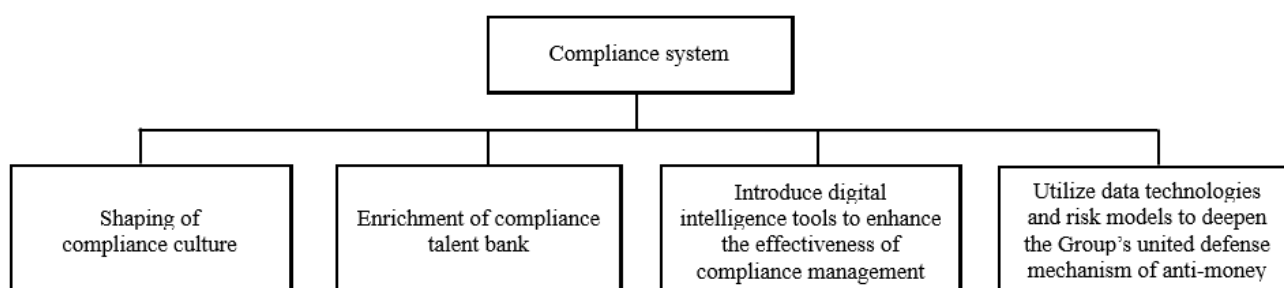
- When the directors of the term onboard, conduct the orientation for first-time directors to introduce them to the Company's business activities, organization and other important issues; provide newly elected directors with a "Director Manual" that guides them through their duties and compliance requirements; 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:
- (3) 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. Since 2022, the Company's regular shareholders' meetings adopt the hybrid shareholders' meeting to implement the shareholder activism.
 - Responsible of checking major announcements for compliance and accuracy, and ensuring information symmetry for investors.

The Chief Corporate Governance Officer training situation for 2022 is as follows:

Course date		Exam Administrator	Course name	Course hours	Total number of training hours for the current year
From	To				
2022.03.09	2022.03.09	Taiwan Academy of Banking and Finance	Corporate Governance Classroom – The Future World under the US–China Competition and Rivalry	3.0	18.5
2022.07.05	2022.07.05	Taiwan Academy of Banking and Finance	Corporate Governance Classroom – Public Relations Crisis Management and Contingency Mechanism	3.0	
2022.07.20	2022.07.20	Taiwan Investor Relations Institute (TIRI)	Impact of the Commercial Court on the operation of the Board of Directors and the execution of the duties of directors	3.0	
2022.08.02	2022.08.02	Cathay Financial Holding Co., Ltd.	Knowing a little bit of law – to balance the employees' interests and the company rights	2.0	
2022.08.26	2022.08.26	Cathay Financial Holding Co., Ltd.	Understanding the industry, opportunities and risks of Metaverse	1.5	
2022.10.11	2022.10.11	Taiwan Stock Exchange Corporation (TWSE)	2022 TWSE-Listed Companies – Release of Reference Guidelines for Independent Directors and Audit Committee on the Exercise of the Powers, and Promotion to Directors and Supervisors	3.0	
2022.11.29	2022.11.29	Taiwan Academy of Banking and Finance	Corporate Governance Classroom – Enhancing Fair Treatment to Customers: Practice and Case Studies of How to Establish the Ethical Culture, Accountability, and Financial Friendliness Mechanism	3.0	

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/CTF trends around the world, Cathay Financial Holdings has adopted a “risk-based” approach towards enhancing its AML/CTF 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/CTF efforts and enforce consensus and common understanding amongst employees. Meanwhile, practices such as training of technology/compliance/AML/CTF talents, the timely update of laws, and regular review of current affairs are being adopted to promote proper AML/CTF 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 improving corporate governance, the Company has amended its “Corporate Governance Best-

Practices Principles” to incorporate that “Principle of Communicating and Contacts between the Company and Shareholders with Control,” as well as the provision specifying that “The representative that is designated when a corporate shareholder has been elected as a director or supervisor shall meet the company’s requirements for professional qualifications. The shareholder with control ability shall not arbitrarily replace the corporate shareholder’s representative, which is inappropriate.” Furthermore, it specifies that independent directors are not advised to be fewer than one-third of the director seats, and terms of service are limited to no more than three terms, whereas rules concerning the duty, eligibility, appointment and dismissal of the Chief Corporate Governance Officer have also been added. 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 2022 (e.g.: annual training on integrity and ethics, orientation training on compliance, and compliance officer conference). These sessions received a total of 909 enrollments and delivered 1,306 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 2022, the Company and its subsidiaries of “Cathay Life Insurance” and “Cathay United Bank” participated in the “CG6013 (2021) Corporate Governance Assessment” organized by Taiwan Corporate Governance Association again, and were the 3rd consecutively awarded the certification of the highest “Exceptional” rating (certificate valid until 2024), 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**

Chairman, Hong-Tu Tsai, was awarded the “Responsible Business Leadership Award” by Enterprise Asia in 2022, showing that the corporate governance of Cathay Financial Holdings is highly recognized internationally. In addition, the Company participated in Taiwan Intellectual Property Management System (TIPS) again, and passed the Grade A certification. To continuously improve the overall information security protection capability, the Company has continued to implement the centralized Security Operation Center (SOC) service mechanism, and all important subsidiaries have been introduced to the Information Security Management System (ISMS). To ensure the Group’s sustainable operation and reduce the impact of emerging risks on corporate operations, except for the Company being the first domestic financial holding company to be certified by the British Standards Institute (BSI) for the international standard “ISO 22301 Business Continuity Management System,” all of the important subsidiaries are gradually participating in this certification, to continuously improve the Group’s BCM (Business Continuity Management) system. In addition, in terms of legal compliance mechanism, the intelligent AI management modules are introduced, and the Group’s digital compliance management system is continuously promoted. For the anti-money laundering and counter terrorism financing operations have conducted assessments to cope with the emerging risks such as arm expansion risk and virtual asset providers (VASP) in the latest National Risk Assessment (NRA), while initiating the plan of cross-industry group risk united defense blueprint, to enhance the group-based risk management modules.

(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. Cases of transactions with stakeholders or counterparties subject to observation for the transaction pursuant to laws or the Company’s related regulations.
4. Major transaction of assets or derivatives.
5. Offering, issuance, or private placement of securities with equity characteristics.
6. Appointment, dismissal and remuneration of financial statement auditor; appointment and dismissal of financial, accounting and internal audit officers.
7. Annual and second-quarter financial reports signed or sealed by Chairman, President and Chief Account.
8. Business report, earnings appropriation or loss reimbursement proposal.
9. The powers to be exercised by the M&A Special Committee pursuant to laws.
10. Other issues deemed material by the Company or the authority.
11. 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 10 meetings in 2022. The main reviewed matters are as follows:

1. 2021 "Business Report, Final Financial Statements and Earnings Distribution," "Declaration of Internal Control System" and "Audit Committee Operation Status Report."
2. 2022 "Q1, first half of the year and Q1-Q3 final financial statements."
3. 2023 "audit plan"
4. Amendments to the "Procedures for the Acquisition or Disposal of Assets," "Internal Control System," "Rules of Internal Audit System and its Implementation," "Procedures for Controlling the Impairment of Financial Assets of the Company and Subsidiaries," "Principles for Implementation of the Legal Compliance System," "Principles for Granting of Credit or Transactions between the Company and its Subsidiaries and Stakeholders," and "Self-Disciplinary Principles for Transactions between the Company and Subsidiaries and the Parties Subject to Observation."
5. "Nomination and confirmation of the list of candidates for the 8th term of directors (including independent directors), and review of the qualifications of independent director candidates," relief of non-compete restrictions for the directors, appointment of the "Members of the 5th Remuneration Committee" and "Members of the 3rd Corporate Governance and Nomination Committee."
6. To appoint new directors and supervisors for the Company's subsidiaries "Cathay United Bank" and "Cathay Securities," and to appoint replacement directors for subsidiaries "Cathay Life Insurance" and "Cathay Century Insurance".
7. "Planning for long-term capital raising" and "Approval of assessment for the Chief Auditor."
8. Increased the capital in the subsidiaries, "Cathay Century Insurance" and "Cathay Life Insurance," and increased the capital in "Cathay Century Insurance" again.
9. The Company's specific parties contacted for the 2022 cash capital increase involved the stakeholder and are subject to observation for the transaction; hence it complies with Article 45 of the Financial Holding Company Act and the "Self-Disciplinary Principles for Transactions between the Company and Subsidiaries and the Parties Subject to Observation."
10. "The Company intended to early terminate the lease of Room A2 in the Ruihu Building 7F and relocate to Room B of 5F from the subsidiary, Cathay United Bank"; "the Company and nine subsidiaries, including Cathay Securities, intended to acquire computer operating software licenses from Microsoft Ireland Operations Limited"; "the Company intended to lease offices in the Cathay Headquarters Building from the subsidiary, Cathay Life Insurance, under different lease terms"; "the Company intended to acquire the software and hardware assets related to group information services from Cathay Life Insurance"; "the Company and nine subsidiaries, including Cathay Life Insurance, intend to engage Sun Net Technology to maintain the Cathay Learning Network"; "the Company intends to renew the lease of offices in the headquarters building and financial center"; and "the Company intended to renew its title sponsorship of the e-sports team operated by Bowl Cut Entertainment Co., Ltd."

■ Financial Report Review

The financial statements of Cathay Financial Holdings covering the period of 2021, 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 May 4, 2022, the Audit Committee's inspection report was presented according to provisions and was submitted to the 2022 annual shareholders' meeting.

■ The assessment of the effectiveness of the internal control system

The “Statement of Internal Control System” for 2022 was approved by all members of the Audit Committee on March 8, 2023.

■ 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 independence of certifying accountants in accordance with Paragraph 1 and Paragraph 2 of Article 47 of the “Certified Public Accountant Act”, as well as reviewing 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 (for example, the auditors are not currently employed by the company for regular work and receiving fixed salary; not currently work as directors, supervisors and not 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 Audit Committee (March 8, 2023) and the Board (March 9, 2023) passed commissioning Deloitte Taiwan to handle the Company’s financial and tax compliance audit 2023, with CPAs Shu-Wan Lin and Xu-Ran Cheng 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: 2022.1.1–2022.6.16)

A total of 5 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	5	0	100%	—
Independent Director (Members of Audit Committee)	Feng-Chiang Miao	5	0	100%	
Independent Director (Members of Audit Committee)	Li-Ling Wang	5	0	100%	
Independent Director (Members of Audit Committee)	Tang-Chieh Wu	5	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.

The 6th Audit Committee (data range: 2022.6.17–2022.12. 31)

A total of 5 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	5	0	100%	2022.6.17 Re-elected
Independent Director (Members of Audit Committee)	Feng-Chiang Miao	5	0	100%	
Independent Director (Members of Audit Committee)	Li-Ling Wang	5	0	100%	
Independent Director (Members of Audit Committee)	Tang-Chieh Wu	5	0	100%	
Independent Director (Members of Audit Committee)	Pei-Pei Yu	5	0	100%	2022.6.17 Newly elected

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:

1. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:

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

Audit Committee	Motion and follow-up	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 18 th meeting of the 5 th term 2022/1/26	1. Approved the Chief Auditor's performance evaluation.	✓	✗
	2. The Company intended to early terminate the lease of Room A2 in the Ruihu Building 7F and relocate to Room B of 5F from the subsidiary, Cathay United Bank	✓	✗
	3. The Company and nine subsidiaries, including "Cathay Securities" intended to acquire computer operating software licenses from Microsoft Ireland Operations Limited.	✓	✗
	Independent directors' dissenting opinions, qualified opinions, or significant recommendations: None. Audit Committee resolution: Motion was passed as proposed by all members of the Audit Committee.		
	The Company's action taken responding to the Audit Committee's opinion: submitted to the board meeting on January 26, 2022 for resolutions, and approved by all directors present.		
The 19 th meeting of the 5 th term 2022/3/10	1. Review of 2021 final financial statements.	✓	✗
	2. Presentation of the Company's 2021 "Declaration of Internal Control System."	✓	✗
	Independent directors' dissenting opinions, qualified opinions, or significant recommendations: None. Audit Committee resolution: Motion was passed as proposed by all members of the Audit Committee.		
	The Company's action taken responding to the Audit Committee's opinion: submitted to the board meeting on March 11, 2022 for resolutions, and approved by all directors present.		
The 20 th meeting of the 5 th term 2022/5/4	1. 2021 Business Report.	✓	✗
	2. 2021 Earnings Distribution.	✓	✗
	3. Audit Committee's Review Report on the Company's 2021 Financial Statements.	✓	✗
	4. Amendments to the Company's "Asset Acquisition and Disposal Procedures."	✓	✗
	5. Proposal of the Company's long-term funding plan.	✓	✗
	6. Proposal on submission of the "2021 Audit Committee Annual Operation Status Report" at the shareholders' meeting.	✓	✗
	7. To nominate and confirm candidates for the election of the Company's 8 th board of directors (including independent directors), and to review eligibility of independent directors candidates.	✓	✗
	8. Removal of restrictions imposed against the Company's directors for involving in competing businesses.	✓	✗
	Independent directors' dissenting opinions, qualified opinions, or significant recommendations: None. Audit Committee resolution: <ul style="list-style-type: none"> ■ Motions 1 to 6 were passed as proposed by all members of the Audit Committee. ■ Motion 7: With respect to the review of the qualifications of the candidates for Independent Director Feng-Chiang Miao, Independent Director Li-Ling Wang and Independent Director Tang-Chieh Wu, except for Independent Directors Feng-Chiang Miao, Li-Ling Wang and Tang-Chieh Wu who recused themselves, Independent Director, Edward Yung-Do Way, agreed to approve the proposal as presented. With respect to the review of the qualifications of the candidates for directors other than Independent Director Feng-Chiang Miao, Independent Director Li-Ling Wang and Independent Director Tang-Chieh Wu, except for Independent Director, Edward Yung-Do Way who recused himself, all other attending directors agreed to approve the proposal as presented. ■ Proposal 8: except for Independent Director Edward Yung-Do Way and Independent Director Feng-Chiang 		

Audit Committee	Motion and follow-up	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
	<p>Miau who recused themselves, all other attending directors agreed to approve the proposal as presented.</p> <p>The Company's action taken responding to the Audit Committee's opinion: submitted to the board meeting on May 4, 2022 for resolutions, and the results are as below:</p> <ul style="list-style-type: none"> ■ Motion 1 to 6 were passed as proposed by all attending directors. ■ Motion 7: For the review of qualifications of non-independent director candidates, with the exception of 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 who had recused from the motion, the motion was passed as proposed by the remaining attending independent directors without Chairman Hong-Tu Tsai voting on behalf of Director Cheng-Ta Tsai. With the exception of Independent Director Feng-Chiang Miao, Independent Director Edward Yung-Do Way, Independent Director Li-Ling Wang and Independent Director Tang-Chieh Wu, who recused themselves from reviewing the qualifications of the independent director candidates, all other attending directors agreed to approve the proposal as presented. ■ For Proposal 8, except for Director Chi-Wei Joong, Director Andrew Ming-Jian Kuo, Director Chang-Ken Lee, Independent Director Feng-Chiang Miao, and Independent Director Edward Yung-Do Way, who recused themselves, all other attending directors agreed to approve the proposal as presented. 		
The 21 st meeting of the 5 th term 2022/5/12	1. Review of the Company's 2022 Q1 financial statements.	✓	✗
	2. Amendments to the Company's "Internal Control System."	✓	✗
	3. Amendments to the Company's "Internal Audit System and Implementation Rules."	✓	✗
	4. Amendments to "Cathay Financial Holdings and Subsidiaries Financial Asset Impairment Control Procedures."	✓	✗
	Independent directors' dissenting opinions, qualified opinions, or significant recommendations: None. Audit Committee resolution: Motion was passed as proposed by all members of the Audit Committee.		
	The Company's action taken responding to the Audit Committee's opinion: submitted to the board meeting on May 13, 2022 for resolutions, and approved by all directors present.		
The 22 nd meeting of the 5 th term 2022/6/7	1. Proposal to increase the capital of the subsidiary, "Cathay Century Insurance."	✓	✗
	Independent directors' dissenting opinions, qualified opinions, or significant recommendations: None. Audit Committee resolution: Motion was passed as proposed by all members of the Audit Committee.		
	The Company's action taken responding to the Audit Committee's opinion: submitted to the board meeting on June 7, 2022 for resolutions, and approved by all directors present.		
The 1 st meeting of the 6 th term 2022/6/30	1. Appointment of the Company's 5 th Remuneration Committee members.	✓	✗
	2. Appointment of the Company's 3 rd Corporate Governance and Nomination Committee members.	✓	✗
	3. To appoint new directors and supervisors for the Company's subsidiaries "Cathay United Bank" and "Cathay Securities," and to appoint replacement directors for subsidiaries "Cathay Life Insurance" and "Cathay Century Insurance".	✓	✗
	Independent directors' dissenting opinions, qualified opinions, or significant recommendations: None. Audit Committee resolution:		
	<ul style="list-style-type: none"> ■ For Proposal 1, except for Independent Director Edward Yung-Do Way and Independent Director Tang-Chieh Wu, and Independent Director Pei-Pei Yu who recused themselves, all other attending independent directors agreed to approve the proposal as presented. ■ For Proposal 2, except for Independent Director Edward Yung-Do Way and Independent Director Li-Ling Wang who recused themselves, all other attending independent directors agreed to approve the proposal as presented. ■ For Proposed 3, Independent Director Edward Yung-Do Way, Independent Director Feng-Chiang Miao, Independent Director Tang-Chieh Wu and Independent Director Pei-Pei Yu recused themselves from the proposal; Independent Director Li-Ling Wang agreed to approve the proposal as presented. 		
	<p>The Company's action taken responding to the Audit Committee's opinion: submitted to the board meeting on June 30, 2022 for resolutions, and the results are as below:</p> <ul style="list-style-type: none"> ■ For Proposal 1, except for Independent Director Edward Yung-Do Way and Independent Director Tang-Chieh Wu, and Independent Director Pei-Pei Yu who recused themselves, all other attending directors 		

Audit Committee	Motion and follow-up	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
	<p>agreed to approve the proposal as presented.</p> <ul style="list-style-type: none"> For Proposal 3, except for Independent Director Edward Yung-Do Way and Independent Director Li-Ling Wang, and Director Ming-Ho Hsiung who recused themselves, all other attending directors agreed to approve the proposal as presented. For Proposal 3, except for Chairman Hong-Tu Tsai, Director Chi-Wei Joongi, Director Andrew Ming-Jian Kuo, Director Chang-Ken Lee, Independent Director Feng-Chiang Miao, Independent Director Edward Yung-Do Way, Independent Director Tang-Chieh Wu, and Independent Director Pei-Pei Yu who recused from the proposal, and the Chairman Hong-Tu Tsai did not vote on behalf of Director Cheng-Ta Tsai; the proposal was approved as proposed based on the consents of the remaining attending directors. 		
The 2 nd meeting of the 6 th term 2022/8/17	1. Review of the Company's 2022 1 st half financial statements.	✓	✗
	2. Amendment to the "Principles for Granting of Credit or Transactions between the Company and its Subsidiaries and Stakeholders" and "Self-Disciplinary Principles for Transactions between the Company and Subsidiaries and the Parties Subject to Observation."	✓	✗
	3. The Company intended to lease offices in the Cathay Headquarters Building from the subsidiary, Cathay Life Insurance, under different lease terms.	✓	✗
	4. The Company intended to acquire the software and hardware assets related to group information services from Cathay Life Insurance.	✓	✗
	Independent directors' dissenting opinions, qualified opinions, or significant recommendations: None.		
	Audit Committee resolution: Motion was passed as proposed by all members of the Audit Committee.		
The 3 rd meeting of the 6 th term 2022/10/20	1. Proposal to issue new shares of the Company for cash in 2022.	✓	✗
	2. Proposed to increase the capital in the subsidiary, Cathay Life Insurance.	✓	✗
	3. Proposed to increase the capital in the subsidiary, Cathay Century Insurance.	✓	✗
	Independent directors' dissenting opinions, qualified opinions, or significant recommendations: None.		
	Audit Committee resolution: Motion was passed as proposed by all members of the Audit Committee.		
The 4 th meeting of the 6 th term 2022/11/9	1. Review of the Company's 2022 Q1~Q3 financial statements.	✓	✗
	2. Presentation of "2023 Audit Plan" proposed by the Company's Auditing Division.	✓	✗
	3. Amend Article 2-1 and Article 5 of the Company's "Principles for Implementation of the Legal Compliance System."	✓	✗
	4. Proposal on the Company and 9 subsidiaries, including Cathay Life Insurance, to jointly entrust Sun Net Technology to maintain the Cathay E-Learning System.	✓	✗
	5. The Company intends to renew the lease of offices in the headquarters building and financial center from the subsidiary, Cathay Life Insurance.	✓	✗
	Independent directors' dissenting opinions, qualified opinions, or significant recommendations: None.		
	Audit Committee resolution: Motion was passed as proposed by all members of the Audit Committee. The Company's action taken responding to the Audit Committee's opinion: submitted to the board meeting on November 10, 2022 for resolutions, and the results are as below: <ul style="list-style-type: none"> Motion 1, 3, 4, 5 were passed as proposed by all attending directors. For Motion 2, 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. 		
The 5 th meeting of the 6 th term 2022/12/23	1. The Company's specific parties contacted for the 2022 cash capital increase involved the stakeholder and are subject to observation for the transaction; hence it is intended to comply with Article 45 of the Financial Holding Company Act and the "Self-Disciplinary Principles for Transactions between the Company and Subsidiaries	✓	✗

Audit Committee	Motion and follow-up	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
	and the Parties Subject to Observation.”		
	2. The Company intended to renew the title sponsorship of the e-sports team operated by Bowl Cut Entertainment Co., Ltd.	✓	✗
	Independent directors’ dissenting opinions, qualified opinions, or significant recommendations: None. Audit Committee resolution: Motion was passed as proposed by all members of the Audit Committee.		
	The Company’s action taken responding to the Audit Committee’s opinion: submitted to the board meeting on December 23, 2022 for resolutions, and the results are as below: <ul style="list-style-type: none"> ■ For Proposal 1, with the exception of Chairman Hong-Tu Tsai, Director Cheng-Chiu Tsai, Director Andrew Ming-Jian Kuo, Director Tiao-Kuei Huang, Director Ming-Ho Hsiung and Director Chang-Ken Lee recused from the proposal, the proposal was approved as proposed by the remaining attending directors without Chairman Hong-Tu Tsai voting on behalf of Director Cheng-Ta Tsai. ■ For Proposal 2, other than the recusal of Chairman Hong-Tu Tsai, and Chairman Hong-Tu Tsai did not vote on behalf of Director Cheng-Ta Tsai, the proposal was passed as present based on the consents 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 instances where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the independent director’s name, contents of the motion and resolution thereof, reason for not voting and actual voting counts:

Independent Director Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Feng-Chiang Miao, Edward Yung-Do Way, Li-Ling Wang, Tang-Chieh Wu	To nominate and confirm candidates for the election of the Company’s 8 th board of directors (including independent directors), and to review eligibility of independent directors candidates	The motion concerned the interest of independent directors listed on the left	Disassociated from discussion and voting
Feng-Chiang Miao, Edward Yung-Do Way	Removal of restrictions imposed against the Company’s directors for involving in competing businesses	The motion concerned the interest of independent directors listed on the left	Disassociated from discussion and voting
Edward Yung-Do Way, Tang-Chieh Wu, Pei-Pei Yu	Appointment of the Company’s 5 th Remuneration Committee members	The motion concerned the interest of independent directors listed on the left	Disassociated from discussion and voting
Edward Yung-Do Way, Li-Ling Wang	Appointment of the Company’s 3 rd Corporate Governance and Nomination Committee members	The motion concerned the interest of independent directors listed on the left	Disassociated from discussion and voting
Feng-Chiang Miao, Edward Yung-Do Way, Tang-Chieh Wu, Pei-Pei Yu	To appoint new directors and supervisors for the Company’s subsidiaries “Cathay United Bank” and “Cathay Securities,” and to appoint replacement directors for subsidiaries “Cathay Life Insurance” and “Cathay Century Insurance”.	The motion concerned the interest of independent directors listed on the left	Disassociated from discussion and voting

3. Communication between independent directors and internal/external 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, to which the Audit Committee issues its own audit report.

- (2) In addition to the Audit Committee's meeting, one financial statements audit result seminar is convened periodically 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) Does the Board of Directors have a diversity policy and specific management objectives in place?	✓		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	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	
			<p>management knowledge and ability.</p> <p>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 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.).</p> <p>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 7 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. Please refer to "Information on Directors and Supervisors (2)/ 2. Diversity and Independence of the Board of Directors:/ (1) Diversity of the board of directors" and "Implementation of the the Board of Directors' Diversity Policy of Cathay Financial Holdings" for the implementation of policy on diversity of current board members.</p>	
(2) Is the financial holding company, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees	✓		<p>The Company has assembled a "Corporate Governance and Nomination Committee" to enhance corporate governance and board functionality. The committee comprises 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</p>	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	
			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: “Information on Corporate Governance and Nomination Committee Members and the Operation.”	
(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)	✓		<p>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.</p> <p>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 audit/control, risk management and compliance, corporate credit rating, and corporate sustainability. Remuneration will not be paid to directors that fail the annual individual director performance assessment.</p> <p>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</p>	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	
			“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?	✓		The Company engages attesting CPAs every year with one year engagement. To ensure the independence, competence and professionalism of the Company’s attesting CPAs, the Audit Committee and the Board review the Audit Quality Indicators (AQIs, including the five major aspects, namely professionalism, quality control, independence, supervision and innovation), the CPAs’ curriculum vitae (including relevant experience, professional qualifications and major clients), and shareholdings. The Company also requires CPAs to present the Statement of Independence to confirm that they have no other financial interests or business relationships in compliance with the provisions of the “Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10: Integrity, Objectivity and Independence.” Afterwards, the Company assesses the independence of the CPAs pursuant to each subparagraphs of Paragraph 1 and Paragraph 2, Article 47 of the Certified Public Accountant Act (e.g., the CPA is not currently employed by the Company to perform routine work for which he or she receives a fixed salary, or currently serves as a director or supervisor thereof; the CPA does not provide management consulting or other non-attestation services or other non-attesting services that affect his or her independence), and their competence based on their professional capabilities (e.g. conducting audits pursuant to the Audit Standards, not punished by the competent authorities or the CPA Association, and providing the Company with professional opinions regarding new issues).	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	✓		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	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	
the 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)?			<p>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.</p> <p>Progress of the Company’s 2022 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:</p>	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			<p>(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:</p> <ul style="list-style-type: none"> ● 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 directors of the term onboard, conduct the 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. <p>(2) With regards to “shareholder meeting affairs (including preparation of minutes),” personnel of the “Share Administration Section, Administration</p>	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			<p>Department, Administration Division,” have been assigned to perform the following:</p> <ul style="list-style-type: none"> ● 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. 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. <p>Concerning the Chief Corporate Governance Officer training situation in 2022, 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”</p>	
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.)?	✓		<p>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.</p> <p>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.</p>	No significant difference
5. Information Disclosure (1) Establishment of a corporate	✓		1. The Company’s website has a section called “Introduction to Cathay Financial Holdings” that discloses the Company’s history, business strategies, competitive	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	
website to disclose information concerning financial affairs and corporate governance?			<p>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 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.</p> <p>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.</p>	
(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)?	✓		<p>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.</p> <p>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.”</p> <p>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.</p> <p>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.</p>	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	
(3) Does the financial holding company publish and make official filing of annual financial reports according to the Financial 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?	✓		The Company complies with the Financial Holding Company Act and Securities and Exchange Act by publishing monthly unaudited income statements, auditor-reviewed or audited first quarter, semi-annual, the third quarter, and annual consolidated financial reports before the statutory due dates.	No significant difference
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)?	✓		<p>1. Employees' rights and care to employees: Please refer to "IX. (I) Employee benefit programs, retirement system, related agreements and rights protection."</p> <p>2. Investor relations: Please refer to sections "I.(I) 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?"</p> <p>3. Stakeholders' interests: Please refer to section "IV. Communication channel with stakeholders."</p> <p>4. Directors' and supervisors' ongoing education: Disclosures have been made on the Company's website (http://www.cathayholdings.com) and "Market Observation Post System."</p> <p>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".</p> <p>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</p>	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	
			<p>are also bound by the following internal policies implemented with the goal of protecting customers' interests:</p> <ul style="list-style-type: none"> (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 (12) Cathay Financial Holding Co., Ltd. Personal Data Masking Management Guidelines (13) Cathay Financial Holdings and Subsidiary Data Sharing Management Policy (14) Regulations Governing Cathay Financial Holding Co., Ltd. Management Policy for Data Sharing among the Company and its Subsidiaries 	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			<p>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.</p> <p>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 insurance exists to reduce the amount of risk borne by directors, supervisors and the Company, as well as to enforce the corporate governance system.</p> <p>8. Donation to political parties, stakeholders, and charities: Cathay Financial Holdings fulfills its social responsibility by actively supporting charitable organizations. For reference of our 2022 donations please visit the company website: www.cathayholdings.com/holdings/</p> <p>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.</p>	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			<p>Up to the end of 2022, the Company and its subsidiaries had obtained the grants and publication of more than 200 patents worldwide.</p> <p>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 2022, the Company had registered more than 1100 valid trademarks worldwide.</p> <p>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 of potential copyrights in the agreement. Service providers will also be required to provide warranty for the legitimacy of its rights. The above practices are how the Company maintains and manages its copyrights.</p> <p>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</p>	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			<p>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.</p> <p>The Company’s intellectual property management plan and its implementation have been reported to the Board of Directors on November 10, 2022. The Company will continue to plan the management guidelines of the Group’s intellectual property rights, such as patents, trademarks, copyrights and trade secrets, pursuant to the Group’s operational objectives and development strategies, to provide a strong backing for its business development.</p> <p>On December 21, 2022, the Company passed the revalidation of the Taiwan Intellectual Property Management System (TIPS) (trademark management). The certificate is valid from the date of announcement of the validation result to December 31, 2024.</p> <p>10. Succession planning for board members and key management personnel:</p> <ul style="list-style-type: none"> ■ Members of the board of directors: The Company’s Articles of Incorporation provide that the candidate nomination system is adopted for elections of directors. Meanwhile, pursuant to the requirements of board composition, diversity guidelines, professionalism and abilities specified in the Company’s “Procedures for Election of Directors,” “Charter of the Corporate Governance and Nomination Committee” and “Corporate Governance Best-Practice Principles,” the “Corporate Governance and Nomination Committee” shall nominate directors and submit them to the shareholders’ meeting for election upon the resolution of the Board. 	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			<p>Pursuant to the Company’s “Corporate Governance Best-Practice Principles,” the composition of the Company’s Board shall take into account the Company’s operating structure, business development direction, and future development trends, and provide for a diversified arrangement of the basic composition, professional experience, knowledge and skills of the directors; the Board shall possess abilities including knowledge of the industry, operational judgments, accounting and financial analysis, management administration, crisis management, international market perspective, leadership, decision-making, and risk management.</p> <p>The successors of board members shall possess the aforesaid knowledge, skills and experience, and acknowledge the Company’s core values, “Ethics, Accountability, Innovation.” To effectively exert the function of supervising subsidiaries by the financial holding company, the Company incubates internal (including subsidiary) managerial officers to join the Board and familiarize them with the operation of the Board and the operations of the Group’s companies by attending and participating in the board meetings. In addition, in order to enhance the diversity of the Board, while considering the trend of digital transformation and the need for international development, external persons with background and experience in digital operation and international management are recruited to join the Board.</p> <p>In addition, to continuously strengthen the functions of directors and enhance the effectiveness of the Board, the Company refers to the external corporate governance trends, the direction of the Company’s business development, and the requirements of the competent authorities, to provide relevant courses for directors based on the functions of their duties, as well as their personal situations and demands, including: financial expertise, finance and accounting, risk management, legal compliance, fintech, information security, corporate governance and corporate social responsibility, to assist board members in their continuing education and enhance the overall effectiveness of the Board’s operations.</p>	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
			<p>■ Key management:</p> <p>In the face of the challenges of the digital era, the Company has been actively promoting digital transformation internally in recent years, adopting the Growth Mindset as the foundation to drive talent strategy of corporate transformation. We expect that each employee and manager to have the capability of learning agility, conversation, and digital literacy. Meanwhile, the capabilities required for managers at different levels are clearly defined; through the promotion of the cultivation and development journey, the development of the capabilities of managers at all levels are driven to align with the organization's development goals, to continuously strengthen the motivation for sustainable career development. On this basis, various professional and management training programs are developed.</p> <p>To ensure enough reserve for key management and to provide the manpower needs for sustainable management, the Company has built a complete pool of talent at all levels. Regarding the appraisals of successors, in addition to their professional qualifications and experience, their suitability for the Company's corporate culture, familiarity with business control, and mastery of subsidiary management are also taken into account, while incorporating the world-renowned leadership assessment tools as reference indicators for selection. Through the Talent Development Committee, the preparedness of performance, leadership potential, capabilities, and attributes for reserved talents at all levels are inventoried, to build the talent reservoir. The reserved talents at each level are provided with comprehensive training and development mechanism; on top of the long-term collaboration with internationally renowned training consultants, the top-notch lectures and the latest learning resources are introduced to plan the training programs that emphasize both learning and application; through the vertical (promotion) and horizontal (rotation) flows of internal talents, we enhance the business vision and strategic landscape of our leadership team, thereby enriching the succession reservoir of key management personnel.</p>	

Scope of assessment	Implementation Status (Note 1)			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
7. Please specify the status of the correction based on the 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)	✓		A summary description has been provided in the following table (Improvement or Priority Enhancement Measures Made in Response to the 2022 9th Corporate Governance Evaluation).	No significant difference

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 2022 9th Corporate Governance Evaluation			
No.	Evaluation indicator	Improved	Priority Enhancement Measures
2.27	Has the Company devised a smart property 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? [If the company has adopted the Taiwan Intellectual Property Management System (TIPS), ISO 56005, or similar intellectual property management system standards, and furthermore has obtained third-party certification or verification, one additional point will be added to the total score.]	—	<ol style="list-style-type: none"> 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. The Company introduced the Taiwan Intellectual Property Management System (TIPS) in 2021, and passed Grade A certification again in 2022. Through the management cycle model of planning, execution, inspection, and correction and improvement, the intellectual property management mechanism has been continuously optimized.
4.18	Did the company disclose information about the company's governance, strategies, risk management, metrics, and targets for climate-related risks and opportunities in accordance with the Task Force on Climate-Related Financial Disclosure (TCFD) recommendation framework?	—	The Company has disclosed information regarding governance, strategies, risk management, indicators and targets of climate-related risks and opportunities on in P.74-84 of the 2021 Annual Report, P.48-56 of the Sustainability Report, and the TCFD Report pursuant to the TCFD Framework.
Extra question	Has the company exhibited exceptional performance in corporate governance, or derived actual yields from corporate governance?	—	<ol style="list-style-type: none"> 1. The Company's 2022 Regular Shareholders' Meeting adopted the hybrid shareholders' meeting to implement shareholder activism. 2. In 2022, the Company and its subsidiaries "Cathay Life" and "Cathay United Bank" participated for the third time in the "CG6013 (2021) Corporate Governance Assessment" organized by the Taiwan Corporate Governance Association, and were consecutively awarded the highest "Exceptional" rating. 3. The Company has been listed as a constituent of World Index, the Dow Jones Sustainability Index (DJSI) for five consecutive years (2018 to 2022).

(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. Six meeting were convened by the Remuneration Committee in 2022; the key proposal deliberated included: proposal of employees' and directors' remuneration distribution in 2021; approval and distribution of the bonuses to the executives and directors indeed involving the business execution; review/adjustment of the managerial officers' salaries, salary adjustment to the directors indeed involving the business execution, and the managerial officers' compensations; review of the Company's "Managerial Officer's Compensation and Payment Guidelines," "Managerial Officer Performance Management and Development Guidelines," and "Director Compensation and Payment Guidelines," as well as the amendment to the "Director Performance Evaluation Guidelines;" remunerations of the 8th independent directors and external directors; allocation of subscription quota for managers in the Company's 2022 cash issue; proposal to implement the employee shareholding trust, and the Company's contribution for the managerial officers' participation in the employee shareholding trust, to effectively improve the Board's functions.

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

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				
Independent Director (Convener of Remuneration Committee)	Feng- Chiang Miau	<ul style="list-style-type: none"> ● has served as Chairman of MiTAC Information Systems Corp. for over nine years; Chairman of Synnex Technology International Corp. for over 34 years; Chairman of UPC Technology Corporation for over 46 years; Independent Director of Cathay Financial Holdings/Cathay United Bank for over six years; Independent Director of Cathay Life Insurance for over three years and Independent Director of Cathay Century Insurance for over six years. ● has financial holding working experience for more than five years; competent to operate a financial holding company, and is able to operate the business of a financial holding company in a sound and effective manner, and meets the professional qualifications for financial holding companies. ● 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. ● 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. 	<ul style="list-style-type: none"> ● Independence conforming to Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." ● Except for serving as the independent director of the Company and the Company's 100% owned subsidiary, Cathay United Bank, not a director, supervisor, or employee of the Company or its affiliates. ● The director's spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship, are not directors, supervisors, or managerial officers of the Company or its affiliates. ● The number and weight of the shareholding in the Company of the director, including the spouse, minor children or in the name of others: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. ● The number and weight of the shareholding in the Company of the director, the spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. ● 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship with the Company. ● 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	2022.6.17 Discharged in a re-election

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 (Convener of Remuneration Committee)	Tang- Chieh Wu	<ul style="list-style-type: none"> ● 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 3 years. ● Competent to operate a financial holding company, and is able to operate the business of a financial holding company in a sound and effective manner, and meets the professional qualifications for financial holding companies. ● At least five years of experience in financial administration or management, and has been recommended for appointment to posts of Grade eight equivalent or higher, with excellent performance; meeting the professional qualifications in banking, insurance and securities. ● 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. 	<ul style="list-style-type: none"> ● Independence conforming to Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” ● Except for serving as the independent director of the Company and the Company’s 100% owned subsidiaries, Cathay Life Insurance, Cathay United Bank and Cathay Century Insurance, not a director, supervisor, or employee of the Company or its affiliates. ● The director’s spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship, are not directors, supervisors, or managerial officers of the Company or its affiliates. ● The number and weight of the shareholding in the Company of the director, including the spouse, minor children or in the name of others: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. ● The number and weight of the shareholding in the Company of the director, the spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. ● 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship with the Company. ● 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	2022.6.17 Newly elected

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	<ul style="list-style-type: none"> ● 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 12 years, independent director of both Cathay Financial Holdings and Cathay United Bank for over 5 years, independent director of Cathay Securities for over 3 years. ● competent to operate a financial holding company, and is able to operate the business of a financial holding company in a sound and effective manner, and meets the professional qualifications for financial holding companies. ● 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. 	<ul style="list-style-type: none"> ● Independence conforming to Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” ● Except for serving as the independent director of the Company and the Company’s 100% owned subsidiaries, Cathay United Bank and Cathay Securities, not a director, supervisor, or employee of the Company or its affiliates. ● The director’s spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship, are not directors, supervisors, or managerial officers of the Company or its affiliates. ● The number and weight of the shareholding in the Company of the director, including the spouse, minor children or in the name of others: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. ● The number and weight of the shareholding in the Company of the director, the spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. ● 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship with the Company. ● 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	2022.6.17 Re-elected

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				
Independent Director (Member of Remuneration Committee)	Pei-Pei Yu	<ul style="list-style-type: none"> ● Was the Managing Director of Managing Director, Goldman Sachs (Hong Kong) L.L.C. for over 5.5 years; President, Goldman Sachs (Asia) L.L.C., Taipei Branch for over 2.5 years; the Manager/Vice President of Goldman Sachs (Hong Kong) L.L.C. for five years; Assistant Vice President, UBS AG, Taipei for over four years; and the Manager, Citibank (Taipei Branch) for over 2.5 years; independent director of Cathay Financial Holdings/ Cathay Life Insurance/ Cathay Century Insurance for more than 0.5 years. ● Competent to operate a financial holding company, and is able to operate the business of a financial holding company in a sound and effective manner, and meets the professional qualifications for financial holding companies. ● At least five years of working experience in securities, with professional qualifications in securities. ● 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. 	<ul style="list-style-type: none"> ● Independence conforming to Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” ● Except for serving as the independent director of the Company and the Company’s 100% owned subsidiaries, Cathay Life Insurance and Cathay Century Insurance, not a director, supervisor, or employee of the Company or its affiliates. ● The director’s spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship, are not directors, supervisors, or managerial officers of the Company or its affiliates. ● The number and weight of the shareholding in the Company of the director, including the spouse, minor children or in the name of others: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. ● The number and weight of the shareholding in the Company of the director, the spouse, relatives within the second degree of kinship, or blood relatives within the third degree of kinship: 0 share/0%, are not a natural person shareholder of the Company holding more than 1% of the shares or one of the top 10 shareholders. ● 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 the shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial and business relationship with the Company. ● 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	2022.6.17 Newly elected

Note 1. Please specifically fill in the number of years of relevant work experience, and the professional qualifications and experience, and the status of independence, of each remuneration committee member. If the member is an independent director, you may add a note directing readers to refer to the relevant information in Table 1 Information on Directors and Supervisors (1). For “Capacity,” please specify whether the member is an independent director or other (if the member is the convener, please note that fact).

Note 2. Professional qualifications and experience: Describe the professional qualifications and experience of each member of the remuneration committee.

Note 3. Independence analysis: Describe the status of independence of each remuneration committee member, including but not limited to the following: whether the member or their spouse or relative within the second degree of kinship serves or has served as a director, supervisor, or employee of the Company or any of its affiliates; the number and ratio of shares of the Company held by the member, their spouse, and their relatives with the second degree (or through their nominees); whether the member has served as a director, supervisor or employee of a “specified company” (see Article 6, paragraph 1, subparagraphs 5 to 8 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); the amount(s) of any pay received by the remuneration committee member for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

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 16, 2022.

The Remuneration Committee held 3 meetings (A) in the last year (2022.1.1–2022.6.16); members' eligibility and attendance records are as follows:

eligibility and attendance 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	3	0	100%	—
Independent Director (Member of Remuneration Committee)	Edward Yung-Do Way	3	0	100%	
Independent Director (Member of Remuneration Committee)	Tang-Chieh Wu	3	0	100%	
Other items to be stated:					
I. 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.					
II. 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.

Note 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.

Term of the 5th committee members: from June 17, 2022 to June 16, 2025.

The Remuneration Committee held 3 meetings (A) in the last year (2022.6.17–2022.12.31); members' eligibility and attendance 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)	Tang-Chieh Wu	3	0	100%	2022.6.17 Newly elected
Independent Director (Member of Remuneration Committee)	Edward Yung-Do Way	3	0	100%	2022.6.17 Re-elected
Independent Director (Member of Remuneration Committee)	Pei-Pei Yu	3	0	100%	2022.6.17 Newly elected
Other items to be stated:					
I. 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.					
II. 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.

Note2: 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 10 th meeting of the 4 th term 2022.1.26	1. Approval and Distribution of Performance Bonuses and Talent Retention Bonuses to Managers and Directors Actually Involved in Business Undertakings in 2021. 2. Salary Adjustments for Company Managers	The Remuneration Committee members unanimously consent to passing the case.	<ul style="list-style-type: none"> ■ Motion 1 was submitted to the board; Chairman Hong-Tu Tsai, Vice Chairman Tsu-Pei Chen and Director Chang-Ken Lee recused from the motion, and Chairman Hong-Tu Tsai did not vote on behalf of Director Cheng-Ta Tsai; the motion was passed as proposed based on the consents of the remaining attending directors. ■ The motion 2 was submitted to the board; all the attending directors unanimously consented to passing the motion.
The 11 th meeting of the 4 th term 2022.3.10	1. Allocation of employee remuneration for 2021. 2. Allocation of director remuneration for 2021.	The Remuneration Committee members unanimously consent to passing the case.	<ul style="list-style-type: none"> ■ Proposal 1 was submitted to the board; Chairman Hong-Tu Tsai and Director Chang-Ken Lee recused from the motion, and Chairman Hong-Tu Tsai did not vote on behalf of Director Cheng-Ta Tsai; the motion was passed as proposed based on the consents of the remaining attending directors. ■ The motion 2 was submitted to the board; the exception of 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 who had recused from the motion, the motion was passed as proposed by the remaining attending independent directors without Chairman Hong-Tu Tsai voting on behalf of Director Cheng-Ta Tsai.
The 12 th meeting of the 4 th term 2022.5.12	1. Periodic review of the managerial officers' salaries, salary adjustment to the directors indeed involving the business execution, and the managerial officers' compensations 2. Review of the Company's "Managerial Officer's Compensation and Payment Guidelines," "Managerial Officer Performance Management and Development Guidelines," and "Director Compensation and Payment Guidelines," as well as the amendment to the "Director Performance Evaluation Guidelines."	The Remuneration Committee members unanimously consent to passing the case.	<ul style="list-style-type: none"> ■ Motion 1 was submitted to the board; Chairman Hong-Tu Tsai, Vice Chairman Tsu-Pei Chen and Director Chang-Ken Lee recused from the motion, and Chairman Hong-Tu Tsai did not vote on behalf of Director Cheng-Ta Tsai; the motion was passed as proposed based on the consents of the remaining attending directors. ■ The motion 2 was submitted to the board; all the attending directors unanimously consented to passing the motion.
The 1 st meeting of the 5 th term 2022.7.13	1. Report on the Company's compensation system. 2. Compensation for independent directors and external directors of the 8 th board.	<ul style="list-style-type: none"> ■ Proposal 1 is noted. ■ Motion 2 was passed as proposed by all members of the Remuneration Committee. 	<ul style="list-style-type: none"> ■ Proposal 1 is not required to be reported to the Board. ■ For Proposal 2, except for Director Chi-Wei Joong, Independent Director Feng-Chiang Miao, Independent Director Edward Yung-Do Way, Independent Director Li-Ling Wang, Independent Director Tang-Chieh Wu and Independent Director Pei-Pei Yu who

Remuneration Committee	Motion	Resolution	The Company's handling of the Remuneration Committee members' opinion
			recused themselves, all other attending directors agreed to approve the proposal as presented.
The 2 nd meeting of the 5 th term 2022.8.17	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.
The 3 rd meeting of the 5 th term 2022.11.9	1. Allocation of subscription quota for managers in the Company's 2022 cash issue. 2. Proposal to implement the employee shareholding trust, and the Company's contribution for the managerial officers' participation in the employee shareholding trust. 3. Adjustment of managers' salary.	The Remuneration Committee members unanimously consent to passing the case.	<p>■ Motion 1 was submitted to the board; Chairman Hong-Tu Tsai and Director Chang-Ken Lee recused from the motion, and Chairman Hong-Tu Tsai did not vote on behalf of Director Cheng-Ta Tsai; the motion was passed as proposed based on the consents of the remaining attending directors.</p> <p>■ Motion 2 was submitted to the board; Chairman Hong-Tu Tsai and Director Chang-Ken Lee recused from the motion, and Chairman Hong-Tu Tsai did not vote on behalf of Director Cheng-Ta Tsai; the motion was passed as proposed based on the consents of the remaining attending directors.</p> <p>■ The motion 3 was submitted to the board; all the attending directors unanimously consented to passing the motion.</p>

3. Information on Corporate Governance and Nomination Committee Members and its Operation

- Appointment qualifications for members of the Corporate Governance and Nominating Committee and their duties

The Committee shall consist of at least three directors appointed by the Board, and at least half of whom shall be independent directors. The term of office of the members is the same as the term of the appointing Board.

Since December 22, 2017, the Company officially has established the Corporate Governance and Nomination Committee comprising three directors (including two independent directors). Ming-Ho Hsiung, the convener of the committee of this term and director, possesses expertise in "Actuarial Science/Management"; members of the committee and independent directors, including Edward Yung-Do Way and Li-Ling Wang, possess expertise in "Management/Audit," "Risk Management/Corporate Governance" respectively. 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 of the Corporate Governance and Nomination Committee members and its operations

The number of Corporate Governance and Nomination Committee members for the most recent year was three.

Term of the 2nd committee members: from June 14, 2019 to June 16, 2022.

The Remuneration Committee held one meeting (A) in the last year (2022.1.1–2022.6.16); members' eligibility and attendance records 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	<ul style="list-style-type: none"> ■ Serving as the Vice Chairman of Cathay Life Insurance for over 5 years, the director of Cathay Financial Holdings for over 15 years; having served as the President of Cathay Life Insurance for over 9 years. ■ At least 5 years of working experience in financial holding companies, and meeting the professional qualification of financial holding companies. ■ At least 5 years of working experience in insurance, and meeting the insurance professional qualifications. ■ Not been a person of any conditions defined in Article 30 of the Company Act. 	1	0	100%	—
Independent Director (Member of Corporate Governance and Nomination Committee)	Edward Yung-Do Way	<ul style="list-style-type: none"> ■ 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 12 years, independent director of both Cathay Financial Holdings and Cathay United Bank for over 5 years, independent director of Cathay Securities for over 3 years. ■ Competent to operate a financial holding company, and is able to operate the business of a financial holding company in a sound and effective manner, and meets the professional qualifications for financial holding companies. ■ 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	<ul style="list-style-type: none"> ■ Serving as Professor of Risk Management and Insurance, National Chengchi University for over 14 years, Chairman of Pension Funds Association of R.O.C. in Taiwan for over 5 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 3 years. ■ Competent to operate a financial holding company, and is able to operate the business of a financial holding company in a sound and effective manner, and meets the professional qualifications for financial holding companies. ■ At least 5 years of working experience in insurance, and meeting the insurance professional qualifications. ■ 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%	—
<p>Other items to be stated:</p> <p>For any major motion put before the Corporate Governance and Nomination Committee, specify the meeting date, meeting session number, content of the motion, content of recommendations or dissenting opinions of the Corporate Governance and Nomination Committee members, the outcome of the resolution of the nomination committee, and the measures taken by the Company with respect to the Corporate Governance and Nomination Committee members' opinions.</p>						

Note:

- (1) If any Corporate Governance and Nomination Committee member left the committee before the end of the fiscal year, specify the date that they left the committee in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of Corporate Governance and Nomination Committee meetings held and the number they attended in person during the period they were on the committee.
- (2) If any by-election for Corporate Governance and Nomination Committee members was held before the end of the fiscal year, the names of the new and old committee members should be filled in the table, with a note stating whether the member left office, was newly serving, or was serving consecutive terms, and the date of the by-election. 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.

Term of the 3rd committee members: from June 17, 2022 to June 16, 2025.

The Remuneration Committee held 1 meetings (A) in the last year (2022.6.17–2022.12.31); members' eligibility and attendance records 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	<ul style="list-style-type: none"> ■ Serving as the Vice Chairman of Cathay Life Insurance for over 5 years, the director of Cathay Financial Holdings for over 15 years; having served as the President of Cathay Life Insurance for over 9 years. ■ At least 5 years of working experience in financial holding companies, and meeting the professional qualification of financial holding companies. ■ At least 5 years of working experience in insurance, and meeting the insurance professional qualifications. ■ Not been a person of any conditions defined in Article 30 of the Company Act. 	1	0	100%	2022.6.17 Re-elected
Independent Director (Member of Corporate Governance and Nomination Committee)	Edward Yung-Do Way	<ul style="list-style-type: none"> ■ 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 12 years, independent director of both Cathay Financial Holdings and Cathay United Bank for over 5 years, independent director of Cathay Securities for over 3 years. ■ Competent to operate a financial holding company, and is able to operate the business of a financial holding company in a sound and effective manner, and meets the professional qualifications for financial holding companies. ■ 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%	2022.6.17 Re-elected
Independent Director (Member of Corporate Governance and Nomination Committee)	Li-Ling Wang	<ul style="list-style-type: none"> ■ Serving as Professor of Risk Management and Insurance, National Chengchi University for over 14 years, Chairman of Pension Funds Association of R.O.C. in Taiwan for over 5 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 3 years. ■ Competent to operate a financial holding company, and is able to operate the business of a financial holding company in a sound and effective manner, and meets the professional qualifications for financial holding companies. ■ At least 5 years of working experience in insurance, and meeting the insurance professional qualifications. ■ 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%	2022.6.17 Re-elected

Other items to be stated:

For any major motion put before the Corporate Governance and Nomination Committee, specify the meeting date, meeting session number, content of the motion, content of recommendations or dissenting opinions of the Corporate Governance and Nomination Committee members, the outcome of the resolution of the nomination committee, and the measures taken by the Company with respect to the Corporate Governance and Nomination Committee members' opinions.

Note:

- (1) If any Corporate Governance and Nomination Committee member left the committee before the end of the fiscal year, specify the date that they left the committee in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of Corporate Governance and Nomination Committee meetings held and the number they attended in person during the period they were on the committee.
- (2) If any by-election for Corporate Governance and Nomination Committee members was held before the end of the fiscal year, the names of the new and old committee members should be filled in the table, with a note stating whether the member left office, was newly serving, or was serving consecutive terms, and the date of the by-election. 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	Suggestions or objections by the members of the Corporate Governance and Nomination Committee	Corporate Governance and Nomination Committee Resolution	Company's handling for opinions of the Corporate Governance and Nomination Committee
The 7 th meeting of the 2 nd term 2022/5/4	1.To nominate and confirm candidates for the election of the Company's 8 th board of directors (including independent directors), and to review eligibility of independent directors candidates.	None.	With respect to the review of the qualifications of the candidates for Independent Director Edward Yung-Do Way and Independent Director Li-Ling Wang, except for Independent Director Edward Yung-Do Way and Independent Director Li-Ling Wang who recused themselves, Independent Director Ming-Ho Hsiung agreed to approve the proposal as presented. With respect to the review of the qualifications of the candidates for directors other than Independent Director Edward Yung-Do Way and Independent Director Li-Ling Wang, except for Independent Director Ming-Ho Hsiung who recused himself, all other attending independent directors agreed to approve the proposal as presented.	Submitted to the Board for deliberation; for the review of qualifications of non-independent director candidates, with the exception of 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 who had recused from the motion, the motion was passed as proposed by the remaining attending independent directors without Chairman Hong-Tu Tsai voting on behalf of Director Cheng-Ta Tsai. With the exception of Independent Director Feng-Chiang Miao, Independent Director Edward Yung-Do Way, Independent Director Li-Ling Wang and Independent Director Tang-Chieh Wu, who recused themselves from reviewing the qualifications of the independent director candidates, all other attending directors agreed to approve the proposal as presented.
	2.Amended the "Charter of the Audit Committee" of the Company.		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.
	3.External evaluation of board performance for 2021 and improvement plans.			
The 1 st meeting of the 3 rd term 2022/11/9	1.Amended the "Regulations Governing the Board of Directors Meetings" of the Company.		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) Implementation Status of the Promotion of Sustainable Development and Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons (Table 2-2-2)

Projects	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	✓		<p>To implement ESG, the Company has established the “Cathay Financial Holdings Social Responsibility Committee” in 2011, and renamed it “Cathay Financial Holdings Corporate Sustainability Committee” subordinated to the Board in 2014. The Committee, supervised by the independent director, has one chief committee position assumed by the Company’s President. The members of the Committee comprise the presidents of all subsidiaries and senior executives from different departments. The Committee meets once every quarter, and the independent director participate in the meeting to jointly direct the Company towards sustainability with the Committee members.</p> <p>The general secretary unit of the "Corporate Sustainability Committee" is the "Corporate Sustainability Office" of the company, which is subordinate to President and is responsible for planning and implementation of the Group's corporate sustainability. The company identifies stakeholders related to the company's operations and the sustainable issues they are concerned about, senior managers and stakeholders review the impact and risk assessment of each issue on operations, and conduct annual materiality analysis. We set short-, medium-, and long-term goals for material issues. The company makes good use of its core financial functions and risk management functions, focusing on 9 SDGs goals, formulating the three focus area of Cathay's sustainable strategy "climate, health, and empowerment" and its ambitious goals and action plans, and reviewing the implementation results.</p> <p>The "Corporate Sustainability Office" reports the important matters and the implementation progress of projects to the board of directors semi-annually to supervise the implementation of sustainable matters. The matters reported in 2022 mainly included the review and revision of policies, material issues and implementation of stakeholders communication, the progress of the implementation of Cathay’s three Sustainable Strategy Development Focus Area, the progress of the Science-Based Reduction Target Initiative (SBTi) and the zero-carbon operation transformation plan, and supervision the implementation of matters related to sustainable operation.</p> <p>The company's board of directors regularly monitors the progress of the implementation of sustainable affairs, and independent directors participate in the supervision to promote the adjustment and improvement of the management team. Besides, Cathay FHC pays special attention to the overall operations of the Board and Functional Committee and thus set up the Regulations Governing the Evaluation of the Board and Functional Committee's Performance</p>	No significant difference

Projects	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons						
	Yes	No	Summary							
			in addition to the Guidelines for Evaluation of Directors' Performance and the Guidelines for Directors' Remuneration. In 2022, the result of Cathay FHC's Board and functional committee performance evaluation was "above standard."							
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 3)	✓		<p>The assessment boundary covers 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 core disclosure of operational regions centers on Taiwan.</p> <p>Cathay Financial Holdings values the 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 the 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 prepare a materiality matrix on a yearly basis. The Company conducted corporate sustainability (CS) analysis and identified CS issues that were material to Cathay Financial Holdings. Long-term goals were set accordingly and tracked on a yearly basis to support management of sustainability issues.</p> <p>Compliance, risk management, and information security were some of the material issues highlighted by Cathay Financial Holdings in 2022. Below are some risk management strategies implemented for the environmental, social and governance issues:</p> <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><p>1. The Company emphasizes on its culture of ethical corporate management, so it has adopted the “Business Integrity Policy and Principles,” Business Integrity Procedures and Code of Conduct” and “Employee Code of Conduct,” which require that all employees to observe relevant internal regulations and prevent any unethical conducts in their performance of duties. To ensure compliance of its employees, the Group organizes the training and education for the employee code of conduct, and the completion rate reached 100% in 2022.</p><p>2. The compliance and anti-money laundering/counter-terrorism financing are managed on the group level and executed by levels and regions, the Chief Compliance Officer, selected and assigned by the Board, concurrently serves as the Chief Anti-</p></td></tr></table>	Material Issue	Topic	Risk Management Strategy	Governance	Ethics and Compliance	<p>1. The Company emphasizes on its culture of ethical corporate management, so it has adopted the “Business Integrity Policy and Principles,” Business Integrity Procedures and Code of Conduct” and “Employee Code of Conduct,” which require that all employees to observe relevant internal regulations and prevent any unethical conducts in their performance of duties. To ensure compliance of its employees, the Group organizes the training and education for the employee code of conduct, and the completion rate reached 100% in 2022.</p> <p>2. The compliance and anti-money laundering/counter-terrorism financing are managed on the group level and executed by levels and regions, the Chief Compliance Officer, selected and assigned by the Board, concurrently serves as the Chief Anti-</p>	No significant difference
Material Issue	Topic	Risk Management Strategy								
Governance	Ethics and Compliance	<p>1. The Company emphasizes on its culture of ethical corporate management, so it has adopted the “Business Integrity Policy and Principles,” Business Integrity Procedures and Code of Conduct” and “Employee Code of Conduct,” which require that all employees to observe relevant internal regulations and prevent any unethical conducts in their performance of duties. To ensure compliance of its employees, the Group organizes the training and education for the employee code of conduct, and the completion rate reached 100% in 2022.</p> <p>2. The compliance and anti-money laundering/counter-terrorism financing are managed on the group level and executed by levels and regions, the Chief Compliance Officer, selected and assigned by the Board, concurrently serves as the Chief Anti-</p>								

Projects	Implementation Status (Note 1)				Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons	
	Yes	No	Summary			
					Money Laundering Officer who manages the practices of the Group as a whole. The Company's compliance system is managed systematically through methods such as routine laws and regulations management, regular self-assessment and self-audit, diverse compliance educations and trainings and reporting of operational risk to strengthen the effectiveness of the Group's legal compliance.	
			Environmental	Responsible Finance	<p>In 2014, Cathay Financial Holdings established the first responsible investment team in Taiwan. The team oversees the responsible investment strategies of the Group, formulates related policies and continuously monitor the trends, methods and practices concerning the latest international responsible investment movement. It also actively connects with benchmarking peers in the globe in order to establish the specific action plan to refine and optimize its ESG integration procedures. Meanwhile, the ESG analysis and management tools as well as the regular ESG education and training are equipped to the team to enhance its risk management ability.</p> <p>Cathay FHC and its subsidiaries must adhere to the "Cathay Financial Holdings (Cathay FHC) and Subsidiaries Responsible Investment and Lending Policy" when investing and lending. We integrate ESG into the existing investment and loaning procedures. Amid its routine tasks, in addition to forming the exclusion list, it is critical to integrate the ESG factors into its decision-making process and manage according to corresponding risk levels.</p> <p>To prevent operational risks associated with investing in and lending to candidates with high ESG controversy profiles, and ensure that Cathay continues to pursue the values of corporate sustainability, Cathay FHC has established the "Cathay Financial Holdings and Its Subsidiaries Negative Investment and Lending Policy." The policy clearly outlines the focus areas, including controversial sectors and countries. Cathay's Responsible Investment Working Group screens companies and countries by focus area based on specific screening guidelines and updates the</p>	

Projects	Implementation Status (Note 1)					Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary			
					"Investment and Lending Exclusion List." Furthermore, Cathay's subsidiaries must update their respective exclusion lists based on the working group's findings.	
			Social	Customer relationship management	The Company takes “customer orientation” as its philosophy for business operation and cares about customers’ feedback, so it implements the risk management mechanism concerning customer relations management as follows: 1. The “Service Quality Committee” established by the holding company upholds the principles of maintaining customers’ rights and fair treatment and stipulates the Group’s service guidelines and periodically reviews the service strategy and projects of each subsidiary. The service quality teams, established by each subsidiary subsequently plan, promote and keep track of each quality improvement project. 2. We began using the net promoter score (NPS) in 2016 to examine customer service records and feedback from important points of contact with customers. We hope to continue improving the customer service experience through quantified and qualified analyses, as well as cross-departmental communication and collaboration. Each subsidiary has set up diverse and complete complaint channels and assigned a dedicated unit for customer complaints. These subsidiaries promptly approach customers and offer solutions for their complaints by observing the established case handling rules and adhering to the principles of “Active Approach, Proactive Care.” 3. Each subsidiary of the Group has relevant mechanisms established for the implementation of the “Principles of Fair Treatment to Customers,” the regular training and education for relevant personnel, the organization of review meeting and inclusion of such reviews into the legal compliance practice. Their results of implementation are subsequently reported to the board on a regular basis.	

Projects	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
III. Environmental issues (I) Has the Company established environmental policies suitable for the Company's industrial characteristics?	✓		<p>Cathay Financial Holdings regards environmental responsibilities as a priority, and has established a "Green Operation Team" 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:</p> <ol style="list-style-type: none"> 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 Team" 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" based on the seven core values of sustainable procurement to implement the concept of sustainable procurement in practice and influence the action of upstream suppliers. <p>The Company and its subsidiaries have established the environment and energy management systems as required under ISO 14001 and ISO 50001 and have these systems constantly verified by a third party. Under the provisions of ISO 14064-1:2018, the annual greenhouse gas inventory is carried out to examine the emission reduction result, which is subsequently disclosed in the sustainability report and on the Company's website. (https://www.cathayholdings.com/holdings/csr/intro/env/em)</p>	No significant difference
(II) Does the Company endeavor to use	✓		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,	No significant difference

Projects	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
energy more efficiently and to use renewable materials with low environmental impact?			<p>and environmental education to reduce the impact of the operation process on the environment, the relevant measures are as follows:</p> <p>Energy Saving and Carbon Reduction:</p> <ol style="list-style-type: none"> 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. <p>Green Procurement:</p> <ol style="list-style-type: none"> 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 13 consecutive years (2010-2022), the Company has received Green Purchasing Enterprise Commendation from Taipei City Department of Environmental Protection and Environmental Protection Administration. <p>Renewable Energy:</p> <ol style="list-style-type: none"> 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 	

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			<p>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.</p> <p>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.</p> <p>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.</p> <p>5. In response to the RE100 trend, the Company became the first RE100 member in the financial sector in Taiwan in April 2022 while outlining the goals of 100% renewal energy consumption in the headquarters of Cathay Financial Holdings, Cathay Untied Bank, Cathay Life and Cathay Century Insurance by 2025, 100% renewable energy consumption in all business locations in Taiwan by 2030 and, ultimately, 100% renewable energy consumption in all business locations globally by 2050. A dual-system of renewable energy wheeling and Taiwan Renewable Energy Certificate (T-RECs) is in operation currently, and 8,813,652 kWh from this dual system were consumed in 2022, achieving 8.5% of the targeted renewable energy consumption.</p> <p>6. Cathay Financial Holdings introduced the “Green Lease Service” of the “Green Lease Program 2.0” by the Bureau of Standards, Metrology and Inspection, MOEA, for the green landlords to negotiate with renewable energy providers to re-supply the renewable energies to tenants for using green electricity. As of the end of 2022, headquarters of six companies have 100% converted to green electricity, and the percentage of green electricity is expected</p>	

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			<p>to reach 8.5%. The annual internal renewable energy target has been set, seeking to increase consumption year by year.</p> <p>Environmental Actions:</p> <ol style="list-style-type: none"> 1. In 2014, Cathay Financial Holdings 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 2017, 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. 	
(III) Does the company assess potential risks and opportunities associated with climate change, and undertake measures in response?	✓		<p>The Group identified the climate risks and opportunities and compiled the results of the quantitative questionnaires to create a matrix of climate risks and opportunities. The six risks and six opportunities were identified significant and used in the review of the Group’s corresponding action plan. The actions taken for the top two risks and opportunities are explained below (please refer to the Company’s annual Climate-related Financial Disclosure Report for the details):</p> <p><u>Significant Risks</u></p> <p>Risk 1. Reduction of greenhouse gases:</p> <ol style="list-style-type: none"> (1) Capitalizing the group synergy in the climate-related disclosures to lower the disclosure cost. (2) Implementing the “Zero-carbon Operational Transformation” plan by purchasing renewable energy and fostering the transformation in workplace to reduce the carbon emission of its own operations. <p>Risk 2. Increase in risk exposure of investments and loans in high carbon emission sectors.</p> <ol style="list-style-type: none"> (1) Participating in global initiatives, engagements and management procedures concerning the ESG and climate-related risk to mitigate the risk exposure of 	No significant difference

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			<p>investments and loans.</p> <p>(2) Conducting scenario analysis to measure the expected loss derived from such investments and loans and regularly evaluating and monitoring the quantitative data concerning climate risk.</p> <p>Significant Opportunities</p> <p>Opportunity 1. Trend of digital finance: In line with the digital transformation, improving the convenience for customers and reducing carbon footprint, for example, initiation of digital insurance policy documents to decrease the paper usage, digital securities trading, digital accounts, mobile insurance applications, and remote insurance applications.</p> <p>Opportunity 2. Sustainable business management: (1) Aligning with the global trend and responding to the stakeholders, referring to the international methodologies such as the Science Based Targets Initiative (SBTi), seizing the frontiers and trends for carbon reduction and outlining the 5-year goals to gradually reduce the carbon emission of scopes 1 and 2 by at least 2.5%; connecting with the Renewable Energy 100 (RE100) initiative to set the goals for green operation. (2) Regularly reviewing the renewable energy consumption ratio to lay out the workplace transformation.</p>	
(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?	✓		<p>In order to reach the goal of carbon reduction and support the government's policy of promoting green operation, the Company has set a goal to reduce 5% carbon emission by the year of 2021 compared to the benchmark in 2016. In 2017, the Green Operation Task Force's meeting considered the SBTi, and revised the reduction target as "taking 2016 as the base year, and up to 2021, the basic target is to reduce 5% of carbon, or 10% as the ideal target." Furthermore, in 2021, to correspond to the SBT target and pass the review, it is implemented for the annual carbon reduction by 2.5%, and the cumulative carbon reduction from 2021 to 2030 will reduce at least 25% from 2020. In addition, the Company has established environmental and energy management systems based on ISO 14001 and ISO 50001 every year, and conducted "greenhouse gas inventory" to track environmental data in accordance with ISO 14064-1:2018. The three standards above have passed the third-party verifications as an important reference for the Company's reduction target setting. In addition, in accordance with the provisions of the "Sustainable Development Roadmap" announced by the TWSE in March 2022, the financial statement disclosure boundary will be examined on a rolling basis annually, and the scope of greenhouse gas inventory will be adjusted accordingly. The environmental data over the years are as follows:</p>	No significant difference

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			Environmental data target and results are as follows:				
				2022 Result	Short-term (Within 2023)	Mid-term (2024-2030)	Long-term (2031-2050)
			Energy Usage	The power consumption per unit of revenue in this year was 2,743.27 kWh/one million of revenue	The power consumption did not exceed 3,000 kWh per one million revenue		
			Carbon Reduction	Emission decreased by 12.87% in comparison to the base year	Corresponding to the SBT targets, carbon is reduced by 2.5% per year, and the cumulative carbon reduction from 2021 to 2030 will reduce at least 25% from 2020.		
			Renewable Energy Usage	8,813,652 kWh (8.5% of the Group’s total power consumption)	Corresponding to RE 100, the headquarters of the financial holdings, life and property insurance are expected to achieve 100% use of green electricity by 2025, and all domestic business sites are expected to achieve 100% use of renewable energy by 2030.		
			Waste Production	Waste per capita decreased by 59% 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 40% every year due to the examination scope adjustment	Above 40%		
			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. The Company improved its score to Leader A- in 2021, and it was awarded the leadership A level for the first time in 2021.				

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			<p>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.</p> <p>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 three years, for which the Company was awarded commendation of outstanding performance.</p> <p>4. In 2013, Cathay Financial Holdings 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) ISO 14064-1 inspection.</p> <p>5. All subsidiaries have been introduced in ISO 50001 energy management system and ISO 14001 environment management system one after another since 2013, setting up the best model of enterprise pole in financial industry as well as implementing energy saving and environment standardized management.</p> <p>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.</p> <p>7. By the end of 2015, 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. 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.</p> <p>8. In 2017, the Company completed the adoption of ISO 50001-Energy Management System and ISO 14001-Environmental Management System, for which it was recognized as the role model in the financial industry.</p> <p>9. Projects including "Credit Card Service Carbon Survey" and "Insurance Service Carbon</p>	

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			<p>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.</p> <p>10. 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.</p>	
IV. Social issues (I) Whether the Company establishes the related management policies and procedures in accordance with the relevant laws and international human right conventions?	✓		<p>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.</p>	No significant difference
(II) Has the company developed and implemented reasonable employee welfare measures (including compensation, leave of absence	✓		<p>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</p>	No significant difference

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and other benefits), and appropriately reflected business performance or outcome in employees' compensations?			<p>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.</p> <p>As stated in its human right policy, the Company does not treat employees discriminatingly in job promotions, compensation or behaviors due to their gender or sexual orientation, and it is committed to providing equal opportunities and platform and wishes to build a gender-friendly workplace. We provide several gender-friendly benefits that are better than the requirements under related laws, such as 5-day paid menstrual leave, paid miscarriage leave and 10-day paid pregnancy checkup leave, organize various family friendly events, and offer employees personalized resources for learning and development in the hope of a work-life balance for all employees without any restriction. In 2021, the female employees accounted for 61.92% of the office staff and 76.79% of the field staff, and the female managers accounted for 42.75% and 59.14% of the office managers and field staff managers, respectively, that is, equal development opportunities for both genders. (The Number of Full-Time Employees is audited by Deloitte & Toche (Taiwan) and published in 2022 Corporate Sustainability (CS) report, please refer to the Report of the year for the relevant information.)</p> <p>The Company has stated in its “Employee Compensation Policy” and “Employee Performance Bonus Policy” that compensations must be determined at levels that commensurate employees' duties, performance and capabilities, and associated with company performance and external market benchmarks.</p>	
(III) Whether the Company provides the existence of a safe and healthy work environment; regular safety and health training to company employees?	✓		<p>To ensure a safe working environment to guarantee employee personal safety, the Group already established the following measures:</p> <ol style="list-style-type: none"> 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. Assign dedicated nursing personnel to provide labor health service. 7. There was 0 case of disability and occupational injury in 2022. 8. A total of 705 enrollments in the occupational safety training and promotion was recorded in 2022 with a total of 1166 man-hours. 	No significant difference

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(IV) Has the Company established some effective career development training plan for employees?	✓		<p>To assist its employees in their competency improvement and career development, the Company has laid out the “Employee Training and Development Journey” to optimize employees’ learning experience from employees’ perspective. These learning activities, including the “Guideline for Learning and Development,” “Competency Identification,” “Personal Development Plan,” “Learning and Development” and “Performance Evaluation,” collectively offer a system for internal talent cultivation and motivate self-directed learning in the workplace, and which in turn enables high-quality human resources.</p> <p>Tailoring to different competency requirements for different levels in career, the Company lays out the “Development Blueprints” for each level of employees to strengthen employees’ competency for their current positions and prepare them for the next stage of career, and it thereby ensures the alignment between its talent cultivation and corporate development strategy. In addition to referring to the needs of the organization, team and employees of the year, supervisors and employees may also jointly discuss and set their personal development plans according to the 360-degree feedback results. Through regular reviews and feedback, employees are able to develop their competencies continuously.</p> <p>The human resource unit shall, based on the competency gap revealed by the 360-degree feedback, plan the joint competency training courses to accelerate employees’ competency improvement and the facilitation of organizational transformation.</p>	No significant difference
(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?	✓		<p>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.</p>	No significant difference
(VI) Has the company implemented a supplier management policy that regulates suppliers'	✓		<p>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</p>	No significant difference

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conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?			<p>Cathay Financial Holdings Sustainable Procurement Policy based on the seven 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, and sustainability training, the Company is able to systematically influence supply partners and help them take steps toward achieving sustainability goals such as compliance, human rights protection and local employment.</p> <p>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:</p> <ul style="list-style-type: none">1. Environmental protection regulations2. Regulations governing occupational safety and health management3. Labor rights regulations4. Ethical norms regulations <p>The Company’s partnering suppliers in 2022 meet all of the following requirements:</p> <table><tr><td>Supplier sustainability management</td><td>Facilitating sustainability and ethical policy of suppliers; requiring new suppliers to participate in the assessment and comply with the code of sustainable conduct for suppliers, including signing the declaration of sustainability values, supplier training and education from time to time and completion of the ESG self-evaluation form for suppliers.</td></tr></table> <p>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.</p> <p>Furthermore, subsidiaries Cathay Life and Cathay United Bank have adopted the ISO 45001 (valid periods- Cathay Life: 2022/3/14–2025/3/13 and Cathay United Bank: 2023/1/10–2026/1/10) and implemented the “Contractor and Outsourcee Safety and Health” guidelines for enhanced management over contractors. In addition to hazard warnings and coordination</p>	Supplier sustainability management	Facilitating sustainability and ethical policy of suppliers; requiring new suppliers to participate in the assessment and comply with the code of sustainable conduct for suppliers, including signing the declaration of sustainability values, supplier training and education from time to time and completion of the ESG self-evaluation form for suppliers.	
Supplier sustainability management	Facilitating sustainability and ethical policy of suppliers; requiring new suppliers to participate in the assessment and comply with the code of sustainable conduct for suppliers, including signing the declaration of sustainability values, supplier training and education from time to time and completion of the ESG self-evaluation form for suppliers.					

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			meetings, the subsidiaries also perform random safety inspections at work sites to ensure that occupational safety and health are maintained above satisfactory levels.	
V. Does the Company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Are the above mentioned reports supported by assurance or opinion of a third-party certifier?	✓		<p>Cathay Financial Holdings publishes annual sustainability reports in both Chinese and English. The 2021 sustainability report published in 2022 was prepared mainly based on the framework of the Global Reporting Initiative (GRI) Standards with the additional reference to the other frameworks provided by the Financial Services Sector Supplement, Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies, ISO 26000 Social Responsibility Guidelines, UN Global Compact, Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies, Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), and UN Sustainable Development Goals (SDGs).</p> <p>The Company has engaged BSI Taiwan to review the report for High-level Assurance GRI Standard core option and AA1000AS v3 Type 2. Meanwhile, PwC Taiwan had corroborated the comparison result between its sustainability performance and 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. Meanwhile, the Company has engaged the British Standards Institution (BSI Taiwan) to conduct the verifications for the ISO 14064-1:2018 greenhouse gas inventory, ISO 50001:2018 energy management system, ISO 14001:2015 environmental management systems and ISO 20400:2017 sustainable procurement, and the copies of the independent verification opinion and the assurance report have been provided in the Appendix section of the 2021 Sustainability Report.</p>	No significant difference
VI. If the Company has established sustainable development principles based on the "Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies," please describe any discrepancy between the principles and their implementation: There is no deviation between the Company's sustainable development practices and the principles.				
VII. Other important information to facilitate better understanding of the Company's promotion of sustainable development: In order to become the best sustainable financial institution in Asia Pacific, in addition to internal implementation of corporate sustainability governance, the Company externally influences its suppliers through upstream procurements and downstream loans, investments, etc. In 2022, it demonstrates the outstanding performance as follows: <ul style="list-style-type: none"> ➤ Cathay Financial Holdings is the first member of the global corporate renewable energy initiative RE100 in the financial sector in Taiwan, and it has made the commitment to 100% renewable energy consumption of all of its business locations across the globe by 2050. ➤ Cathay Financial Holdings carbon reduction goals were officially validated by the Science-based targets initiative (SBTi), and it is one of the few large 				

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			<p>financial institutions that passed the validation in the globe, and the fourth in the financial sector in Taiwan, and the sixth in the Asian financial industry.</p> <p>➤ Cathay Financial Holdings joined the “Coalition of Movers and Shakers on Sustainable Finance” and promised to take ambitious climate-related actions.</p> <p>➤ Cathay Financial Holdings published its first report of the Task Force on Climate-related Financial Disclosures (TCFD) to disclose the Group’s climate-related governance, strategy, risk management and indicators and goals.</p> <p>➤ Cathay Financial Holdings continues to jointly organize the “2022 Cathay Sustainable Finance and Climate Change Summit” with TWSE. The number of participants was more than 2300 persons, a new historical high, and of which, 80% or more are the first-time participants from over 1300 enterprises or organizations. Amid which, the total market value of the attending TWSE-listed companies accounted for more than 70% of the total stock market value in Taiwan, and the total amount of carbon emission of the attending TWSE- and TPEX-listed companies accounted for more than 40% of the total carbon emission in Taiwan.</p> <p>➤ Cathay Financial Holdings has been taking the initiative to participate in “DJSI” assessments for several years, and was selected as a composition of DJSI – World for five consecutive years and remained as a composition of DJSI – Emerging Markets for eight consecutive years. In the assessment, Cathay Financial Holdings was ranked the first in many areas in connection to the core competencies of a financial institution, such as sustainable financing and financial inclusion.</p> <p>➤ Cathay Financial Holdings was ranked at the Leadership A level for the Carbon Disclosure Project (CDP).</p> <p>➤ Cathay Financial Holdings was selected as one of the compositions of TWSE’s “ESG Index - Taiwan Sustainability Index”.</p> <p>➤ Cathay Financial Holdings has participated in the “Commonwealth CSR Award” for many years and won second place in the category of “Top 100 Large Enterprises” in 2022.</p> <p>➤ Cathay Financial Holdings is a long-time participant of the “CSR and ESG Awards” organized by Global Views magazine, and it has been ranked top in the “Overall ESG Performance – Banking and Insurance” category for three consecutive years. In 2022, it was listed on the Honorable Board, and the “Environment Friendly-Role Model Award” was granted for its influence in green investments and finance. The innovative concept of “Cathay Compound People Theory” proposed by Cathay Securities Investment Trust won the First Award in the category of “People Development.”</p> <p>➤ In the “2022 Taiwan Corporate Sustainability Award,” Cathay Financial Holdings won second place for the “The Most Prestigious Sustainability Awards- Top Ten Domestic Corporates – Service Sector” and was granted the “Corporate Sustainability Report – Platinum” and the “Outstanding Corporate Sustainability Professionals” awards. Its subsidiaries also won multiple best performance awards of specific categories including the “People Development Leadership,” “Information Security Leadership,” and “Growth through Innovation.”</p> <p>➤ Cathay Financial Holdings 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 for the fourth time.</p> <p>➤ Cathay Life received the Gold Award for its public welfare and care, people development, information application, risk management, innovative product planning, promotion of micro-insurance, and promotion of information security, and Silver Award for its promotion of protection-oriented products and information security in the “Taiwan Insurance Excellence Awards” organized by the Insurance Institute of the Republic of China.</p> <p>➤ Cathay Life was named the epitome in the institutional influence category of the second Taiwan Sustainable Investment Awards in 2022 (2022 Taiwan SIA) organized by the Taiwan Institute for Sustainable Energy.</p> <p>➤ Cathay Life was recognized as the top performer in the Assessment of the Implementation of Treating Customers Fairly Principles held by the FSC.</p> <p>➤ Cathay Life won the Gold Award in the Asia Sustainability Reporting Awards (ASRA) held by CSR Works International.</p>	

Projects	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
<div>➤ Cathay United Bank received the 2022 Energy-Saving Benchmark Award – Silver Award from the Ministry of Economic Affairs.</div> <div>➤ Cathay United Bank was granted the 2022 Green and Sustainable Finance Award – Outstanding Award for Green Loan Structuring Advisor and named the Pioneering Organization in Climate Disclosure Planning by the Hong Kong Quality Assurance Agency (HKQAA).</div> <div>➤ Cathay United Bank won in the categories of the “Best Personal Trust Finance,” “Best ESG,” and “Best Consumer Finance” in the “Taiwan Banking and Finance Best-Practice Awards” organized by the Taiwan Academy of Banking and Finance.</div> <div>➤ Cathay Century Insurance won the gold award for its first publication in the Asia Sustainability Reporting Awards (ASRA) held by CSR Works International.</div> <div>➤ Cathay Century Insurance won multiple awards in the 2022 insurance competition held by the Insurance Bureau, Financial Supervisory Commission, which was the most among its non-life insurance peers.</div> <div>➤ Cathay Securities won the National First Prize in the “Outstanding Enterprise” category of the 19th National Brand Yushan Award.</div> <div>➤ Cathay Securities received the gold award in the “Individual Influencer of ESG Innovation” of the second Taiwan Sustainable Investment Awards (TWSIA) for its digital sustainable investment stock selection service.</div> <div>➤ Cathay Securities Investment Trust won third place in the 2022 ETF competition – ETF issuance contribution award organized by TWSE.</div> <div>➤ Cathay Securities Investment Trust received the Best Innovative ETF Award from the Asset.</div>				

Note 1: If “Yes” is ticked in the “Implementation status” column, please concretely describe the major policies, strategies, and measures adopted and the status of their implementation. If “No” is ticked in the “Implementation status” column, please explain the deviations and the reasons in the “Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons” column and explain the Company’s plans for adoption of related policies, strategies, and measures in the future. However, for Items 1 and 2, the TWSE/TPEX listed company shall describe its governance and supervisory framework for sustainable development, including but not limited to management policy, strategy and goal formulation, and review measures. It additionally shall describe the company’s risk management policies or strategies for operations-related environmental, social, and corporate governance issues, and their assessment status.

Note 2: Financial Holding Companies that are not listed in the TWSE/GTSM do not have to fill in “Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons.”

Note 3: Materiality principle refers to environmental, social and corporate governance issues that are of material impact to the Company's investors and stakeholders.

Note 4: Regarding the method for disclosure, please refer to the “SAMPLE ANNUAL REPORT” page on the website of the Taiwan Stock Exchange Corporate Governance Center.

(VII) Climate-related Information of Financial Holding Companies (Table 2-2-3)

Implementation of Climate-related Information

Item	Implementation Status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	<p>The Company has established an effective climate governance framework where the board of directors is the chief governance unit responsible for the approval of climate-related policies, strategies and goals and the oversight of climate management and disclosure by taking climate-related risks and opportunities into consideration. The "Corporate Sustainability Committee" and "Risk Management Committee" periodically submit the climate-related issues to the board of directors.</p> <p>The Company's "Corporate Sustainability Committee" ensures that the Group acts on climate related risks and opportunities based on the policies and objectives approved by the Board, and is also responsible for supervising the Group's subsidiaries to make responsive adjustments to the overall strategy set pursuant to the "Corporate Sustainability Committee", while giving timely directional corrections and instructions.</p> <p>In light of the impact of climate change on its core business, the climate information sharing platform for senior executives of different subsidiaries and functions was established in 2021, and the "Climate Governance Conference" under the supervision of the Company's president is held quarterly in order to strengthen the horizontal communication and build consensus, so as to dig for and extend potential opportunities of the Group.</p> <p>The Company's "Risk Management Committee" (Note) is responsible for reviewing the related operational mechanisms such as climate risk management policies and standards, to confirm the effectiveness of the climate related risk management framework implementation, for ensuring the normal operation of the Group's management system. The "TCFD Task Force" is led by the Chief Risk Officer, who coordinates the expertise and resources of each subsidiary, and convenes monthly exchange meetings to promote climate risk-related projects. For related information, please refer to the Company's annual TCFD report.</p>
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	<p>Together with its subsidiaries, the Company identifies the climate-related risks and opportunities of all of its businesses comprehensively every other year, and, based on the assessment and analysis of the quantitative questionnaires, prioritizes such climate-related risks and opportunities. It then identifies the potential effect on its financial performance of items with higher materiality and formulates the responsive strategy. For example, as many countries start to levy carbon tax for high emission industries, the returns on investments in such industries may consequently decline. Therefore, the Group actively engages with these enterprises to assist them in</p>

Item	Implementation Status
	transformation. Please refer to the Company's Climate-Related Financial Disclosures Report of the year for the identification result.
3. Describe the financial impact of extreme weather events and transformative actions.	In order to measure the financial impact of climate change, the Company has developed quantitative scenario analyses of various aspects such as investments and finance, insurance products and own operations. For example, the assessment on the impact of extreme weather events, such as extreme heat, typhoons and flood, on the insurance claim settlement amounts or repair expenses for self-owned property. The risk exposure of all major businesses is moderate, and the related responsive measures has been adopted based on the assessment results. Please refer to the Company's Climate-Related Financial Disclosures Report of the year for the relevant information.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	The Company adopted the "Emerging Risk Management Guidelines" in 2019 to include the climate-related risk into the scope of group risk management. In order to strengthen its risk management capability for ESG risk and climate-related risk, in 2020, it further separated the ESG risk (including the climate-related risk) from the emerging risk and established the "ESG Risk Management Guidelines" to comprehensively identify the climate-related risks and opportunities of all its businesses and construct the qualitative and quantitative assessment and analysis, while the implementation status is periodically reported to the Risk Management Committee and the board. Moreover, the ESG risk (including the climate-related risk) is also included in the "Risk Management Policy" to integrate climate-related risk into the existing enterprise risk management (ERM) framework. Please refer to the Company's Climate-Related Financial Disclosures Report of the year for the relevant information.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described	The Company refers to the climate scenarios published by international organizations, including the Intergovernmental Panel on Climate Change (IPCC) and the Network for Greening the Financial System (NGFS) and incorporates the factor of Nationally determined contribution (NDCs) into its assessment. Taking the investment business as an example, the Company introduced the MSCI Climate Value-at-Risk (CVaR) Model and used the orderly scenarios and disorderly scenarios of NGFS and the transformation risk scenarios of NDCs, along with the IPCC RCP 8.5 scenario to evaluate the effect of climate change on the value of its investment assets. Please refer to the Company's Climate-Related Financial Disclosures Report of the year for the analysis result.

Item	Implementation Status
<p>6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.</p>	<p>The Company launched the “Zero-carbon Operational Transformation” plan in 2021 to seize its electricity consumption through the energy and environment management system. The planned equipment renewal has not only improved the energy efficiency, but also connected the Company with the government’s energy transformation goal and the international RE100 initiative. This transformation plan is to accomplish the zero-carbon emission goal with the “Workplace Energy Substitution” and “Operational Carbon Data Management” strategies based on the methodology of SBTi. In terms of the “Workplace Energy Substitution,” the Company is committed to increasing the usage ratio of renewable energy where the headquarters of Cathay Financial Holdings, Cathay Life, Cathay United Bank and Cathay Century Insurance are expected to use 100% renewable energy by 2025, and all other business locations in Taiwan is expected to use 100% renewable energy by 2030. In terms of the “Operational Carbon Data Management,” Cathay United Bank has introduced the visualized energy management system program through the installation of smart energy meters. Cathay Life has gradually renewed the obsolete equipment and implemented carbon reduction in operations through the installation of solar panels and design of green buildings. Please refer to the Company’s Climate-Related Financial Disclosures Report of the year for the retailed indicators and goals.</p>
<p>7. If internal carbon pricing is adopted as a planning tool, the basis for pricing should be described.</p>	<p>The Company continuously monitors the development trends of carbon pricing both domestically and internationally. The Group has introduced the concept of shadow price in 2020, and adopted the carbon price for sustainable development scenarios of the International Energy Agency (IEA) to assess the transformation risk of specific industries. In addition, the Company also continues to monitor the internal carbon fee mechanism, to assess the feasibility of its introduction, and continuously connect with the international community.</p>
<p>8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and</p>	<p>In order to achieve its carbon reduction target and respond to the national Net Zero policy for the promotion of renewable energy and green operations, in 2021, the Company started to align with its SBT targets by setting 2020 as the base year and aiming to reduce 2.5% carbon emission every year. The accumulated carbon emission reduction for the period from 2021 to 2030 should be at least 25% by using the data of 2020 as the base. As a means to periodically inspect the Group’s carbon reduction performance, the Company launched the comprehensive greenhouse gas inventory for its domestic locations in 2016, extended the scope to overseas locations in 2021 and matched the scope to that of financial statement disclosure in 2022.</p>

Item	Implementation Status
<p>quantity of carbon credits or RECs to be offset should be specified.</p>	<ol style="list-style-type: none"> 1. Scope of inventory: The 10 companies including Cathay Financial Holdings, Cathay Life, Cathay United Bank, Cathay Century Insurance, Cathay Securities, Cathay Securities Investment Trust, Cathay Securities Investment Consulting, Cathay Venture, Cathay Futures and Cathay Private Equity, the 534 domestic business locations and the 220 overseas locations. In addition, in accordance with the provisions of the “Sustainable Development Roadmap” announced by the TWSE in March 2022, the financial statement disclosure boundary will be examined on a rolling basis annually, and the scope of greenhouse gas inventory will be adjusted accordingly. 2. Inventory items: Including Scope 1, Scope 2 and Scope 3 (including but not limited to business travel, water usage and waste of business location, emissions of insurance service and credit card service, and credit and loan services). 3. 2022 carbon reduction performance: Compared to the base year, 2020, the operating emissions of 2022 have been reduced by 12.87%. 4. Renewable energy: In response to the RE100 trend, the Company became the first RE100 member in the financial sector in Taiwan in April 2022, and it has set out the goals of 100% renewal energy consumption in the headquarters of Cathay Financial Holdings, Cathay United Bank, Cathay Life and Cathay Century Insurance by 2025, 100% renewable energy consumption in all business locations in Taiwan by 2030 and, ultimately, 100% renewable energy consumption in all business locations globally by 2050. A dual-system of renewable energy wheeling and Taiwan Renewable Energy Certificate (T-RECs) is in operation currently, and 8,813,652 kWh from this dual system were consumed in 2022, achieving 8.5% of the targeted renewable energy consumption.
<p>9. Greenhouse gas inventory and assurance (to be completed in Table 1-1)</p>	<p>As the table below.</p>

Note: To strengthen risk management and enhance the effectiveness of the Board, the “Risk Management Committee” was upgraded to a functional committee under the Board with effect from April 1, 2023, chaired by an independent director of the Company.

1-1 Greenhouse gas inventory and assurance

<p>Basic information of the Company</p> <p>■ Companies with more than \$10 billion in capital</p>	<p>Pursuant to our requirements, disclosures shall be made at least</p> <p>■ Inventory of the parent company</p> <p>■ Inventory of the subsidiaries in the consolidated financial statements</p> <p>■ Assurance of the parent company</p> <p>■ Assurance of subsidiaries in consolidated financial statements</p>
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Scope 1	Total emissions (tons CO ₂ e)	Intensity (metric tons CO ₂ e/NT\$ million)	Assurance institution	Description of assurance
Company	16.06	0.00	British Standards Institute (BSI)	British Standards Institution is commissioned to verify the ISO 14064-1 reasonable assurance level.
Subsidiary Company	3,955.84	0.10		
Subsidiaries overseas (consolidated with the domestic inspection)	830.54	0.02		
Total	4,802.44	0.13		
Scope 2	Total emissions (tons CO ₂ e)	Intensity (metric tons CO ₂ e/NT\$ million)	Assurance institution	Description of assurance
Company	907.95	0.02	British Standards Institute (BSI)	British Standards Institution is commissioned to verify the ISO 14064-1 reasonable assurance level.
Subsidiary Company	51,974.87	1.37		
Subsidiaries overseas (consolidated with the domestic inspection)	6,423.35	0.17		
Total	59,306.16	1.56		

	Total emissions (tons CO2e)	Intensity (metric tons CO2e/NT\$ million)	Assurance institution	Description of assurance
Scope 3	Operating end carbon mission:3,803.62	Operating end carbon mission:0.10	Operating end carbon mission: British Standards Institute (BSI)	<p>Operating end carbon mission: British Standards Institution is commissioned to verify the ISO 14064-1 limited assurance level.</p> <p>Financed emissions :</p> <ol style="list-style-type: none"> Listed equity and bonds : <ol style="list-style-type: none"> Financed Emissions: We have engaged PwC Taiwan to provide a limited assurance engagement in accordance with ISAE 3410 on the total emissions. Please refer to 2022 Sustainability Report. Financed emissions intensity: We have engaged BSI Taiwan to verify the 2022 Sustainability Report with AA1000AS v3 Type 2 high-level assurance. Please refer to 2022 Sustainability Report. Listed equity and bonds from asset management : Financed emissions and emissions intensity: We have engaged BSI Taiwan to verify the 2022 Sustainability Report with AA1000AS v3 Type 2 high-level assurance. Please refer to 2022 Sustainability Report. Lending : Financed emissions We have engaged PwC Taiwan to provide a limited assurance engagement in accordance with ISAE 3410 on the total emissions. Please refer to 2022 Sustainability Report.

(VIII) Enforcement of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies (Table 2-2-4)
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 part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?	✓		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.” 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	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	
			<p>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.</p> <p>The Company has created a “Sustainable Governance Panel” 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.</p>	
<p>2. Implementation of ethical management</p> <p>(1) Has the Company assessed a trading counterpart’s ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?</p>	✓		<p>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 code of conduct also recommends the inclusion of integrity clauses in contracts signed with other parties.</p>	No significant difference
<p>(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</p>	✓		<p>The Company has created a “Sustainable Governance Panel” 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.</p>	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	
board of directors on a regular basis (at least once a year)?			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.	
(3) Has the Company defined any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?	✓		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 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. Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter. 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.	No significant difference
(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	✓		<ol style="list-style-type: none"> 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 	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?			board of directors. The audit plan must address business integrity and execution, and shall be carried out accordingly once approved.	
(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 2022 (e.g.: annual training on integrity and ethics, orientation training on compliance, and compliance officer conference). These sessions received a total of 909 enrollments and delivered 1,306 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 “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	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	
			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 to prevent the complainants from being abused after filing complaints?	✓		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 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.	No significant difference
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

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	
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.”

(IX) 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."

(X) 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 2022 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 2022, a total of 512 trainees attended the program, delivering a total of 512 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. Pursuant to "Directions for Managing Prevention of Insider Trading," the Company notifies the directors that they are prohibited from trading the Company's shares during the closed period of 30 days prior to the announcement of the annual financial report, and 15 days prior to the announcement of the quarterly financial report. The dates to submit each financial report, and the close period for trading the Company's shares are notified to the directors at the same time for their compliance, and prevent them from violating the Directions.

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	Exam Administrator	Course name	Course hours
President	Chang-Ken Lee	Cathay Financial Holdings	[Financial Holdings] 2022 1st IT Security Education and Training	0.5
		Cathay Financial Holdings	[Financial Holdings] 2022 1st Social Engineering Education and Training	0.5
		Cathay Century Insurance	[Property Insurance] 2022 Registered Insurance Salesman Training Course - Course for Protecting Senior Customers' Rights	1
		Cathay Financial Holdings	[Financial Holdings] 2022 2nd Social Engineering Education and Training	0.5
		Taipei Foundation of Finance	Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2
		Cathay United Bank Co., Ltd.	2022 Information Security Advisory Group for the Board of Directors: Q1-Q2 Information Security Threat Analysis Report	0.3
		Taiwan Stock Exchange Corporation (TWSE)	2022 Cathay Sustainable Finance and Climate Change Summit	6
		Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7
		Cathay United Bank Co., Ltd.	Anti-Money Laundering and Counter Terrorism Financing Education and Training	1
		Taiwan Corporate Governance Association	Principle for Financial Service Industries to Treat Clients Fairly and Case Studies	3
		Institute of Financial Law and Crime Prevention	Principle for Financial Service Industries to Treat Clients Fairly	3
		Taiwan Institute for Sustainable Energy (TAISE)	The 27th CEO Lecture and Keynote Speech	2
		Cathay Securities Investment Trust	[Investment Trust] CTF Training for Directors and Supervisors	1
Chief Auditor	Hung-Chang Yang	Cathay Financial Holdings	[Financial Holdings] 2022 1st IT Security Education and Training	0.5
		Cathay Financial Holdings	[Financial Holdings] 2022 1st/2nd half Social Engineering Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] Business Continuity Management Annual Education and Training	1
		Cathay Financial Holdings	2022 basic intellectual property education and training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 Risk Management Annual Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 2nd IT Security Education and Training	0.5
		Taiwan Academy of Banking and Finance	[570th Sessions Auditor Workshop]	3
		Taiwan Academy of Banking and Finance	[572nd Sessions Auditor Workshop]	4
		Financial Supervisory Commission	Financial Holdings Company Internal Audit Seminar	3
Chief Financial Officer	Grace Chen	Cathay United Bank	Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training	1
		Taipei Foundation of Finance	Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2
		Cathay United Bank	2022 Information Security Advisory Group for the Board of Directors: Q1-Q2 Information Security Threat Analysis Report	0.3

Title	Name	Exam Administrator	Course name	Course hours
		Taiwan Stock Exchange Corporation (TWSE)	2022 Cathay Sustainable Finance and Climate Change Summit	9
		Cathay United Bank	Internal Ratings-Based Approach (IRB)	0.5
		Institute of Financial Law and Crime Prevention	Principle for Financial Service Industries to Treat Clients Fairly	3
		Securities and Futures Institute	Technological development and business opportunities for electric vehicles and smart vehicles	3
		Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7
		Securities and Futures Institute	The future of the metaverse and cryptocurrency blockchain	3
		Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	2022 economic landscape and future outlooks	2
		Taipei Foreign Exchange Market Development Foundation	Assessment of the impact of extreme climate risks on the financial system of Taiwan - A discussion of the benefits of green bonds on the financial market in Taiwan	2
		Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	The corresponding corporate strategies under the international carbon neutrality trend	2
		Taipei Foreign Exchange Market Development Foundation	The impact of regulatory and compliance technologies on financial stability	2
		Taipei Foreign Exchange Market Development Foundation	The monetary patterns of the Central Bank in the digital era and the implications thereof for monetary policy	2
		Taipei Foreign Exchange Market Development Foundation	The impact of mobile payments on the payment field and financial industry in Taiwan	2
		Taipei Foreign Exchange Market Development Foundation	The impact of the global supply chain restructuring on Taiwan's economy and finance, and opportunities thereof	2
		Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	The impact of international inflation and U.S. interest rate hikes on the global economy and corresponding strategies	2
		Taiwan Ratings	2022 Taiwan Mid-Year Credit Outlook by Taiwan Ratings	1
		Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Impact of the implementation of the CFC system on Taiwanese enterprises and countermeasures	2
		Deloitte & Touche	Seminar regarding the encounter of CFC and the world's lowest tax system	1
Senior Executive Vice President	David P. Sun	Cathay Financial Holdings	[Financial Holding] 1st/2nd half IT Security Education and Training	1.5
		Cathay Financial Holdings	[Financial Holdings] 1st/2nd half Social Engineering Education and Training	1.5

Title	Name	Exam Administrator	Course name	Course hours
		Cathay Financial Holdings	[Financial Holdings] Personal Information Protection Education and Training	0.5
		Cathay Financial Holdings	[Financial Holdings] Employee Ethical and Moral Conduct Education and Training	0.5
		Cathay Financial Holdings	[Financial Holdings] Business Continuity Management Annual Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] Basic intellectual property education and training	1
		Cathay Financial Holdings	[Financial Holdings] Risk Management Annual Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] Anti-money laundering and counter terrorism-financing, fair treatment and information security education and training for directors, supervisors and executives	1
		Cathay Life Insurance	[Cathay Life] Online course on legal compliance (executive class)	7
		Ogilvy & Mather	Webinar: Total Loyalty—The Future of Loyalty Is More Human and Creative Than Ever Confirmation	1
		Gartner	Gartner IT Symposium (10/17-20)	4
Chief Investment Officer	Sophia Cheng	Taipei Foundation of Finance	Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2
		Taipei Foundation of Finance	Theory and practice of principle for fair treatment	3
		Taiwan Stock Exchange Corporation (TWSE)	2022 Cathay Sustainable Finance and Climate Change Summit	9
		Cathay United Bank	Anti-Money Laundering and Counter Terrorism Financing Education and Training	1
		Cathay United Bank	[Promotion of knowledge to executives] Internal ratings-based (IRB) for credit risk	0.5
		Global Views Monthly	New Technology x New Mindset: Decoding the Future of Sustainable Finance (as a lecturer)	0.6
		Taiwan Institute for Sustainable Energy (TAISE)	2022 Taiwan Sustainable Investment Forum SIF (as a lecturer)	2.2
		Sheng Yen Education Foundation	Forum on “Climate Change and Spiritual Environmental Protection” (as a lecturer)	1.5
		Cathay Financial Holdings	Cathay with ESG: Corporate sustainability and responsible investment (as a lecturer)	1.5
		Accounting Research and Development Foundation	2022 ESG Summit (as a lecturer)	1.3
		National Taiwan Normal University Students' Union	Seminar on “Responsible Investment” (as a lecturer)	1.5
		Investor Group on Climate Change (IGCC)	IGCC Summit (as a lecturer)	1.7
		Re!Chain, FCC Partners Asia	2022 Taiwan-U.S. Low Carbon Summit Online Forum (as a lecturer)	0.8
		College of Commerce National Chengchi University	“Financial Technology Applications and Practices” course (as lecturer)	2
		Cathay Financial Holdings	Corporate sustainability and responsible investment (as a lecturer)	2
		Taiwan Impact Investing Association	Campus Tour of Impact Investment, “Cathay Financial Holding” (as a lecturer)	1.2

Title	Name	Exam Administrator	Course name	Course hours
		Taipei First Girls High School	Financial literacy course (as a lecturer)	2
		Social Impact Institute of Taiwan	Seminar on Social Values in Taiwan (as a lecturer)	1.2
		Rotary International	Towards a New Vision of Corporates towards Sustainability (as a lecturer)	1
		Office of disaster management, Executive Yuan	Climate Change: Business Challenges and Responses (as a lecturer)	2
		Wealth Magazine	2022 Sustainable Taiwan Serial Forum (as a lecturer)	3
		Taiwan Impact Investing Association	Online Influence Symposium	1
		Economic Daily News	2022 Innovation Forum (as a lecturer)	0.7
		CSRone	The 8th Taiwan Sustainability Report Analysis Presentation, 2022 (as a lecturer)	1.8
		Taipei Municipal Song-Shan Senior High School	Financial literacy course (as a lecturer)	2
		Chung-Hua Institution for Economic Research	Seminar of Financial Trends	3
		Chihlee University of Technology	“Global Asset Allocation” course (as lecturer)	1.7
		National Sun Yat-sen University	“Post-EMBA” Program - College of Management, NSYSU (as lecturer)	3
		TLCA	Taiwan Leadership Seminar (as a lecturer)	0.8
		Taiwan Stock Exchange Corporation (TWSE)	Seminar on the Future ESG Development in the Capital Market of Taiwan (as a lecturer)	0.5
		Institutional Investor	Asia-Pacific ESG Forum (as a lecturer)	0.8
		GIS Taiwan	Global Initiatives Symposium in Taiwan (as a lecturer)	0.5
		TaiwanTech School of Management	Sustainability Influence of the Financial Sector (as a lecturer)	2
		Future Earth Taipei	2022 Annual Symposium	6
		Academia Sinica	Seminar of Economic Topics	3
		Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	1
Senior Executive Vice President	Chung-Yi Teng	Cathay United Bank	(Bank) 2022 Employees’ Confidentiality Principles/Legal Compliance Department	0.5
		Cathay United Bank	(Bank) Social Engineering Protection Promotion/Information Security Department for the first half of 2022	0.75
		Cathay United Bank	(Bank) 2022 First Half Bank-wide AML Education and Training/AML Department	1
		Cathay Financial Holdings	[Financial Holdings] 2022 “Employee Ethical and Moral Conduct Education and Training”	0.5
		Taipei Foundation of Finance	Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2
		Cathay United Bank	2022 Information Security Advisory Group for the Board of Directors: Q1-Q2 Information Security Threat Analysis Report	0.3
		Cathay United Bank	Anti-Money Laundering and Counter Terrorism Financing Education and Training	1

Title	Name	Exam Administrator	Course name	Course hours
		Cathay United Bank	[Promotion of knowledge to executives] Internal ratings-based (IRB) for credit risk	0.5
		Institute of Financial Law and Crime Prevention	Principle for Financial Service Industries to Treat Clients Fairly	3
		Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7
		Taiwan Academy of Banking and Finance	E-Course for Real Estate Trust (Trust recognized)	3
		Taiwan Academy of Banking and Finance	E-Course for Design and Taxation of Trust Products (Trust recognized)	3
Chief Information Officer	Jian-Hsing Wu	Taipei Foundation of Finance	Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2
		Cathay United Bank	2022 Information Security Advisory Group for the Board of Directors: Q1-Q2 Information Security Threat Analysis Report	0.3
		Taiwan Stock Exchange Corporation (TWSE)	2022 Cathay Sustainable Finance and Climate Change Summit	6
		Cathay United Bank	Anti-Money Laundering and Counter Terrorism Financing Education and Training	1
		Institute of Financial Law and Crime Prevention	Principle for Financial Service Industries to Treat Clients Fairly	3
		Institute for Information Industry	Class of Information Security Commanders - Key Tasks of the Chief Information Security Officer	3.5
		Cathay Financial Holding Co., Ltd.	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7
		Cathay United Bank	[Promotion of knowledge to executives] Internal ratings-based (IRB) for credit risk	0.5
Senior Executive Vice President	Tsung-Hsien Tsai	Taipei Foundation of Finance	Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2
		Taiwan Stock Exchange Corporation (TWSE)	2022 Cathay Sustainable Finance and Climate Change Summit	3
		Insurance Institute of the Republic of China	Discussion of insurance operations to connect to IFRS17	3
		Cathay Financial Holdings	Green finance orientation and supervisory expectations_CS (climate included) education and training	0.7
		Cathay United Bank Co., Ltd.	Anti-Money Laundering and Counter Terrorism Financing Education and Training	1
		Institute of Financial Law and Crime Prevention	Principle for Financial Service Industries to Treat Clients Fairly	3
		Cathay Financial Holdings	2022 "Employee Ethical and Moral Conduct Education and Training"	0.5
Senior Executive Vice President	Hsiang-Hsin Tsai	CommonWealth Magazine	2022 CommonWealth Economic Forum - Winter Session (On-Line)	6
		Business Weekly	2022 Green Power Trading Summit	6
		Cathay United Bank / Education Development Dept.	The fourth operation and management seminar in 2022	2
		Cathay Financial Holdings and all Subsidiaries,	2022 Cathay Sustainable Finance and Climate Change Summit	12

Title	Name	Exam Administrator	Course name	Course hours
		Taiwan Stock Exchange		
		Cathay United Bank / Education Development Dept.	The first operation and management seminar in 2022	1.1
		Cathay United Bank / Information Security Dept.	(Bank) Social Engineering Protection Promotion for the first/second half of 2022	1.2
		Cathay United Bank / AML Department	(Bank) 2022 First Half Bank-wide AML Education and Training	1
		Cathay United Bank / Compliance Dept.	(Bank) Directions of 2022 Cross-Border Event Management	1
		Cathay United Bank / Information Security Dept.	(Bank) Basic Information Security Course for the first/second half of 2022	1.75
		Cathay United Bank / Education Development Dept.	The second operation and management seminar in 2022	0.4
		Cathay United Bank/General Affairs and Occupational Safety Department	(Bank) 2022 On-the-job Safety and Health Education and Training for Safety Committee Members and Clerks	1
		Cathay United Bank/Credit and Operational Risk Management Department	(Bank) 2022 Education and Training for Business Continuity Management (BCM) Awareness	0.5
		Cathay United Bank / Compliance Dept.	(Bank) 2022 Principle of Fair Treatment to Customers	3
		Cathay United Bank / Education Development Dept.	The third operation and management seminar in 2022	1.4
		Cathay United Bank / AML Department	2022 Cathay United Bank Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training Course	1
		Cathay United Bank / AML Department	(Bank) 2022 2nd Half Bank-wide AML Education and Training	1
		Cathay United Bank / Education Development Dept.	[2022] Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2
Senior Executive Vice President	Xu-Jie Yao	Cathay United Bank	Directions of 2022 Cross-Border Event Management/Legal Compliance Department	1
		Cathay United Bank	Basic Information Security Course/Information Security Department for the first half of 2022	0.75
		Cathay Financial Holdings	(Financial Holdings) 2022 Personal Information Protection Education and Training	0.6
		Cathay United Bank	2022 On-the-job Safety and Health Education and Training for Safety Committee Members and Clerks/General Affairs and Occupational Safety Department	1
		Cathay United Bank	Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training Course	1.75

Title	Name	Exam Administrator	Course name	Course hours
		Cathay United Bank	2022 Education and Training for Business Continuity Management (BCM) Awareness/Credit and Operational Risk Management Department	0.5
		Taipei Foundation of Finance	Regulations Governing Friendly Financial Service - Senior and Barrier-Free	2
		Cathay Financial Holdings	Communication class of new generations	7
Executive Vice President	Deh-Yen Weng	Cathay Financial Holding Co., Ltd.	[Financial Holdings] 2022 “Employee Ethical and Moral Conduct Education and Training”	0.5
		Cathay Financial Holding Co., Ltd.	[Shared Classroom] Claim Negotiation Practice and Skills	1
		Taiwan Academy of Banking and Finance	Corporate Governance Classroom - The Future World Under US-China Competition and Rivalry	3
		Taiwan Academy of Banking and Finance	Corporate Governance Classroom - Public Relations Crisis Management and Contingency Mechanism	3
		Taiwan Investor Relations Institute (TIRI)	Impact of the Commercial Court on the operation of the Board of Directors and the execution of the duties of directors	3
		Cathay Financial Holding Co., Ltd.	Knowing a little bit of laws - to balance employee interests and company rights	2
		Cathay Financial Holding Co., Ltd.	Understanding the industry, opportunities and risks of Metaverse	1.5
		Taiwan Stock Exchange Corporation (TWSE)	2022 TWSE-Listed Companies - Release of Reference Guidelines for Independent Directors and Audit Committee on the Exercise of the Powers, and Promotion to Directors and Supervisors	3
		Taiwan Academy of Banking and Finance	Corporate Governance Classroom - Enhancing Fair Treatment to Customers: Practice and Case Studies of How to Establish an Ethical Culture, Accountability, and Financial Friendliness Mechanism	3
Executive Vice President	Shu-Ying Wu	Cathay Financial Holdings	[Financial Holdings] 2022 1st Social Engineering Education and Training	0.5
		Cathay Financial Holdings	(Financial Holdings) 2022 Personal Information Protection Education and Training	0.6
		Cathay Financial Holdings	[Financial Holdings] 2022 “Employee Ethical and Moral Conduct Education and Training”	1
		Cathay Life Insurance	[Life Insurance] 2022 Risk management course	0.5
		Cathay Life Insurance	[Life Insurance] 2022 Information security course	0.5
		Cathay Financial Holdings	[Financial Holdings] Business Continuity Management Annual Education and Training	1
		Cathay Financial Holdings	2022 anti-money laundering and counter terrorism-financing, fair treatment and information security education and training for directors, supervisors and executives	1
		Cathay Financial Holdings	2022 basic intellectual property education and training	0.5
		CommonWealth Magazine	2022 CommonWealth Economic Forum Summer Session	7
		Cathay Life Insurance	2023 Strategic Consensus Camp -2	3
Executive Vice President	Ta-Ching Hung	Cathay Life Insurance	[Life Insurance] 2022 Information security course	3
		Cathay Life Insurance	[Life Insurance] 2022 Risk management course	0.7
		Cathay Life Insurance	[Life Insurance] 2022 employee ethical and moral conduct course	3.5
		Cathay Life Insurance	Highly effective trust power	3

Title	Name	Exam Administrator	Course name	Course hours
		CommonWealth Magazine	2022 Winter Session of Commonwealth Economic Forum - New Post-Pandemic Order x Sustainable Competitiveness	12
		Taiwan Corporate Governance Association	The real value created by circulation and low carbon innovation - understanding the circular economy and governance	3
		EasyCard Corporation	“Anti-Money Laundering and Counter Terrorism Financing” Education and Training	0.5
		The Institute of Internal Auditors-Chinese Taiwan	Analysis of business performance and risk prevention from financial statements	6
		Taiwan Insurance Institute	“Seminar for 2022 International Connection to IFRS 17 - A New Vision for Operation Transformation”	4.5
		Taiwan Corporate Governance Association	Interpretation of Important Corporate Governance Rulings: Centering on Directors’ Responsibilities	3
		Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3
Executive Vice President	Fu-Min Wang	Cathay Life Insurance	[Life Insurance] 2022 Information security course	3
		Cathay Life Insurance	[Life Insurance] 2022 Risk management course	0.7
		Cathay Life Insurance	[Life Insurance] 2022 employee ethical and moral conduct course	3.5
		Cathay Life Insurance	Highly effective trust power	3
		Cathay Life Insurance	IFRS 17 Education Training as a Project - ALM Related Strategies and Applications	3
		CommonWealth Magazine	2022 Winter Session of Commonwealth Economic Forum - New Post-Pandemic Order x Sustainable Competitiveness	12
Executive Vice President	Yu-Mei Lee	Cathay Securities	Current laws applicable to securities brokerage merchants concurrent operating futures proprietary business and cases of market violations.	0.5
		Cathay Securities	Online course and test of Personal Data Protection Act	1
		Cathay Securities	Education and Training for Business Continuity Management (BCM) Awareness and Case Promotion	2
		Cathay Securities	Information Security Education and Training for 1st/2nd half of 2022	2
		Cathay Securities	2022 Education Training for Fair Treatment	3
		Cathay Securities	2022 “Employee Ethical and Moral Conduct Education and Training”	1
		Cathay Financial Holdings	2022 Personal Information Protection Education and Training	0.5
		Cathay Financial Holdings	“The Red Line of Actions for Financial Practitioners - Insider Trading ABC”	1.5
		Anti-Money Laundering Office, Executive Yuan	2022 International Seminar of Financial Supervision on Anti-Money Laundering and Counter Terrorism Financing and Weapon Expansion	6
		Cathay Financial Holdings / Taiwan Stock Exchange	Cathay Sustainable Finance and Climate Change Summit	7
		Foundation of Criminal Code Journal	Regulation and internal control of trade secret protection	3
		Taiwan Securities Association	Introduction to the Regulations of Sub-brokerage and the Norm of Professional Ethics	3
Chief Risk Officer	Ching-Lu Huang	Cathay Life Insurance	[Life Insurance] 2022 Information security course	3

Title	Name	Exam Administrator	Course name	Course hours
		Cathay Life Insurance	[Life Insurance] 2022 Risk management course	0.7
		Cathay Life Insurance	[Life Insurance] 2022 employee ethical and moral conduct course	3.5
		Cathay Life Insurance	Highly effective trust power	3
		CommonWealth Magazine	2022 Winter Session of Commonwealth Economic Forum - New Post-Pandemic Order x Sustainable Competitiveness	12
		The Actuarial Institute of the R.O.C.	Artificial Intelligence and Digital Technology - Digital Transformation of the Insurance Industry	3.8
		The Actuarial Institute of the R.O.C.	2022 Annual General Meeting	4
Chief Information Security Officer (CISO)	Pei-Ching Lin	Institute for Information Industry	Class of Information Security Commanders - Key Tasks of the Chief Information Security Officer by the Institute for Information Industry	3.5
		Cathay Life Insurance	[Life Insurance] 2022 Information security course	3
		Cathay Life Insurance	[Life Insurance] 2022 Risk management course	0.7
		Cathay Life Insurance	[Life Insurance] 2022 employee ethical and moral conduct course	3.5
		Cathay Life Insurance	Highly effective trust power	3
Executive Vice President	Ming-Chiao Liang	Cathay Financial Holdings	Communication class of new generations	7
		Century Insurance	[Property Insurance] 2022 Risk Management General Knowledge Course (1st half of the year)	0
		Bank - Credit and Operational Risk Management Department	[Promotion of knowledge to executives] Internal ratings-based (IRB) for credit risk/ Credit and Operational Risk Management Department	0.5
		Bank - Information Security Dept.	(Bank) Social Engineering Protection Promotional Course/Information Security Department for the second half of 2022	0.5
		Bank - AML Dept.	2022 Cathay United Bank Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training Course / AML Dept.	1
		Bank - Compliance Dept.	(Bank) 2022 Whistleblowing System/Legal Compliance Department	0.5
		Bank - Information Security Dept.	(Bank) Basic Information Security Course/Information Security Department for the second half of 2022	1
		Bank - Information Security Dept.	2022 2nd re-promotional course of social engineering safeguard awareness/Information Security Department	0.5
		Bank - AML Dept.	(Bank) 2022 2nd Half Bank-wide AML Education and Training/AML Department	1
		Bank - Education Development Dept.	[2022] Regulations Governing Friendly Financial Service - Senior and Barrier-Free/Education Development Department	2
Executive Vice President	Kuang-Hsueh Chen	Cathay Financial Holdings	Communication class of new generations	7
		Cathay United Bank Co., Ltd.	2022 Cathay United Bank Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training Course / AML Dept.	1
		Cathay United Bank Co., Ltd.	Description for adjustment directions of compensation structure and employee benefits/Human Resources Department	0.25
		Cathay United Bank Co., Ltd.	The Q4 2022 operation and management seminar/Education Development Department	2

Title	Name	Exam Administrator	Course name	Course hours
		Global research & industry alliance, Fintech Research Center and CIO IT Manager, National Chengchi University	The 12th Financial CIO Summit, Autumn Session	6
Executive Vice President	Hua-Ben Miao	Bank - Education Development Dept.	The Q4 2022 operation and management seminar/Education Development Department	2
		Bank - Education Development Dept.	The first operation and management seminar/Education Development Department in 2022	1.15
		Bank - Compliance Dept.	(Bank)Employee Confidentiality Education in 2022/Compliance Dept.	0.5
		Bank - Information Security Dept.	(Bank)The First Course of Social Engineering in 2022/Information Security Dept.	0.5
		Bank - AML Dept.	(Bank)2022 CUB Overseas branch AML/CFT training/AMLC Dept.	1
		Bank - Information Security Dept.	(Bank)The First Information Security Foundation Course in 2022/Information Security Dept.	0.75
		Bank - Education Development Dept.	The second operation and management seminar/Education Development Department in 2022	0.4
		Financial Holding	(Financial Holdings) 2022 Personal Information Protection Education and Training	0.6
		Bank - AML Dept.	(Bank)2022 Cathay United Bank Overseas Units AML & CFT Training/AMLC Dept.	1
		Bank - Credit and Operational Risk Management Department	(Bank)2022 BCM acknowledge training/Risk Management Dept.	0.5
		Bank - Credit and Operational Risk Management Department	(Bank)2022 Personal Information Protection Act & Practice/Risk Management Dept.	0.5
		Financial Holding	[Financial Holdings] Business Continuity Management Annual Education and Training	1
		Bank - Education Development Dept.	The third operation and management seminar/Education Development Department in 2022	1.4
		Bank - Compliance Dept.	(Bank)2022 Treating Customers Fairly (TCF)/Compliance Dept.	0.5
		Bank - Credit and Operational Risk Management Department	[Promotion of knowledge to executives] Internal ratings-based (IRB) for credit risk/ Credit and Operational Risk Management Department	0.5
		Bank - Information Security Dept.	(Bank)The Second Course of Social Engineering in 2022/Information Security Dept.	0.5
		Bank - AML Dept.	2022 Cathay United Bank Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training Course / AML Dept.	1
		Bank - Compliance Dept.	(Bank)2022 Introduction to Whistle-blowing System/Compliance Dept.	0.5
		Bank - Information Security Dept.	(Bank)The Second Information Security Foundation Course in 2022/Information Security Dept.	1
		Bank - Information Security Dept.	2022 2nd re-promotional course of social engineering safeguard awareness/Information Security Department	0.5

Title	Name	Exam Administrator	Course name	Course hours
		Bank - Education Development Dept.	[2022] Regulations Governing Friendly Financial Service - Senior and Barrier-Free/Education Development Department	2
Executive Vice President	Fa-Hsiang Chang	Bank - Information Security Dept.	(Bank)The Second Course of Social Engineering in 2022/Information Security Dept.	0.5
		Financial Holding	[Financial Holdings] 2022 2nd Social Engineering Education and Training	0.0
		Bank - AML Dept.	2022 Cathay United Bank Board of Directors/Senior Manager Anti-Money Laundering and Counter Terrorism Financing Education and Training Course / AML Dept.	1.0
		Bank - Compliance Dept.	(Bank)2022 Introduction to Whistle-blowing System/Compliance Dept.	0.5
		Bank - Information Security Dept.	(Bank)The Second Information Security Foundation Course in 2022/Information Security Dept.	1.0
		Bank - Information Security Dept.	2022 2nd re-promotional course of social engineering safeguard awareness/Information Security Department	0.5
		Bank - Human Resources Dept.	[Chairman's Encouragement] Expiration of Costco co-branded card contract and instructions for card conversion	0.3
		Bank - Education Development Dept.	[2022] Regulations Governing Friendly Financial Service - Senior and Barrier-Free/Education Development Department	2.0
		Bank - Human Resources Dept.	Instruction of "Employee's Subscription of Shares for Cash Capital Increase" and "Trust of Employee's Shareholding"/Human Resources Department	0.4
Senior Vice President	Shao-Ling Weng	Bank - Human Resources Dept.	Description for adjustment directions of compensation structure and employee benefits/Human Resources Department	0.3
		Financial Holding	[Financial Control] Presentation of Compensation and Benefits Optimization (Management/AVP level or above)	0.5
		Cathay Financial Holdings	2022 Personal Information Protection Education and Training	1
		Cathay Financial Holdings	"Employee Ethical and Moral Conduct Education and Training"	1
		Cathay Financial Holdings	2022 Business Continuity Management Annual Education and Training	1
		Cathay Financial Holdings	2022 basic intellectual property education and training	0.5
		Cathay Financial Holdings	2022 Risk Management Annual Education and Training	1
		Cathay Financial Holdings	2022 Training Course on Professional Functions in Financial Holdings: Team Building Workshops in the Remote Era	3
		Cathay Financial Holdings	Agility: Agile management approaches for efficient output and breaking through resource constraints	1.5
		Willis Towers Watson	Workshop for Designing Variable Compensation	8
		CommonWealth Magazine	Commonwealth Sustainability Workshop	3
		Infelligent Coaching & Consulting Inc.	Coaching workshop to build a high-performance team	8
Senior Vice President	Gwang-Ying She	Cathay Financial Holdings	[Financial Holding] 2022 1st/2nd half IT Security Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 1st/2nd half Social Engineering Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 Risk Management Annual Education and Training	0.5
		Cathay Financial Holdings	Agility: Agile management approaches for efficient output and breaking through resource constraints	1.5

Title	Name	Exam Administrator	Course name	Course hours
		Taiwan Academy of Banking and Finance	[570th Sessions Auditor Workshop]	3
		Taiwan Academy of Banking and Finance	[572nd Sessions Auditor Workshop]	4
		Financial Supervisory Commission	Financial Holdings Company Internal Audit Seminar	3
		Taiwan Academy of Banking and Finance	Audit Manager Workshop	14
		Taiwan Academy of Banking and Finance	[602nd Sessions Auditor Workshop]	4
		Taiwan Academy of Banking and Finance	[603rd Sessions Auditor Workshop]	4
		Taiwan Academy of Banking and Finance	2022 Asian Financial Supervisors Summit Forum	2.5
		International Computer Auditing Education Association (ICAEA)	[2022 Legal Compliance Technology and Computer Auditing Summit]	7
Senior Vice President	Sheng-Hsiung Tsai	Cathay Financial Holdings	[Financial Holding] 2022 1st/2nd half IT Security Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 1st/2nd half Social Engineering Education and Training	1
		Cathay Financial Holdings	(Financial Holdings) 2022 Personal Information Protection Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 “Employee Ethical and Moral Conduct Education and Training”	1
		Cathay Financial Holdings	2022 basic intellectual property education and training	0.5
		Cathay Financial Holdings	Agility: Agile management approaches for efficient output and breaking through resource constraints	1.5
		Cathay Financial Holdings	Lesson 2 for Cultivating the Development Journey: Setting Annual Goals and Development Plans (Management Class)	0.5
		Cathay Financial Holdings	[Financial Holdings] 2021 Risk Management Annual Education and Training	1
		Cathay Financial Holdings	[Ernst & Young] Current Status and Challenges of Cloud-Based Technology Adoption in the Financial Industry	2
		Cathay Financial Holdings	[Beyond Compliance] Understanding the industry, opportunities and risks of the metaverse	2
		Cathay Financial Holdings	[Beyond Compliance] The trend of financial information security regulation under the wave of global data governance	2
		Cathay Financial Holdings	[Beyond Compliance] The Red Line of Actions for Financial Practitioners - Insider Trading	2
		Cathay Financial Holdings	2022 Cathay Sustainable Finance and Climate Change Summit	6
		Cathay Life Insurance	2022 - Six hours of annual externally scheduled compliance course for insurance salespersons (Education and Training Department)	6
		Joint Credit Information Center(JCIC)	Thematic Report on Sharing Information of HKMA Climate Risk Stress Test, Impacting Factors and Linkage Elements	1.33
		Joint Credit Information Center(JCIC)	Education and Training of Trial Calculation for Climate Change Stress Test	3

Title	Name	Exam Administrator	Course name	Course hours
Senior Vice President	Hwa-Hsin Yang	Cathay Financial Holdings	[Financial Holding] 2022 1st/2nd half IT Security Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] Business Continuity Management Annual Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 “Employee Ethical and Moral Conduct Education and Training”	1
		Cathay Financial Holdings	Agility: Agile management approaches for efficient output and breaking through resource constraints	1.5
Senior Vice President	Chin-Tang Lu	Cathay Financial Holdings	Agility: Agile management approaches for efficient output and breaking through resource constraints	1.5
		Cathay Securities	[Securities] 2022 Education Training for Fair Treatment	1
		Cathay Financial Holdings	[Financial Holding] 2022 1st/2nd half IT Security Education and Training	1
Senior Vice President	Yao-Te Wang	Trainocate	Architecting with Google Compute Engine	24
		Industrial Development Bureau, MOEA (IDB)	Class of Information Security Commanders - Key Tasks of the Chief Information Security Officer	3.5
		Chinese International Economic Cooperation Association Taiwan (CIECA)	2022 Sharing Session of Digital Economy Committee, International Chamber of Commerce	3
		The Bankers Association of the Republic of China, Taiwan Academy of Banking and Finance (TABF)	2022 Online Forum of Citi Global Information Security	2.5
		Cathay United Bank	2022 AML Education and Training / AML Dept.	1
		Cathay United Bank	Aug 2002, Financial Friendly Services of the Banking Sector/Legal Compliance Department	0.5
		Cathay United Bank	Promotion of social engineering safeguard for the first half of 2022	0.75
		Cathay United Bank	Promotional course of social engineering safeguard for the second half of 2022	0.5
		Cathay United Bank	Basic Information Security Course for the first half of 2022	0.75
		Cathay United Bank	Basic Information Security Course for second half of 2022 (IoT included)	1
		Cathay United Bank	Education and Training I - Information Security Governance Maturity: Means of Social Engineering Attacks and Prevention	0.67
		Cathay United Bank	Education and Training II - Information Security Governance Maturity: Information Security Challenges for Emerging Fintech	0.83
		Cathay United Bank	Education and Training III - Information Security Governance Maturity: Current Digital Financial Risks and Challenges / Information Security Department	1.25
		Cathay United Bank	Education and Training IV - Information Security Governance Maturity: Digital Identity and Access Management/Information Security Department	0.92
		Cathay United Bank	Education and Training V - Information Security Governance Maturity: Zero Trust Network Security Architecture and Deployment/Information Security Department	1.33
		Cathay United Bank	Education and Training VI - Information Security Governance Maturity: Trends of Cloud-based Service Development and Information Security Risks/Information Security Department	1

Title	Name	Exam Administrator	Course name	Course hours
		Cathay United Bank	Education and Training I - Information Security Education: Promotion of Information Security Safeguard and Education and Training of Employees' Confidentiality/Information Security Department	1.83
		Cathay United Bank	Education and Training II of Information Security Education: Education and Training of Security Challenge with Internet of Things/Information Security Department	1.42
		Cathay United Bank	Cloud-based Education and Training I: ISO 27017	1
		Cathay United Bank	Cloud-based Education and Training III: Education and Training on Information Security Policy, and Cloud Security Control Standard Document Promotion/Information Security Department	0.92
Senior Vice President	Wan-Yu Ho	Cathay Financial Holdings	[Financial Holding] 2022 1st/2nd half IT Security Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 1st/2nd half Social Engineering Education and Training	1
		Cathay Financial Holdings	(Financial Holdings) 2022 Personal Information Protection Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 "Employee Ethical and Moral Conduct Education and Training"	1
		Cathay Financial Holdings	[Financial Holdings] Business Continuity Management Annual Education and Training	1
		Cathay Financial Holdings	2022 basic intellectual property education and training	0.5
		Cathay Financial Holdings	[Financial Holdings] 2022 Risk Management Annual Education and Training	0.5
Senior Vice President	Chun-Chieh Chen	Cathay Financial Holdings	[Financial Holding] 2022 1st/2nd half IT Security Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 1st/2nd half Social Engineering Education and Training	1
		Cathay Financial Holdings	(Financial Holdings) 2022 Personal Information Protection Education and Training	1
		Cathay Financial Holdings	Agility: Agile management approaches for efficient output and breaking through resource constraints	1.5
		Cathay Financial Holdings	[Financial Holdings] 2022 "Employee Ethical and Moral Conduct Education and Training"	1
Senior Vice President	Ya-Jou Chang	Cathay Financial Holdings	[Financial Holding] 2022 1st/2nd half IT Security Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 1st/2nd half Social Engineering Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 "Employee Ethical and Moral Conduct Education and Training"	1
		Cathay Financial Holdings	[Financial Holdings] 2022 Risk Management Annual Education and Training	0.5
		Cathay Financial Holdings	[Shared Classroom] Digital Innovation: The Economics of Business Models	1.5
		Cathay Financial Holdings	Agility: Agile management approaches for efficient output and breaking through resource constraints	1.5
		Taiwan Depository & Clearing Corporation	Forward-Looking Webinar for 2022 Shareholders' Meeting	1
		Cathay Financial Holding Co., Ltd.	Reshaping the new look of directors' responsibilities and corporate governance under the new ESG values	1
		J.P.Morgan	Taiwan 2022 AGM Season Prep Session	1.5
		Taiwan Stock Exchange, Alliance Advisors	International Twin Peak Online Forum	2
		Cathay Financial Holdings	Trends of Emerging Financial Crime under the Pandemic and Case Studies	1.5
		Goldman Sachs	Goldman Sachs Investor Relations Forum	2.5

Title	Name	Exam Administrator	Course name	Course hours
		Taiwan Investor Relations Institute (TIRI)	[International Master Seminar] Corporate IR Practice and Analysis of IRO Tasks	2
		Cathay Financial Holdings	Understanding the industry, opportunities and risks of Metaverse	1.5
		S&P Global	How to leverage ESG to create a competitive advantage of sustainable development for enterprises	1
		College of Global Banking and Finance, National Chengchi University	The focus of current international monetary macroeconomics	1.5
		College of Global Banking and Finance, National Chengchi University	The Central Bank and Financial Regulations	1.5
		College of Global Banking and Finance, National Chengchi University	New Mindset for International Money and Finance: From Global Financial Crisis to COVID Crisis	3
		College of Global Banking and Finance, National Chengchi University	Understanding Recent Developments in Inflation and Foreign Exchange Market	3
		College of Global Banking and Finance, National Chengchi University	New changes in international money and finance: from QE to QT	3
		College of Global Banking and Finance, National Chengchi University	Overview of the Development of Advanced Financial Management Business in Taiwan	3
Senior Vice President	Chi-Ya Hua	Cathay Financial Holdings	[Financial Holding] 2022 1st/2nd half IT Security Education and Training	1
		Cathay United Bank	The first operation and management seminar in 2022	5
		Cathay United Bank	The second operation and management seminar in 2022	0.5
		Cathay United Bank	The third operation and management seminar in 2022	0.8
		Cathay Financial Holdings	[2022 Required] Education and Training of Derivatives (External Training)	8
		Cathay Financial Holdings	[2022 Required] Education and Training of Derivatives (Internal Training)	4
		Cathay Financial Holdings	[Shared Classroom] There are talents and education, listening to needs across remote areas	1
		Cathay Financial Holdings	Agility: Agile management approaches for efficient output and breaking through resource constraints	1.5
Senior Vice President	Jui-Hung Hung	Cathay Financial Holdings	Green finance orientation and supervisory expectations_CS (climate included) education and training	1
		Cathay Financial Holdings	2022 1st/2nd half IT Security Education and Training	1
		Cathay Financial Holdings	2022 1st/2nd half Social Engineering Education and Training	1
		Cathay Financial Holdings	2022 Personal Information Protection Education and Training	0.5
		Cathay Financial Holdings	2022 “Employee Ethical and Moral Conduct Education and Training”	1

Title	Name	Exam Administrator	Course name	Course hours
		Cathay Securities Investment Trust	Education and Training of Information Security for Directors and Supervisors	1
		Cathay Securities Investment Trust	CTF Training for Directors and Supervisors	1
		Accounting Research and Development Foundation	Professional Class for Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Senior Vice President	Chun-Lan Shih	Cathay Financial Holdings	[Financial Holding] 2022 1st/2nd half IT Security Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 1st/2nd half Social Engineering Education and Training	1
		Cathay Financial Holdings	(Financial Holdings) 2022 Personal Information Protection Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 “Employee Ethical and Moral Conduct Education and Training”	1
		Cathay Financial Holdings	[Financial Holdings] Business Continuity Management Annual Education and Training	1
Senior Vice President	Wei-Ming Chen	Cathay Financial Holdings	[Financial Holding] 2022 1st/2nd half IT Security Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 1st/2nd half Social Engineering Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 “Employee Ethical and Moral Conduct Education and Training”	0.5
		Cathay Financial Holdings	[Financial Holdings] 2022 Risk Management Annual Education and Training	0.5
		Cathay Financial Holdings	Communication class of new generations	7
Senior Vice President	Hao-Hsiang Liu	Cathay Financial Holdings	[Financial Holding] 2022 1st/2nd half IT Security Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 1st/2nd half Social Engineering Education and Training	1
		Cathay Financial Holdings	(Financial Holdings) 2022 Personal Information Protection Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 “Employee Ethical and Moral Conduct Education and Training”	1
		Cathay Financial Holdings	Communication class of new generations	7
Senior Vice President	Chi-Liang Huang	Cathay Financial Holdings	[Financial Holding] 2022 1st/2nd half IT Security Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 1st/2nd half Social Engineering Education and Training	1
		Cathay Financial Holdings	(Financial Holdings) 2022 Personal Information Protection Education and Training	1
		Cathay Financial Holdings	[Financial Holdings] 2022 “Employee Ethical and Moral Conduct Education and Training”	1
		Cathay Financial Holdings	Communication class of new generations	7

(XI) 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.

(XII) Penalties imposed against the financial holding company and subsidiaries in the last two 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) 2020 general inspection on subsidiary - Cathay Life:

A. For the syndicated loans of which the subsidiary is a lender, the subsidiary did not check the reasonableness of the assumptions used for valuation in the appraisal report provided by the lead bank, and did not keep the record thereof; the "Review and Approval Management Policy" was not implemented to control the abnormal patterns. As a result, the review and approval did not duly ring the alarm bell, so the post-loan management is deemed inappropriate.

B. Except being evaluated in the special loan review meeting, the real properties and personal property provided as the collaterals under the "Collateral Handling Guidelines" shall be handled in accordance with the principles of lending. It was found that the evaluation procedure for collaterals of a special review meeting lacked stringency and required further improvement, and it has posed concern to the subsidiary's 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.

(2) The following defects were found in the FSC's inspection on the subsidiary Cathay Life's internal controls, such as human resource management:

With regard to the sales representatives who have contacted with COVID-19 confirmed cases but yet received the home isolation notice, the subsidiary only required spontaneous reports from these sales representatives as a remedial action without any preventative measures. This finding was deemed inadequate for the supervision of its personnel in the implementation of the internal epidemic prevention rules of the subsidiary.

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

Improvement: Subsidiary - Cathay Life has rectified the defect.

- (3) The following defects were found in FSC's inspection on the subsidiary Cathay Life's mailing process of the premium payment notices (reminders) for insurance renewal:
- Since October 2005, Cathay Life has sent the premium payment notices (reminders) for insurance renewal, the notices of return of policy value, the policy loan payment notices (reminders) and the policy loan interest payment notices (notices before the addition of interest) to the latest mailing addresses recorded in insurance policies, and for notices of which not marked as "returned" and with failed payment, the subsidiary did not carry out the reminding process resulting in the damages to policyholders' rights.

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

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. For its business solicitation and policy underwriting, the subsidiary established the mechanism in 2020 to check whether customers have applied for policy loans and terminated such policies within the three months prior to the insurance application. However, the content of the business solicitation reports filed by the sales representatives of the inspected cases deviated from facts, and no further actions has been taken. The said mechanism thus was not well implemented. For its telephone marketing, the telephone marketing representative informed the customers that in accordance with related regulations, a person with the disability manual (severe disabilities) is not covered by the insurance, and the sales pitch delivered on the phone was deemed inappropriate. The subsidiary was found to exclude people with disabilities in policy underwriting while failing to verify their health conditions.
 - B. For its security operations, when accepting a policy termination case, the subsidiary did not check if a phone confirmation is required before making the payment of cash surrender value, but make such a phone call thereafter; the annotation has specified the period of promotion (i.e. March 31, 2019) for a certain product, and as a result, the calculation methods of reward points for the identical product with the equal coverage and premium amounts were classified into by monthly claim and monthly application or by monthly claim and annual application. The subsidiary changed the calculation methods only based on the annotation without informing the policyholders about the calculation methods and obtaining the policyholders' consent; when handling the terminations of riders along with the master agreement, the subsidiary did not return the cash surrender value to the insured in accordance with the rider clauses.
 - C. The subsidiary did not establish a mechanism to periodically check the screenshots of mobile insurance application stored in mobile devices.
 - D. The abnormality inspection report was not issued for the cases solicited by the same sales representative with the identical IP address, and a single telephone number is found to be shared by several sales representatives. These findings are deemed inappropriate and may pose concern to the subsidiary's operations.
 - E. For its underwriting of new policies, the subsidiary did not notify the policyholders the options of reinstatement of existing insurance contracts before accepting the new

applications, and it may compromise customers' rights and pose concern to the subsidiary's operations.

- F. As the quality of overseas loans worsened, the subsidiary did not review and propose specific responsive measures. This finding is deemed inappropriate and may pose concern to the subsidiary's operations.
- G. For its credit information processing, the subsidiary did not evaluate the feasibility of the construction plan provided by the debtor, and it even drafted the construction plan for debtor by itself and did not check if the collateral has been sold multiple times. These findings are deemed inappropriate and may pose concern to the subsidiary's operations.
- H. With respect to an investment in a capital venture, the capital venture holds the long position in investments irrelevant to its investment purpose and in preferred shares using borrowed fund, which was inconsistent with the investment plan; for the stop-losses orders of overseas stocks, when a loss control report has been issued for an individual stock for several times, the subsequent stop-losses disposal was not proceeded in accordance with the suggestions; the discretionary trust invested in targets that are not permitted under domestic laws and regulations, and such investments were not reported to the board. These findings are deemed inappropriate and may pose concern to the subsidiary's operations.
- I. For its AML/CTF process, the subsidiary did not include all reasons of contract termination in its suspicious transaction monitoring system, and the inappropriate parameter setting may pose concern to the subsidiary's operations.
- J. When handling transactions other than loans with stakeholders, the subsidiary did not include the transactions with third parties who are directly or indirectly beneficial to stakeholders in its controlling mechanism. This finding is deemed inappropriate and may pose concern to the subsidiary's operations.
- K. The individual user who used the VPN service and did not describe the reason of use in detail while his or her supervisor did not review; the subsidiary did not appropriately control the access to the local computer through USB; the subsidiary did not complete the system vulnerability repair and deploy to the official environment within the time frame required by the internal regulations. These findings may pose concern to the subsidiary's 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.

- (5) The following defects were found during FSC's 2020 general inspection on the subsidiary Cathay Life and in the insurance operation of Cathay Life:
- A. The subsidiary has taken punitive actions on the sales representative by suspending him or her from business solicitation for three months, however, it did not further investigate whether such a sales representative had similar conduct of "keeping and holding online banking account and password of policyholders" in other cases.
 - B. In the handling of the policyholder Mr. Liu's modification of the designated beneficiary in case of death, who is not a direct relative or a spouse, the beneficiary's relation with the insured and the reason of modification were not clearly stated. This finding is consistent with the subsidiary's internal regulations.

C. With respect to the subsidiary's business solicitation of policyholder Mr. Chen's insurance application, Mr. Chen applied the foreign-currency denominated insurance policy for other insured while the content of such policy was explained by a sales representative who did not hold a license for such product type, and the policyholder was not informed about material information of the said policy; the sales representative did not exercise the due care of a good administrator to investigate the source of premium payment and check the suitability of insurance policy for the proposer and insured; the sales representative did not explain the material content of the insurance policy to the proposer and insured where these policyholders were unable to fully understand the policy content, and the rights of the proposer, insured and beneficiaries were thus damaged.

D. With respect to the subsidiary's policy underwriting process, Mr. Huang has applied for multiple insurance policies funded by the salary income, and the identical organization was designed as the beneficiaries of these policies. The subsidiary failed to investigate the actual source of fund and the purposes and needs for these policies. In the insurance application of Mr. Chen, there was an obvious deviation between the insured's annual income stated in the solicitation report and the payment term. The subsidiary did not check the policyholder's financial capability properly.

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.

(6) The following defects were found in the FSC's 2021 elderly financial consumer protection operation on the subsidiary Cathay Life:

A. In respect of its investment-orientated insurance policy underwriting, the subsidiary did not provide policyholders who hold a risk-premium-added policy the calculation table of the risk-premium-added policy value. The subsidiary failed to protect the policyholder's rights.

B. For the cases with insurance premium paid by loans or policy loans and the applications of insurance products with policy value reserve, the subsidiary did not inform about the maximum potential losses may incur due to the characteristics of specific products on the phone interview. The phone interview was not duly executed.

The Financial Supervisory Commission issued two orders of correction on March 30, 2022.

Improvement: Subsidiary - Cathay Life has rectified the defect.

(7) FSC deemed that the interest rate calculation formula and the setting of interest rate of the two insurance products submitted for approval by the subsidiary Cathay Life violated the relevant provisions of the Insurance Act:

With respect to the "Cathay Life Yi Mei Dual Profit Interest Sensitive USD-denominated Whole Life Insurance (Periodic Payments)" submitted for approval on May 13, 2021 and the "Cathay Life Xin Mei Li 101 Interest Sensitive USD-denominated Whole Life Insurance (Periodic Payments)" submitted for approval on June 8, 2021 (hereinafter referred to as the "Products"), the interest rate calculation formulas and the setting of interest rates stated in the documents submitted did not meet the requirements under Paragraphs 1 and 2, Article 3 of the "Directions for Life Insurance Companies to Engage in Interest Sensitive Insurance Products Business."

An order for correction was issued by the FSC on August 18, 2022, and the sale suspension of the two products in dispute were demanded on the following day of the receipt day of the order.

Improvement: Subsidiary - Cathay Life has rectified the defect.

- (8) The FSC deemed that the subsidiary Cathay Life's internal information operation system and the design of functions thereof violated the relevant provisions of the Insurance Act and the Personal Data Protection Act:

A. Due to improper function design of the customer relations management system, there was no control measure over the "Manager's Recommendation" function thereof, so managers of sales unit may assign their subordinate sales representative to promote certain insurance products to policyholders who already hold the policies of existing insurance products. The specific violation was found where some sales representatives suggested their customers terminate old insurance policies and apply for new policies.

B. The information system built for internal sales competition did not set the privilege on internal personnel for accessing customers' information, and the subsidiary's sales representatives and whose supervisors thereby can access the information of customers who they have never dealt with. In addition, for the de-identified customer names on the system, users can easily see the customers' full names by selecting some specific options.

The Financial Supervisory Commission imposed NT\$600,000 in fines on October 7, 2022, and the correction is required to be done within one month after the next day of the delivery of the penalty.

Improvement: Subsidiary - Cathay Life has rectified the defect.

- (9) The following defects in violation of the Insurance Act were found in the FSC's special inspection on the subsidiary Cathay Life for investment-linked insurance products:

A. The subsidiary did not fully learn the detail of the customer complaint from the bank channel, and it rescinded the contract on an ex gratia basis according to the settlement between the customer and the bank channel. The subsidiary did not clarify the responsibility ascription of either party pursuant to the provisions of the contract nor did it take responsive measures.

B. In a sale of investment-linked insurance products, the sales representative did not make the appropriate insurance product suggestion to his or her customers, and the underwriter did not correctly underwrite the policy while there was not a checking and controlling mechanism on the system. As a result, after the premium payment for the first year, the remaining balance was not insufficient for investments.

C. Some questions in the risk profile questionnaire for customers applying investment-linked insurance products were unreasonable and vaguely defined, and some key questions were missed therein.

D. With regard to the applications of investment-linked insurance products through mobile devices, the system mistakenly reverses the procedures by putting the insurance product planning before the risk profile questionnaire.

E. Concerning a customer complaint that was attributed to a serious dispute and in connection with the loss caused by internal errors, the subsidiary failed to retain the assessments for material events and did not follow the stipulated reporting procedure.

The Financial Supervisory Commission imposed NT\$600,000 in fines and issued 4 orders of correction on November 3, 2022.

Improvement: Subsidiary - Cathay Life has rectified the defect.

- (10) The subsidiary Cathay Life did not publicly announce and report its decision to change the business model of its financial asset under management on September 30, 2022, within 2 days from its occurrence, and it was in violation of relevant provisions of the Securities and Exchange Act.

The FSC imposed a fine of NT\$720,000 on the subsidiary's responsible person on December 20, 2022.

Improvement: Subsidiary - Cathay Life has rectified the defect.

- (11) The following defects in violation of the Insurance Act were found by the FSC on the subsidiary Cathay Life's post-investment management for foreign insurance products:

- A. The subsidiary was the investment entity for the said investment, and the post-investment management was executed by the relevant units of the subsidiary, Cathay Financial Holdings and Cathay United Bank based on their responsibilities. Cathay United Bank was responsible for assisting in the management of daily operation. Material issues, if any, shall be reported to the board of Cathay Financial Holdings. However, the said subsidiary only paid attention to the daily financial indicators and business performance of the invested bank, and there were no relevant internal regulations formed, including the reporting procedures for material events, and there were no dedicated personnel assigned. Consequently, the subsidiary was not able to really understand the reasons and progress of the financial examination opinions made by the local supervisory authority on the invested bank's credit service.
- B. Although the subsidiary has the investment management and communication team and periodically called for meetings, the material event about the local authority's opinion regarding the invested bank's credit service was not addressed in any of the discussions of the communication team above and was not reported promptly to the subsidiary's and Cathay Financial Holdings's board meetings. At the same time, the subsidiary failed to evaluate whether the said event should be reported as a material contingency.
- C. After the investment, the subsidiary did not hold the joint meeting of its overseas insurance-related businesses to discuss the operation of the said investee in accordance with the management framework stated in the investment application submitted to the FSC, and it did not, if it was deemed necessary, report to the boards of the Cathay Life and Cathay Financial Holdings. As a result, in a material event, the invested company cannot proceed in accordance with the contact mechanism of the financial holding submitted.
- D. The periodical reports concerning overseas insurance-related businesses placed too much emphasis on the disclosure of material financial data and indicators, and the disclosures regarding matters required to be monitored by banks, risk management, internal audit and significant personnel assignments and dismissals were insufficient, so that the subsidiary was unable to thoroughly control the business risk of the said investee, whereas the subsidiary's board did not request for any improvement report for risk management purpose.
- E. The subsidiary failed to adopt a standard for evaluating the performance of the directors and supervisors assigned by overseas subsidiaries and overseas insurance-related businesses.
- F. The supervisor and director of the invested bank in Indonesia assigned by the subsidiary did not routinely report the significant business conditions while the subsidiary did not require such a periodical report for significant business management and risk events.

The Financial Supervisory Commission imposed NT\$2.4 million in fines on January 17, 2023.

Improvement: Subsidiary - Cathay Life has rectified the defect.

■ **Cathay United Bank Co., Ltd.**

- (1) The defects found in the subsidiary Cathay United Bank's information system are in violation of Paragraph 1, Article 45-1 of the Banking Act, which may pose concern to the subsidiary's operations, so a fine of NT\$2 million was imposed in accordance with subparagraph 7, Article 129 of the Banking Act. In addition, pursuant to the provisions set forth in subparagraph 9, Paragraph 1, Article 61-1 of the same Act, starting from the effective date of the penalty and until the date that the improvements of this case are approved by the FSC, the installation plan of additional off-premises automatic teller machines (ATM) in 2022 of the subsidiary Cathay United Bank, previously approved by the FSC, was suspended, except in underserved areas and for ATM accessible to people with disabilities.

Improvement:

- A. Improve the management of large projects, increase the breadth and depth of the test cases, and formulate the responsive plans.
- B. Complete the aforementioned responsive plans and hold drills to ensure the comprehensiveness of these responsive plans during the launches.
- C. Organize and refine the policies for the modification management and the uploading of all of the Bank's information systems to reduce risks arising from system launches, and ensure through customer services are provided.

- (2) The bank teller of the subsidiary Cathay United Bank sent the customer's supplementary materials for credit card application to a third party, and that violated the provision under Paragraph 1, Article 20 of the Personal Data Protection Act. A fine of NT\$50,000 was imposed pursuant to Article 47 of the same Act.

Improvement: The mechanism for personal data control and prevention of personal data breach has already been established, and it will strengthen the audit and the promotions of laws and regulations.

- (3) The defects concerning abnormal server room power supply system and slow transaction speed of the online and mobile banking of the subsidiary Cathay United Bank were found in violation of the provisions under Paragraph 1, Article 45-1 of the Banking Act, and Articles 3 and 8 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," which were adopted by the authorization of the same Act, and may pose concern to the subsidiary's operations. Therefore, in accordance with subparagraph 7, Article 129 of the Banking Act, a fine of NT\$12 million was imposed; in addition, an order for correction was issued according to Paragraph 1, Article 61-1 of the same Act, and the monthly salary of the subsidiary's president was slashed by 30% for 3 months pursuant to subparagraph 9 of the same paragraph.

Improvement:

- A. Preliminarily improve the adjacent environment of the generator was made based on the advices of the electromechanical specialist. Subject to the result of overall diagnosis and review by external professional consultants, improve the routine maintenance and testing of the system infrastructure.

- B. Review the overall mesh app and service architecture, reinforce the assessment procedures for the adjustments of platform resources, optimize the real-time monitoring system of resources and event warning mechanism, and elevate the efficiency of incident management.
- (4) The bank teller of the subsidiary Cathay United Bank sent the information including the customer's data to a third party, and that violated the provision under Paragraph 1, Article 20 of the Personal Data Protection Act. A fine of NT\$125,000 was imposed pursuant to Article 47 of the same Act.

Improvement: The mechanism for personal data control and prevention of personal data breach has already been established, and it will strengthen the audit and the promotions of laws and regulations.

■ Cathay Century Insurance Co., Ltd.

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

- A. The policy underwriting for customers with disabilities did not follow the general evaluation regulations for policy underwriting.
- B. With respect to the insurance policy underwriting, the subsidiary did not require the extended car warranty contract as the guarantee, did not retain the proof of premiums calculation, did not evaluate based on the content of the insurance products, and did not obtain signature for the underwriting application.
- C. Neither the opinion for the compliance with laws, regulations and internal policies from the legal compliance officer of the head organization nor his or her signature for approval was obtained for the introduction of a new service.
- D. The subsidiary engaged an affiliate for the maintenance of its information without specifying its own control mechanism, and that was unfavorable for the division of responsibilities and process compliance.
- E. When underwriting the residential fire insurance, the subsidiary failed to refer to the latest rates submitted and the building construction price reference table.
- F. The subsidiary did not have a consistent standard to build the database used as a reference for checking and comparing the address of new insurance applications and the address of sales representatives.
- G. With respect to the investments in the domestic ETFs, the investment analysis and decision-making process were considered incomplete.
- H. In the control and management of substantive stakeholders, the scope of defined transactions was considered incomplete resulting in some transactions with third parties involving substantive stakeholders being excluded.
- I. The subsidiary's information operation was not set based on the principle of least privilege; it did not adopt the standard procedures for the monitoring of abnormal activities; its official website, B2B insurance broker/agent system and B2B travel agent liability insurance system exhibited security vulnerabilities; it did not design the production of monthly report with regard to the database-administrator privilege usage.

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.

(2) The following defects were found in the FSC's special inspection with respect to the implementation of legal compliance system on subsidiary – Cathay Century Insurance in June 2022:

- A. The subsidiary failed to adopt the analysis of catastrophe risk and did not effectively implement the risk assessment mechanism before sale.
- B. The subsidiary did not rationally evaluate the sales limit and controlling mechanism of the COVID insurance products.
- C. The subsidiary failed to re-evaluate the effectiveness analysis of the re-insurance arrangement.
- D. The subsidiary failed to implement the evaluation and analysis of the continuing sales.
- E. The meeting of the insurance product management team failed to review the “business strategy, and any potential threat to current or future solvency” of the COVID insurance products.

The FSC imposed NT\$1.8 million in fines on January 19, 2023 and discussed the punishment for personnel who failed to fulfill their duties.

Improvement: The subsidiary Cathay Century Insurance has been working on the improvement for part of the defects mentioned above.

■ Cathay Securities Corporation

(1) 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.

The FSC conducted a general inspection on the subsidiary from February 22, 2022 to March 14 and found that the subsidiary did not carry out the review of the compilation of trading limits for brokerage customers according to regulations; it failed to properly update the customer profile of corporate customers in the regular reviews; it did not conduct the routine checks for mid-risk natural-person customers according to regulations; it mistakenly recorded the date of name check as the date of the routine check done; it did not regularly review the appropriateness of thresholds for suspicious transaction patterns related to money laundering, terrorist financing and proliferation financing. The fines of NT\$240,000 and NT\$500,000 were imposed for its violation of the Securities and Exchange Act and the Money Laundering Control Act, respectively, and an order for correction was issued to the subsidiary.

Improvement:

- A. Through the system controlling alarm, implemented the credit information review for the account compilation.

- B. Re-announced that the basic customer information shall be updated during the routine review of corporate customers.
- C. To complete the re-examination of the customer risk score factors and thresholds and re-evaluate customer risk by June 30, 2023 in order to implement the routine review of mid-risk natural-person customers.
- D. To complete the adjustment to the daily comparison at night by June 30, 2023, and if the name check results do not affect the risk level, no change will be made to the original routine review dates.
- E. Reviewed and set relevant suspicious transaction patterns, and completed the inspection of all suspicious transaction patterns and adjustment to related parameters.

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

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 Customer (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 Securities Investment Trust has rectified the defect.

3. Disclosure of losses exceeding NT\$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.
4. Other disclosures required by the Financial Supervisory Commission: None.

(XIII) 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 2022 annual general meeting and the execution progress

Major resolutions of the 2022 annual general meeting	Implementation Status
(1) Acknowledgment of 2021 business report and financial statements.	Announced to the public after shareholder meeting resolution.
(2) Acknowledgment of the Company's 2021 earnings appropriation.	July 10, 2022 was set as the baseline date for distribution, whereas August 1, 2022 was determined as the distribution date. (1) EPS of NT\$3.5 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) Amendments to the Company's Articles of Incorporation.	Registered with the approval of the Ministry of Economic Affairs. The amended Articles of Incorporation have been published on the Company's website.
(4) Discussion for amendments to the Rules of Procedure for Shareholders' Meetings of the Company.	The Rules of Procedure of the Shareholders' Meetings were amended upon the resolution of the Shareholders' Meeting, and announced on the Company's website.
(5) Discussion for amendments to the Company's "Asset Acquisition and Disposal Procedures".	The Asset Acquisition and Disposal Procedures have been amended as resolved in shareholder meeting and announced to the public.
(6) Discussion of the Company's long-term funding plan.	The Company completed a cash issue of common shares in December 2022, which was within the authorized limit and in accordance with shareholder meeting resolution.
(7) Election of the 8th board of directors.	To elect 13 directors (including 5 independent directors) during the shareholder meeting and is published to our company's website.
(8) Removal of restrictions imposed against the Company's directors for involving in competing businesses.	Restrictions on directors' competing business involvement have been removed.

2. Major board of directors resolutions made in 2022 and in 2023 up till the publication date of this annual report:

(1) 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 approved the Chief Auditor's performance evaluation.
- Passed distribution of bonus to the Company's managers and directors involved in business decisions.
- Approved the adjustment to the Company's managerial officers' compensation.
- Passed the Company's 2021 "board of directors and functional committee" internal performance evaluation.

(2) 21st 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.
- Approved the 2022 financial and business target.

- Passed extension of unsecured credit from the Company to Taiwan Cooperative and Ta Ching Bills.
 - Passed the Company's 2021 "Declaration of Internal Control System."
 - Approved the amendment to the "Articles of Incorporation" and "Corporate Sustainability Rules" of the Company.
 - Approved the election of the Company's 8th board of directors.
 - Adopted the "Policy for Cathay Financial Holding & Subsidiaries Sharing Customer Information."
 - Passed personnel assignment of the Company.
- (3) 22nd meeting of the 7th board dated May 4, 2022
- Passed 2021 Business Report.
 - Passed 2021 Earnings Distribution.
 - Passed Audit Committee's Review Report on the Company's 2021 Financial Statements.
 - Approved to amend the Company's "Articles of Incorporation," "Rules of Procedure of the Shareholders' Meetings," "Procedures for the Acquisition or Disposal of Assets," and "Charter of Audit Committee Organizational."
 - Passed the Company's long-term funding plan.
 - Approved the "2021 Audit Committee Annual Operation Status Report" submitted at the shareholders' meeting.
 - Passed to nominate and confirm candidates for the election of the Company's 8th board of directors (including independent directors), and to review eligibility of independent directors candidates.
 - Passed removal of restrictions imposed against the Company's directors for involving in competing businesses.
 - Passed external assessment of board performance for 2021 and improvement plans.
- (4) 23rd meeting of the 7th board dated May 13, 2022
- Approved the 2022 Q1 financial statements.
 - Approved the extension of unsecured credit from the Company to Bank of Taiwan, CBF, MEGA Bills, Grand Bills and Dah Chung Bills.
 - Approved amendments to the Company's "Internal Control System," "Rules of Internal Audit System and Its Implementation," "Information Security Policy," "Social Co-prosperity Policy," "Responsible Investment and Lending Policy," "Non-investment and Lending Policy," "Negotiation Policy," "Environment and Energy Policy," "Sustainable Procurement Policy," "Human Rights Policy," "Procedures for Controlling Impairment of Financial Assets of the Company and its Subsidiaries," and "The Principles of Anti-Money Laundering and Counter-Terrorist Financing Management for the Company and its Subsidiaries."
 - Approved the periodic review of the management's salaries, salary adjustment to the directors indeed involving the business execution, and the management's compensations.
 - Approved the review of the Company's "Managerial Officer's Compensation and Payment Guidelines," "Managerial Officer Performance Management and Development Guidelines," and "Director Compensation and Payment Guidelines," as well as the amendment to the "Director Performance Evaluation Guidelines."
- (5) 24th meeting of the 7th board dated June 7, 2022
- Approved to increase capital in the subsidiary, "Cathay Century Insurance."
- (6) 1st extraordinary meeting of the 8th board of directors on June 17, 2022
- Approved the election of the Chairman, the 8th Board of Directors of the Company.

- Approved to sign the industry–academic cooperation and academic feedback contract with National Chengchi University.
- (7) 1st meeting of the 8th board dated June 30, 2022
- Approved to extend the unsecured credit contracts with CTBC, KGI Bank, Taishin Bank and First Bank.
 - Approved to review and amend the Company’s “Principles of Regulations Management.”
 - Passed appointment of the Company’s 5th Remuneration Committee members.
 - Passed appointment of the Company’s 3rd Corporate Governance and Nomination Committee members.
 - Passed to appoint new directors and supervisors for the Company’s subsidiaries “Cathay United Bank” and “Cathay Securities,” and to appoint replacement directors for subsidiaries “Cathay Life Insurance” and “Cathay Century Insurance”.
- (8) 2nd meeting of the 8th board dated July 13, 2022
- Passed compensation for independent directors and external directors of the 8th board.
- (9) 3rd meeting of the 8th board dated August 18, 2022
- Approved the financial statements for the first half of 2022.
 - Approved to extend the unsecured credit contracts with Union Bank, Yuanta Bank, and E-Sun Bank.
 - Approved the amendment to the Company’s “Risk Management Policy” and the establishment of the “Principles of Insurance Risk Management.”
 - Approved the amendment to the “Human Rights Policy” of the Company.
 - Approved the amendments to the “Principles for Granting of Credit or Transactions between the Company and its Subsidiaries and Stakeholders,” and the “Self-Disciplinary Principles for Transactions between the Company and Subsidiaries and the Parties Subject to Observation.”
 - Passed amendments to “Foreign Insurance Business Investment Procedures” of the subsidiary “Cathay Life Insurance.”
 - Approved the adjustment to the Company’s managerial officers’ compensation.
- (10) 4th meeting of the 8th board dated October 20, 2022
- Passed proposal to issue new shares of the Company for cash in 2022.
 - Approved to increase capital in the subsidiary, Cathay Life Insurance and Cathay Century Insurance.
- (11) 5th meeting of the 8th board dated November 10, 2022
- Approved the Company’s 2022 Q1–Q3 financial statements.
 - Passed extension of unsecured credit from the Company to Hua Nan Bank and International Bills Finance.
 - Approved the investment in Pearlmark Real Estate LLC, a U.S. commercial real estate investment management company, for approximately 55.5% of equity, by Conning Holdings Limited, a 100%-owned subsidiary of Cathay Life Insurance, or its subsidiary,
 - Approved the amendments to the Company’s “Operating Principles of Investment Management,” “Principles for Implementation of the Legal Compliance System” and “Regulations Governing the Board of Directors Meetings.”
 - Passed reorganization of the Company and amendments to “foundation principles.”
 - Passed allocation of subscription quota for managers in the Company’s 2022 cash issue.
 - Approved to implement the employee shareholding trust, and the Company’s contribution for the managerial officers’ participation in the employee shareholding trust.

- Passed personnel assignment of the Company.
- Approved the adjustment to the Company's managerial officers' compensation.

(12) 6th meeting of the 8th board dated December 23, 2022

- Passed amendments to "Foreign Insurance Business Investment Procedures" of the subsidiary "Cathay Life Insurance."
- Approved to re-appoint the supervisor to the subsidiary "Cathay Securities."

(13) 7th meeting of the 8th board dated January 17, 2023

- Passed extension of unsecured credit from the Company to Bank of Taiwan, Taipei Fubon Bank, KGI Bank, Ta Ching Bills Finance Corporation and TCB Bank Bills.
- Passed approved the Chief Auditor's performance evaluation.
- Passed distribution of bonus to the Company's managers.
- Passed personnel assignment of the Company.
- Passed the Company's 2022 "board of directors and functional committee" internal performance evaluation.
- Passed amendments to the Company's "Corporate Governance Code of Conduct" and "Audit Committee Foundation Principles."

(14) 8th meeting of the 8th board dated March 9, 2023

- Passed the 2022 employee and director remuneration.
- Passed review of the 2022 year-end financial statements.
- Approve the proposal to replace the CPAs from the first quarter of 2023, the commission for 2023 and the services fee.
- Approved the 2023 financial and business target.
- Approved the proposal on the Company's issuance of senior common corporate bonds.
- Approved the extension of unsecured credit to Bank SinoPac.
- Passed the Company's 2022 "Declaration of Internal Control System."
- Approved to establish the "Risk Management Committee," the "Charter" of the Committee, and to appoint the members of the Committee.
- Approved amendments to the Company's "Risk Management Policy and Principle of Various Risk Management," "Corporate Sustainability Best-Practice Principles," and "Social Co-Prosperity Policy."
- Approved to sign a "Notes to the Cooperation Contract" with National Chengchi University.
- Approved the commission of independent experts for the M&A.

(XIV) 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.

(XV) 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
Vice Chairman	Tsu-Pei Chen	2017/06/16	2022/06/17	Re-election due to the end of office term (end of term)

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	2022/1/1~2022/12/31	7,093	7,169	14,262	Non-audit service fees: tax attestation, master file reports of the Group and country-specific reports, information security and blockchain projects, and other related services.
	Shu-Wan Lin					

Note: 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. Non-audit fees should be accompanied by a remark describing the services provided.

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

(I) Information relating to the former CPA

Date of reappointment	Passed during the board of directors meeting dated March 9, 2023		
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 two 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		

(II) Information relating to the succeeding CPA

CPA Office	Deloitte & Touche
Names of Auditors	Shu-Wan Lin, Hsu-Jan Cheng
Date of reappointment	Passed during the board of directors meeting dated March 9, 2023
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

(III) The reply letters on Item 1, and Item 2-3, Subparagraph 6, Article 10 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 office, 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	2022		The year till March 30, 2023	
		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	4,207,719	0	0	0
Vice Chairman	Tsu-Pei Chen (Discharged from the post on June 17, 2022)	0	0	(Note 3)	(Note 3)
Juristic (corporate) person director	Chen-Sheng Industrial Co., Ltd.	2,764,844	0	0	0
Juristic (corporate) person director	Chia Yi Capital Co., Ltd.	4,916,808	0	0	0
Juristic (corporate) person director	Cathay Life Insurance Co., Ltd. Employees' Welfare Committee	0	0	0	0
Juristic (corporate) person director	Cathay United Bank Foundation	0	0	0	0
Director	Cheng-Ta Tsai	2,662,766	0	0	0
Director	Cheng-Chiu Tsai	50,655	0	0	0

Title (Note 1)	Name	2022		The year till March 30, 2023	
		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	Chi-Wei Joong	370	0	0	0
Director	Andrew Ming-Jian Kuo	200,000	0	0	0
Director	Tiao-Kuei Huang	225,881	0	0	0
Director	Chang-Ken Lee	228,383	0	0	0
Director	Ming-Ho Hsiung	150,000	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
Independent Director	Pei-Pei Yu	0			
Major shareholder and the same related party	Wan Pao Development Co., Ltd.	231,372,421	326,500,000	0	0
Major shareholder and the same related party	Lin Yuan Investment Co., Ltd.	231,911,573 582,426 Preferred Share A	349,000,000	0	0
The same related party	Chia Yi Capital Co., Ltd.	4,916,808	0	0	0
The same related party	Wan Ta Investment Co., Ltd.	34,511,418	0		0
The same related party	Tung Chi Capital Co., Ltd.	6,620,672	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	228,383	0	0	0
Chief Auditor	Hung-Chang Yang	119,988	0	0	0
Chief Financial Officer	Grace Chen	122,005	0	0	0
Senior Executive Vice President	David P. Sun	31,000	0	0	0
Chief Investment Officer	Sophia Cheng	66,774	0	0	0
Senior Executive Vice President	Chung-Yi Teng	166,000	0	0	0
Senior Executive Vice President	Jian-Hsing Wu	128,782	0	0	0

Title (Note 1)	Name	2022		The year till March 30, 2023	
		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	857,943	10,000,000	0	0
Senior Executive Vice President	Hsiang Hsin Tsai	116,000	0	0	0
Senior Executive Vice President	Xu-Jie Yao	115,000	0	(20,000)	0
Executive Vice President and Chief Corporate Governance Officer	Deh-Yen Weng	118,412	0	0	0
Executive Vice President	Shu-Ying Wu	26,000	0	0	0
Executive Vice President	Ta-Ching Hung	60,286	0	0	0
Chief Compliance Officer	Judie Hsu (Resigned from the post on April 1, 2022)	0	0	(Note 3)	(Note 3)
Executive Vice President	Fu-Min Wang	77,000	0	0	0
Executive Vice President	Yu-Mei Lee	33,753	0	0	0
Chief Risk Officer	Ching-Lu Huang	38,038	0	0	0
Executive Vice President	Ming-Chiao Liang	95,000	0	0	0
Chief Information Security Officer (CISO)	Pei-Ching Lin	54,000	0	0	0
Executive Vice President	Kuan-Hsueh Chen	55,000	0	(3,000)	0
Executive Vice President	Hua-Ben Miao	30,000	0	0	0
Executive Vice President	Fa-Hsiang Chang	30,000	0	0	0
Executive Vice President	Cheng-Lung Chu (Newly appointed on February 1, 2023)	(Note 3)	(Note 3)	0	0
Senior Vice President	Shao-Ling Weng	10,489	0	(5,489)	0
Senior Vice President	Gwang-Ying She	11,012	0	(1,000)	0
Senior Vice President	Sheng-Hsiung Tsai	11,408	0	0	0
Senior Vice President	Hwa-Hsin Yang	10,000	0	0	0
Senior Vice President	Chin-Tang Lu	11,000	0	0	0
Senior Vice President	Yao-Te Wang	10,326	0	0	0
Senior Vice President	Wan-Yu Ho	11,000	0	0	0
Senior Vice President	Ya-Jou Chang	0	0	0	0
Senior Vice President	Chun-Chieh Chen	11,000	0	0	0

Title (Note 1)	Name	2022		The year till March 30, 2023	
		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	Chi-Ya Hua	0	0	0	0
Senior Vice President	Jui-Hung Hung	11,851	0	0	0
Senior Vice President	Chun-Lan Shih	0	0	0	0
Senior Vice President	Wei-Ming Chen	10,000	0	0	0
Senior Vice President	Hao-Hsiang Liu	7,000	0	0	0
Senior Vice President	Chi-Liang Huang	11,000	0	0	0
Senior Vice President	Chin-Chi Chen	11,000	0	(3,000)	0

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 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.

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 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.

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, underage 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	2,540,990,110	15.68%	0	0%	0	0%	Lin Yuan Investment Co., Ltd.	With the same person as the representative	-
							Baising Investment Co., Ltd.	With the Company's supervisor as the representative	
							Wan Ta Investment Co., Ltd.	With the same person as the representative	
Lin Yuan Investment Co., Ltd. Representative: Weng-Chuan Lin	2,249,443,425	13.88%	0	0%	0	0%	Wan Pao Development Co., Ltd.	With the same person as the representative	-
							Baising Investment Co., Ltd.	With the Company's supervisor as the representative	
							Wan Ta Investment Co., Ltd.	With the same person as the representative	
Labor Pension Fund	515,575,999	3.18%	0	0%	0	0%	None		-
Shin Kong Life Insurance Co., Ltd. Representative: Po-Cheng Pan	291,477,422	1.80%	0	0%	0	0%	None		-
Labor Insurance Fund	232,178,342	1.43%	0	0%	0	0%	None		-
Baising Investment Co., Ltd. Representative: Teng-Ko Yeh	195,548,956	1.21%	0	0%	0	0%	None		-
TransGlobe Life Insurance Inc. Representative: Teng-Te Peng	186,146,668	1.15%	0	0%	0	0%	None		-
Wan Ta Investment Co., Ltd. Representative: Weng-Chuan Lin	181,355,088	1.12%	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	
Citibank (Taiwan) as Directed Trustee For GIC-Government of Singapore	179,536,667	1.11%	0	0%	0	0%	None		-
Chang Gung Medical Foundation	176,394,267	1.09%	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)

March 30, 2023
Unit: thousand shares; %

Business investment (Note)	Held by the Company		Held by Directors, Supervisors, Managers, and Directly/Indirectly Controlled Businesses		Aggregate ownership	
	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding
Cathay Life Insurance Co., Ltd.	6,351,527	100%	0	0%	6,351,527	100%
Cathay United Bank Co., Ltd.	10,859,866	100%	0	0%	10,859,866	100%
Cathay Century Insurance Co., Ltd.	705,705	100%	0	0%	705,705	100%
Cathay Securities Corporation	770,000	100%	0	0%	770,000	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	2,423	0.41%	990	0.17%	3,413	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)	
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)	

Date	Issue price	Registered Capital		Total Paid-in Capital		Remarks	
		Number of shares	Amount	Number of shares	Amount	Capital Source	Others
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, Jin-Guan-Zheng-Fa-Zi No. 1080331065 (September 24, 2019)	
2022/12	35	18,000,000	180,000,000	16,202,510	162,025,101	Cash capital increase by issuance of common stock FSC, Jin-Guan-Zheng-Fa-Zi No. 1110361791 (November 18, 2022)	
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	14,669,210	1,797,490	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 11, 2023

Shareholder structure Quantity	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and juristic (corporate) persons	Total
Number of employees	21	195	2,111	581,159	1,944	585,430
Number of shares held	844,261,694	629,858,038	6,304,921,159	3,913,704,541	2,976,464,696	14,669,210,128
Ratio of shareholding (%)	5.76	4.29	42.98	26.68	20.29	100

2. Series A Preferred Share

April 11, 2023

Shareholder structure Quantity	Government authorities	Financial institutions	Other juristic (corporate) persons	Individuals	Foreign institutions and juristic (corporate) persons	Total
Number of employees	5	30	174	23,207	33	23,449
Number of shares held	57,055,000	586,560,934	141,064,443	48,518,703	100,920	833,300,000
Ratio of shareholding (%)	6.85	70.39	16.93	5.82	0.01	100

3. Series B Preferred Share

April 11, 2023

Shareholder structure Quantity	Government authorities	Financial institutions	Other juristic (corporate) persons	Individuals	Foreign institutions and juristic (corporate) persons	Total
Number of employees	6	30	166	23,926	39	24,167
Number of shares held	187,200,465	350,383,138	120,419,874	36,931,509	5,065,014	700,000,000
Ratio of shareholding (%)	26.74	50.05	17.20	5.28	0.73	100

(III) Fact of equity scattering (Table 8)

1. Common stock

At NT\$10 par value

April 11, 2023

Shareholding levels	Number of shareholders	Number of shares held	Ratio of shareholding (%)
1 to 999	178,646	41,382,013	0.28
1,000 to 5,000	285,400	610,179,517	4.16
5,001 to 10,000	57,559	410,665,881	2.80
10,001 to 15,000	22,759	275,379,565	1.88
15,001 to 20,000	10,601	185,234,795	1.26
20,001 to 30,000	11,166	270,967,485	1.85
30,001 to 40,000	5,241	180,766,430	1.23
40,001 to 50,000	3,133	140,711,364	0.96
50,001 to 100,000	5,835	400,603,847	2.73
100,001 to 200,000	2,662	360,304,304	2.46
200,001 to 400,000	1,135	308,299,039	2.10
400,001 to 600,000	343	167,358,050	1.14
600,001 to 800,000	174	120,421,835	0.82
800,001 to 1,000,000	112	100,581,231	0.69
Over 1,000,001	664	11,096,354,772	75.64
Total	585,430	14,669,210,128	100

2. Series A Preferred Share

At NT\$10 par value

April 11, 2023

Shareholding levels	Number of shareholders	Number of shares held	Ratio of shareholding (%)
1 to 999	16,716	2,908,745	0.35
1,000 to 5,000	5,303	9,825,043	1.18
5,001 to 10,000	672	5,134,798	0.62
10,001 to 15,000	171	2,180,266	0.26
15,001 to 20,000	146	2,620,775	0.31
20,001 to 30,000	130	3,217,782	0.39
30,001 to 40,000	52	1,848,990	0.22
40,001 to 50,000	46	2,166,055	0.26
50,001 to 100,000	65	4,923,843	0.59
100,001 to 200,000	46	6,264,988	0.75
200,001 to 400,000	28	8,461,000	1.02
400,001 to 600,000	10	5,135,582	0.62
600,001 to 800,000	6	4,172,000	0.50
800,001 to 1,000,000	7	6,456,000	0.77
Over 1,000,001	51	767,984,133	92.16
Total	23,449	833,300,000	100

3. Series B Preferred Share

At NT\$10 par value

April 11, 2023

Shareholding levels	Number of shareholders	Number of shares held	Ratio of shareholding (%)
1 to 999	17,286	2,646,942	0.38
1,000 to 5,000	6,166	9,466,267	1.35
5,001 to 10,000	321	2,365,227	0.34
10,001 to 15,000	108	1,369,112	0.20
15,001 to 20,000	57	1,035,665	0.15
20,001 to 30,000	44	1,101,070	0.16
30,001 to 40,000	29	1,008,182	0.14
40,001 to 50,000	15	711,589	0.10
50,001 to 100,000	42	3,041,263	0.43
100,001 to 200,000	19	2,886,993	0.41
200,001 to 400,000	21	6,043,133	0.86
400,001 to 600,000	8	3,977,010	0.57
600,001 to 800,000	5	3,640,672	0.52
800,001 to 1,000,000	4	3,377,984	0.48
Over 1,000,001	42	657,328,891	93.91
Total	24,167	700,000,000	100%

(IV) List of major shareholders (Table 9)

April 11, 2023

Names of major shareholders	Shares	Number of shares held	Ratio of shareholding (%)
Wan Pao Development Co., Ltd.		2,540,990,110	15.68
Lin Yuan Investment Co., Ltd.		2,249,443,425	13.88
Labor Pension Fund		515,575,999	3.18
Shin Kong Life Insurance Co., Ltd.		291,477,422	1.80
Labor Insurance Fund		232,178,342	1.43
Baising Investment Co., Ltd.		195,548,956	1.21
TransGlobe Life Insurance Inc.		186,146,668	1.15
Wan Ta Investment Co., Ltd.		181,355,088	1.12
Citibank (Taiwan) as Directed Trustee For GIC-Government of Singapore		179,536,667	1.11
Chang Gung Medical Foundation		176,394,267	1.09

Note: The above is the list of the top ten shareholders in terms of percentage of equity. (The calculation of equity percentage includes common shares, and preferred shares of A and B)

(V) Per share information (including market price, book value, earnings, share dividend) in the last two years (Table 10)

Item \ Year			2021	2022	As of March 30, 2023
Market Share Price (Note 1)	Highest		63.50	68.40	44.50
	Lowest		39.90	36.25	39.75
	Average		53.38	51.04	42.20
Share Book Value (Note 2)	Before payout		61.51	34.55	Not applicable
	After payout		57.75	(Note 8)	Not applicable
Earnings Per Share	Weighted Average Number of Shares (thousand shares)		13,169,210	13,189,758	Not applicable
	Earnings Per Share (Note 3)	Before Adjustment	10.34	2.58	Not applicable
		After Adjustment	Not applicable	(Note 8)	Not applicable
Per Share Dividend	Cash Dividend		3.5	(Note 8)	Not applicable
	Stock Dividend	From Retained Earnings	0	(Note 8)	Not applicable
		From Special Reserve	0	(Note 8)	Not applicable
	Accumulated Unpaid Dividend (Note 4)		0	0	Not applicable
ROI Analysis	Price/Earnings Ratio (Note 5)		5.16	19.78	Not applicable
	Price/Dividend Ratio (Note 6)		15.25	(Note 8)	Not applicable
	Cash Dividend Yield (Note 7)		6.56	(Note 8)	Not applicable

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: The proposal for distribution of profit for the fiscal year 2022 has not yet been decided by the shareholders' 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 of special reserve under laws or practical needs, and distribution of preferred dividends. The remaining balance (referred to as “Current Year Earnings” below) plus undistributed earnings carried from previous periods and special reserve lawfully reversed are available for distribution, and for which the board of directors will present an earnings appropriation proposal based on the Company’s operational plans and submit for approval during a 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 20% 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: Undistributable surplus.
3. The company plans to allocate a total of NT\$13,202,289,115 from the capital surplus generated by issuing common stocks at a premium above the par value to distribute cash dividends at a rate of NT\$0.9 per share.

(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 2023 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 proposed value of the employee cash/stock bonuses, and director/supervisor compensation approved by the board of directors, in relation to the estimated figures in the period where the expenses are recognized, 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\$4,097,993 (the Company had a total of 614 employees, with NT\$ 6,674 distributed to each and every employee) and NT\$1,800,000 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\$14,057,307, 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 21, 2022, 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 21, 2022, 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 21, 2022, 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 three 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		<ol style="list-style-type: none"> 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	2022	Highest	NT\$ 63.30
		Lowest	NT\$ 54.40
		Average	NT\$ 60.46
Market Share Price	As of March 30, 2023 (Note 4)	Highest	NT\$ 60.30
		Lowest	NT\$ 56.30
		Average	NT\$ 58.36
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	<p>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.</p> <p>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.</p> <p>3. Where the Company issues new shares for cash, shareholders of preferred stocks and common shares enjoy equal pre-emptive rights.</p>	
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	2022	Highest	NT\$ 63.40
		Lowest	NT\$ 54.10
		Average	NT\$ 60.26
Market Share Price	As of March 30, 2023 (Note 4)	Highest	NT\$ 59.90
		Lowest	NT\$ 55.00
		Average	NT\$ 58.39
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)

<div>Issuing (transaction) date</div> <div>Item</div>		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		Citi bank		
Depository Bank		Citi bank		
Custodian Bank		Citibank Taiwan		
Outstanding Balance (Note 4)		5,094,158 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)	2022	Highest	US \$24.60	
		Lowest	US \$11.40	
		Average	US \$17.46	
	As of March 30, 2023	Highest	US \$14.83	
		Lowest	US \$13.01	
		Average	US \$13.91	

Note 1: GDRs include both publicly offered and privately placed GDRs. Publicly offered GDRs are those that have been approved by the FSC; privately placed GDRs are those that have been approved by the resolution of the board.

Note 2: Those who have issuing Global Depositary Receipts, the market closing prices for the security in the last 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, 2023.

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) Where the board has, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, approved any issuance of shares in connection with a merger or acquisition or with acquisition of shares of any other financial institutions, the implementation status and the basic information of the financial institution to be merged or acquired or whose shares are to be acquired:

None.

VIII. Implementation of the Capital Utilization Plans

(I) The Plan

■ Issuance of Common Shares in 2022:

1. Planned use of capital: To invest into the 100%-owned subsidiary - Cathay Life and Cathay Century Insurance Private Equity.
2. Approval date and document: Jin-Guan-Zheng-Fa-Zi No. 1110361791 (November 18 2022).
3. Total capital needed for the plan: NT\$45,000,000 thousand.
4. Source of capital: 1,500,000 thousand 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\$52,500,000 thousand of capital in total. Subsidiaries Cathay Life and Cathay Century Insurance were allocated NT\$35,000,000 thousand and NT\$10,000,000 of new capital, respectively, whereas the remaining NT\$7,500,000 thousand were retained as working capital. This capital utilization plan was completed in 2022 Q4.
5. Planned uses of capital and the planned schedule:

Unit: NT\$ thousand

Plan Item	Planned Completed Date	Total Capital Needed	Planned use of Capital
			2022 Q4
To invest into common shares privately placed by 100%-owned subsidiary - Cathay Life	2022 Q4	35,000,000	35,000,000
To invest into common shares privately placed by 100%-owned subsidiary - Cathay Century Insurance	2022 Q4	10,000,000	10,000,000
Working capital (Note 2)	2022 Q4	7,500,000	7,500,000
Total		52,500,000	52,500,000

Note 1: The new capital was intended to be used to subscribe to the private common share cash issue by Cathay Life and Cathay Century Insurance.

Note 2: The extra NT\$7,500,000 thousand from over subscription will be retained as working capital.

6. Effects:

- (1) This cash issue totaling NT\$52,500,000 thousand is expected to strengthen the Company's capital and financial position upon completion. Based on the Company's financial figures in 2022 Q2, the additional capital, once received in 2022 Q4, should increase group capital adequacy ratio from 133.42% to 141.71%, while lowering the debt-to-equity ratio and double leverage ratio to 28.19% and 125.14%, respectively, estimated using the ratios as of the end of August 2022.
- (2) Subject to the completion of capital increase, the capital raised will be entirely used to subscribe to the common shares of private placement of the 100% owned subsidiaries Cathay Life and Cathay Century Insurance. Such funds will be subsequently used to replenish the working capital and improve the capital adequacy ratio of Cathay Life and Cathay Century Insurance. Based on Cathay Life's and Cathay Century Insurance's financial figures audited by CPAs in 2022 Q2, the capital adequacy ratios will reach 353.50% and 677.05%, respectively, after the capital injection. Meanwhile, the extra NT\$7,500,000 thousand in excess of the planned amount will be used to replenish the working capital.

(II) Implementation Status

The NT\$52.5 billion of the issuance of common shares for capital increase of the Company was completed on December 27, 2022; the capital had been used to subscribe to the common shares of private placement of subsidiaries Cathay Life and Cathay Century Insurance amounting NT\$35 billion and NT\$10 billion, respectively, whereas the remaining NT\$7.5 billion was retained as working capital. Execution of the capital plan is explained below:

Plan Item	Implementation Status		As of December 31, 2022	Remarks
Subscription to private placement of common shares of Cathay Life	Amount used (NT\$ thousand)	Planned	35,000,000	The NT\$35 billion common share private placement by Cathay Life has been fully subscribed as planned, representing a 100.00% completion rate.
		Actual	35,000,000	
	Implementation Status	Planned	100.00%	
		Actual	100.00%	
Subscription to private placement of common shares of Cathay Century Insurance	Amount used (NT\$ thousand)	Planned	10,000,000	The NT\$10 billion common share private placement by Cathay Century Insurance 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	7,500,000	NT\$7.5 billion of working capital was retained as planned, representing a 100.00% completion rate.
		Actual	7,500,000	
	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 2022		Amount (NT\$ thousands)	Proportion (%)
Return on investment recognized under equity method	Cathay Life Insurance Co., Ltd.	36,288,840	84.6
	Cathay United Bank Co., Ltd.	25,596,770	59.7
	Cathay Century Insurance Co., Ltd.	(19,621,291)	-45.7
	Cathay Securities Corporation	1,410,205	3.3
	Cathay Securities Investment Trust Co., Ltd.	1,561,105	3.6
	Cathay Venture Inc.	117,720	0.3
	Conning Asia Pacific Limited	20,773	-
	Subtotal	45,374,122	105.8
Other revenues		1,301,593	3.0
Other expenses and loss		(3,778,808)	-8.8
Total net revenues		42,896,907	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:

The Company is a life insurer and is engaged in the sales of life insurance policies and related products.

2. Proportion:

Business type	Proportion (%)
Life insurance	56.7
Accidental injury insurance	3.3
Health insurance	20.6
Annuity	0.0
Investment-linked insurance	19.4
Total	100

3. New financial products and services under planning:

(1) Product innovation:

The mission of an insurance company is to promote a healthy life and a fulfilling retirement to its customers. In 2023, the product development will continue to revolve around the two principles, healthy life and fulfilling retirement, with the focus placed on the four aspects, retirement wealth management, elderly, medical care and health:

- A. Retirement wealth management: Provide customers a prudential and sound retirement plan that leads them to a safe and satisfying second half of life with the diverse insurance allocation oriented on investment-linked products combined with interest sensitive products.
- B. Elderly: Continue to launch dedicated elderly-friendly products and build a protection pyramid in conjunction with the innovative services to enhance the physical and mental health of elderly.
- C. Medical care: Develop high-end self-pay medical devices or innovative products under the new reimbursement arrangement to ensure that the general public can receive quality and sufficient medical care in any emergency.
- D. Health: Take initiatives to encourage ongoing health promotion for the general public; the health plan “FitBack” provides rich incentives along with various member-exclusive spillover-effect products, the first in the industry, to motivate the general public to improve health and thereby extend their participation time in the plan.

- (2) Customer group management: Develop the digital marketing blueprint and deploy multiple application scenarios at each point of purchase to create the “data-driven marketing” model. Meanwhile, assist the implementing unit to take over and provide personalized insurance experience with improved sales efficiency and optimal customer experience, and thus achieve the goal of a win-win-win situation for the company, channels and customers.

- (3) Digital Development: Follow the Group’s digital transformation strategy fostering an ecosystem for finance, health and travel and actively develop

partnering merchants providing diversified services. Allow customers to freely spend their reward points and benefits or simply purchase from any merchant on the platform of Cathay ecosystem. Cathay Life also pays attention to the advance of digital journey, innovative products and specialized services, so in addition to the upgrade and optimization of the investment platform, it also simultaneously elevates its consultant scheduling and novel customer service. Through the integration of online and offline channels, it aims to lift customer service experience to another level. This data system will be applied in the exploration of innovative finance and insurance services, thereby further optimizing the business model.

■ **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	12.0
Consumer banking	64.4
Wealth management	13.7
Investment and other	9.9
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) Revolve around digital data empowerment and give autonomy back to customers. The Bank can adjust the applicable benefits via the simple benefit switch

program between the CUBE card and CUBE App according to market trend and customer demands and join with diverse merchants to promote and push discount packages to customers, so as to expand card holder and user base.

- (4) Establish the first and most comprehensive intelligent investment platform in the industry: lowered investment threshold, optimal guided purchase and rebalance process and service; 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. Steadily develop the corporate lending service, optimize customer structure, highlight the targeted industries, expand the customer base of Taiwanese enterprises and local businesses to explore potential business opportunities.

■ **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 accidental injury and health) and related products.

2. Proportion:

Business type	Proportion (%)
Automobile insurance	58.2
Fire and engineering insurance	20.5
Flood insurance	3.9
Injury health insurance	7.8
Casualty insurance	9.6
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) Trading 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
- (10) Brokerage trading of foreign securities – sub-broker, high net worth customers
- (11) Introducing futures brokering

- (12) Futures business
- (13) Securities-backed lending
- (14) Unrestricted purpose loans
- (15) Full fiduciary discretionary investment service through mandate
- (16) International securities service
- (17) Money trust, securities trust, non-discretionary money trust management, and special-purpose non-discretionary money trust management
- (18) Other securities-related business approved by the regulator

2. Proportion:

Business type	Proportion (%)
Brokerage	88.6
Proprietary trade	9.8
Underwriting	1.6
Total	100

3. New financial product and service road map:

- (1) Complete and improve the functions of Cathay Securities' APP and refine on-line user experience diversified.
- (2) Continue to diversify financial products, such as warrants and structured products to address customers' needs.

■ **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	64.3
Management fee income – private placement funds	1.0
Management fee income – private equity funds	1.0
Management fee income – discretionary investment	31.1
Sales commission incomes	2.3
Service fee incomes – discretion consulting contracts	0.3
Total	100

3. New financial products and services under planning:

- (1) Develop low-carbon-emission/climate-related products by following the global trend and government's policy and promote the investment portfolio for carbon reduction.
- (2) Capital will continue to flow into passively managed products leading to apparent growth of bond ETFs after the interest rate increase. Therefore, the development of ETF products will focus on three aspects, future trend, investors'

preference and cross-category/cross-channel products whereas the development of actively managed products will mainly address the needs for retirement wealth management, high yield and investment-linked products.

- (3) 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.
- (4) 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 offer 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.
- (5) The Cathay Retirement Platform will be continually improved 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.
- (6) 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	99.7
Interest and other income	0.3
Total	100

(II) Business plan of the year

■ Cathay Financial Holding Co., Ltd.

In 2022, global economic growth slowed due to the impact of high inflation, interest rate hikes, and geopolitical issues. Global economic growth will remain affected by risks such as concerns about a near term economic recession, tightening monetary policies, and geopolitical threats. In 2023, we will continue to embrace new opportunities and challenges with a cautious attitude. In the new year, we will 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.” At the same time, we will maintain flexibility in our business strategy to respond to fast-changing markets.

Over the past 60 years, Cathay FHC has upheld the attitude of “take accountability with courage and pioneer new frontiers” in the face of various challenges. Going forward, Cathay FHC will employ our long-term robust development strategy by improving our regional expansion, accelerating digital transformation and business innovation, and leveraging our financial competencies to realize sustainable finance, thereby achieving a dual-transformation: “technology and sustainability.” Our 2023 business plan is outlined below:

1. Complete Regional Expansion with the Goal of Becoming a “Leading Financial Institution in the Asia-Pacific Region”:

Cathay FHC remains committed to our vision of becoming a “leading financial institution in the Asia-Pacific region.” We will complete our regional expansion and connect our business networks in Greater China and ASEAN markets to provide overseas Taiwanese and local clients with financial services and products that meet their needs. By tapping into our successful experience in financial development and the resources of our local strategic partners, and fostering key international talent, we will further reinforce our local operations, enhance business value for the group, and create profits for our shareholders.

In addition, Cathay FHC will continue to reinforce the blueprint of our asset management business by recruiting and cultivating asset management talent, developing a complete offering of investment products, enhancing management capabilities, increasing assets under management, and extending the reach of our asset management business from a global perspective to accelerate the third pillar of group’s three engines of growth “Insurance + Banking + Asset Management.”

2. Drive Digital Transformation and Build a Data-Driven Innovation Ecosystem:

With an aim to become a “technology company that provides financial services” with Cathay-as-a-Service (CaaS) as our core, Cathay FHC leverages digital, data, technology, and cross-organizational collaboration to strengthen cross-industry capabilities. We seek to build a data-driven culture and transform digital development processes to create excellent digital experiences. While maintaining financial services stability and optimizing service processes, we strive to develop innovative products, processes, and scenario-based finance through data empowerment, and in turn enhance customer experience and operational efficiency.

We have adopted the strategy of connecting finance with daily life activities and seek to build a comprehensive ecosystem through cross-industry cooperation, diverse payment tool integration, and solid digital capabilities. In the future, we will continue to strengthen our data infrastructure, optimize data integration processes, cooperate with our partners to create “Cathay Open Finance” cross-industry financial experiences, develop more diverse touchpoints and business models, and embed financial services into our customers’ daily life. By combining financial services, technology, and touchpoints, Cathay FHC seeks to build an innovation ecosystem.

3. Combine Financial Competencies and Sustainable Development to Realize the Goal of Sustainability:

In the face of business risks arising from increasingly stringent financial regulations, global political and economic changes, and climate change, Cathay FHC will respond prudently and practically to the impact that market changes have on financial markets. We will continue to optimize our asset/liability management to strengthen the group's overall capital structure and reinforce the three areas of focus: "climate, health and empowerment" to achieve sustainable development. Cathay FHC has constructed a strategic blueprint for sustainable finance by leveraging our diverse financial competencies and focusing on sustainable operations, and continues to uphold our spirit of "Sustainable Cathay; Contributing to the Community," to realize the goal of sustainable operations and guide the industry toward the sustainable development.

■ Cathay Life Insurance Co., Ltd.

Cathay Life's mission is "Security in Life," to prioritize the rights and interests of the policyholders as one of the utmost considerations, to elevate the brand value and influence through the corporate sustainability and core functions, to move towards the goal of becoming the international benchmark brand of insurer. With the vision of "Smart, Simple, and Safe through InsurTech," we will invest the development with innovative thinking, and continue to strengthen the infrastructure in the areas of data, IT and business support, to provide more efficient service support.

1. Digital development

To enhance the customer-tracking capacity of digital channels, Cathay Life has built an interactive platform for the pre-sales marketing, to ensure the enlightenment of users, to the process of behavioral decision-making. By leveraging the function of "consultant scheduling" to "novel customer service" the positive feedback of user experience is elevated by combining the on line and off line service channels. By deepening the innovative models, such as open API and new business cooperation, and the breadth of alliances with other industries, we have built an insurance ecosystem to bring customers a high-quality digital experience.

2. Business development

(1) To connect with IFRS17, the business-related procedures has been incorporated with the CSM index to strengthen the sales strengths of accident and health (A&H) insurance products simultaneously, to provide customers with complete protection. To embrace the trend of digital marketing, we also actively develop digital tools with integration of various applications to enhance the efficiency of our sales teams.

(2) Cathay Life adjust the incremental landscape on the rolling-basis to for the short-, medium- and long-term plans from introduction, cultivation and development of talents, while expanding the operation of part-time staff organizations ,to promote organizational development momentum.

3. Customer service

(1) Taking the health awareness of "prevention beforehand" as the core, Cathay Life plans the policyholder management activities, incorporating sustainability, public welfare and environmental issues, while enriching the content of VIP online seminars.

- (2) Through innovative technologies that detect risks, we strengthen the quality, efficiency and internal control process of complaint handling, to ensure the elevation of quality for each service process, and makes the optimization of customer experience is made more meaningful.
- (3) Establish the mechanism of fair customer treatment evaluation, to implement the ethical management top-down, and the culture of friendly service, toward the continuous excellence of “Fair Customer Treatment Evaluation.”

4. Talent development

- (1) To enhance the momentum of organizational growth, in addition to cultivating cross-disciplinary, professional and international talent development strategies, Cathay Life also focus on the education of part-time staff (CA), planning for marketing capability enhancement, and the digital tool supporting system, to guide the development quality of business forces parallelly.
- (2) Cathay Life provides complete training for reserve, pre-employment and in-service employees, and upgrade the cultivation function of the officers' meetings with the content of co-learning teams, group discussions, and practical exercises, to raise the weight of indicators in performance appraisal procedures, helping the organization to lay a solid foundation of talents.

5. Internal control

- (1) On top of enhancement of legal compliance, implementation of effective risk management, and emphasis on information security, implementation of the internal audit/control system, Cathay Life continues to promote contract quality and strengthen abnormality control. Cathay Life strictly conforms to the financial legal compliance, and maintenance of the utmost rights and interests of customers, to build a firmer foundation of the corporate 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 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. As the pandemic subsides, driven by the factors such as increasing interest rate, inflation pressure and capital inflow, the overall market value and volume are backed by rigid demands for self uses and long-term asset allocation while demands in consumer banking market remain strong. Meanwhile, the Bank will continue to improve the transaction service process and user experience for online loan applications.

2. Wholesale banking

As its corporate banking business constantly grows, in order to separate responsibilities by industry, the Bank staffs a dedicated corporate banking team that provides the best solutions tailoring to special needs of various customers with frequent and standardized products. In

addition, it ramps up the efficiency of business expansion via the Group's management mechanism while maintaining balanced profit and risk.

3. Wealth management

- (1) While encountering the noise in the financial market, provide the professional wealth management consulting service and asset allocation programs with the Bank's expertise in market analysis and investment strategy; at the same time, coping with the 2022 financial market fluctuation where the global stock, bond and foreign exchange markets became excessively volatile, the Bank stressed more on customers' asset position and tightened up the control over customers' investment risk to maintain asset security and customers' rights.
- (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. In addition, the Bank continues to develop the online wealth management business and expand the wealth management function on its online bank and App, thereby offering a more accessible investment management tool for its customers; through the integration with the account opening and stock investment services offered by Cathay Securities, the Bank further furnishes customers with the one-stop shop packed with the Group's services.

4. Trust

The AUM of real estate trusts totaled NT\$83.5 billion while the AUM of personal and corporate trusts amounted to NT\$90.2 billion. The total assets under custody amounted to NT\$1,078.6 billion, increasing by 13%, 51% and 5%, respectively, in comparison to those of 2021.

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) Focus on the "CUBE Card" program launched in August 2021, which introduced the innovative self-managed benefits and the benefit switch program on the CUBE App, to encourage the digital activity of cardholders and deepen the partnership with merchants. Starting from the second quarter of 2022, the Bank has rolled out the all-new benefit withdrawal mechanism on its CUBE App where a customer who holds both a card and an account and completes a mission can enjoy the privilege of benefit upgrade. The critical goals of product cross-selling, customer digital activity and contribution were therefore improved. Moreover, by extending the concept that the CUBE card converge different needs, the Bank wishes to gain further understanding about customers' preference and expand the benefit program to a boarder range of selection. In the fourth quarter of 2022, the Bank rolled out the well-received "Collect and Select" benefit program, allowing card holders to select their rewards from designated popular brands and in grocery shopping. As of the end of the year, the number of outstanding CUBE cards reached 3 million.

- (2) The pandemic has accelerated the growth of digital services and led to a wide range of digital payment and digital wallet applications. To accommodate the shift to contactless digital transformation in the post-pandemic era, the Bank uses the means of precise big data analysis on consumer preference, cross-industry alliance and differentiated marketing collaboration to discover the opportunities for partnership with merchants while oriented on customer relations management. The Bank thinks out of box to create a wide range of merchant partnerships in the hope to reach out to customers who were once unreachable, hence the expanded market penetration.
- (3) On its digital transformation path in 2022, the Bank converged the outcomes of financial innovations from the past and introduced the basic principles of “digital innovation, digital drives, and customer experience.” Based on these principles in conjunction with the omni channel service strategy, the Bank took the initiatives to provide customers the exclusive shopping benefits, service scenarios and product package recommendations with a good understanding about customer persona through data analysis. It has also been active in implementing the mobile-first smart transformation. Under the framework of CUBE brand integration, the Bank aims at the optimal customers’ experience journey, a multi-functional financial ecosystem and frequent customer activities, so as to maximize the value of customer management.

7. Automatic Channel Business

- (1) Transaction acquisition service: In 2022, the Bank launched the important partnership with the PX Pay Plus and +Pay for electronic payment and collection, and in the first half of the year, it completed the linkage between the automated transaction acquisition platform and the bill/tax payment platform of the Financial Information Service Co., Ltd. As of December 2022, the Bank has contracted with 103,627 merchants.
- (2) Emerging payments: The Bank became a partner with large chain channels for providing emerging payments service on their digital platforms, and from there, it further explored a wide range of bilateral collaborations. Following the introduction of digital CUBE credit card application service to 7-Eleven and FamilyMart APP in 2021, the same application service was added on the PX Pay APP of PX Mart in 2022, and this has further increased the number of application scenarios for introducing the Bank’s products to members of these channels. In 2022, it also initiated the “One Click to Add Card” function on the CUBE App where cardholders can link their credit cards to the digital wallets of particular channels by simply logging in the App without entering the card number. The said function was first introduced for 7-Eleven’s OPEN wallet and FamilyMart’s My FamilPay.
- (3) In addition to actively expanding quality channel points at Hi-Life, PX Mart, FamilyMart and Taipei Metro, the Bank has also improved the financial facilities of remote areas and for people with disabilities and collaboratively offers innovative services, in order to expand the scope of convenient financial services to customers.

8. Digital banking services

In order to offer its customers diverse, self-managed and personalized financial services, the Bank used the technology empowerment in providing customers more self-managed options, renamed the online banking app the CUBE App and subsequently made it the primary entrance for 6.4 million digital users of the Group. More than 30 million persons access financial services via

CUBE App and online banking every month, and the transaction frequency has grown by 6 times within 5 years. The CUBE App applies digital empowerment in many of its product designs, e.g. the CUBE credit card has broken the traditional rules for benefit rewards by allowing additional rewards and daily switch between benefit programs on the App, and thus given a rise to self-managed, diverse and personalized financial experience; in the future, the CUBE App will be constructed as the one-stop-shop financial platform that serves as the starting point to access various financial services of the Group and direct customers to more of the Group's services. In 2022, the Bank enhanced the account and credit card service functions, launched 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 CUBE App's and KOKO App's codes and passwords, such that KOKO App's users, through some simple setting steps, can use the identical set of code and password to log into both platforms and enjoy a smoother digital experience across platforms.

9. Overseas operations

In response to overseas development of Taiwanese enterprises and regional integration and development of Southeast Asia, the Bank will continue to place emphasis on the two major regional markets of the Greater China and Southeast Asia aiming to build a more comprehensive financial service/product portfolio and network. As of the end of 2022, the Bank has established 68 business locations in the Greater China and ASEAN.

- (1) In April 2022, the Cathay United Bank Chu Lai Branch in Vietnam was relocated to Ho Chi Minh City and renamed Ho Chi Minh City Branch in order to closely serve its customers; in July of the same year, the margin trading for hedge service was launched to address customers' needs.
- (2) In June 2022, the Hong Kong Branch signed a memorandum with the HKQAA and was granted the "Green and Sustainable Finance Award – Outstanding Award for Green Loan Structuring Advisor" and named the "Pioneering Organization in Climate Disclosure Planning."
- (3) In July 2022, the Manila Branch underwrote the first sustainability-linked loan in the Philippine market.
- (4) In November 2022, the Bank's subsidiary in Mainland China introduced the green deposit program ahead market with a deposit-taking size of RMB¥80 million.

10. Treasury service

The lift of pandemic restrictions has led the recovery of service industry and consequently softened the impact of manufacturing industry plunge; however, the increases in salaries and rents has kept the inflation high whereas the Federal Reserve responded with rapid interest rate increase. The excessively tightened capital environment has led to the loss of energy in the financial market, and the resultant market fluctuations has thereby influenced corporate customers' trading volume. In 2022, the income derived from derivative spread grew by 14% compared to last year, and the bond business showed a 21% annual increase.

■ Cathay Century Insurance Co., Ltd.

1. Business policy

- (1) Focus on “the neglected 1% in asset management” and continue to explore customers’ needs. Use the idea of full insurance coverage to minimize losses as an appeal to increase the sales of personal insurance products. Reinforce the promotion of special industrial area using the optimal auxiliary sale resources and management mechanism and elevate the performance and organizational efficiency of commercial insurance products in order to foster the balanced development of all insurance products.
- (2) Improve the one-stop shop digital insurance platform to offer customers comprehensive service experience with the complete pre-sales and after-sales services in a cross-industry scenario; increase opportunities for new customer acquisition and formulate marketing strategy that precisely addresses customers’ needs and increases business performance based on channel characteristics.
- (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) Incorporate digital technology into the risk management operations by supplementing the quantitative technology with data and the evaluation with visualization to enhance the company’s risk management mechanism, and thereby strengthen all risk monitoring functions.
- (2) Stress on insurance capital supervision by implementing risk-based capital management while balancing business solicitation, risk diversification and sound financial structure in order to maintain good solvency and the most adequate RBC level.
- (3) Enhance business quality control by periodical monitoring of loss ratio and reasonable policy terms and assist in risk management by leveraging professional competency.

3. Insurance service policy

- (1) Adhere to the customer protection and fair customer treatment philosophy, refine operating procedures and enforce the principles of self-discipline and self-correction; plan business strategies in line with customers’ needs, and utilize digital 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) Link digital technologies with the insurance value chain in order to create innovative and convenient insurance application experience for extensive digital customer base.

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.

■ Cathay Securities Corporation

1. Promote the use of our digital brokerage services to generate internal synergies for business opportunities.
2. Expand digitalized services to include futures and sub-brokerage in order to provide customers a continues, one-stop-shopping, service.
3. Gain insight on product and service demands through big data mining.
4. Expand securities lending and discretionary investment opportunities by accurately predict market trends.
5. Enhance investment performance by offering a complete roadmap of structured products, prudent issuance of warrants, and the optimization of trading strategies.
6. Elevate the visibility of the underwriting team in order to attract more high profile deals. Leveraging the relationship established by the underwriting team, financial advisory team can provide additional financial advices to assist companies in their operation.
7. Adhere to the principle of equal treatment of all customers and strengthen internal risk management mechanisms.
8. Join inclusive finance and brokerage services to provide sustainable investment opportunities for investors.

■ 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 ETFs under management.
2. Improve the performance of mutual fund, ETF, discretionary investment and private equity fund under management, as well as the size thereof.
3. Research and develop new product trend and initiate innovative fintech applications and services aiming to become a leader in Taiwan and the best asset management expert in Asia Pacific.
4. Integrate the group's global asset management resources and cultivate people and channel platform so as to expand service on an international scale. Adopting innovative applications of Fintech.
5. Continue to develop and complete the product portfolio for retirement and wealth management education services, and take initiative in digital transformation to increase the satisfaction rate of all ages.

■ Cathay Venture Inc.

1. Master technology trend and expand investment portfolio
2. Improve risk management and pursue investment returns
3. Recruit cross-industry talents and join external partnerships

(III) Industry Overview

At the beginning of 2022, the interruption of global supply chain has been worsened due to the Russia–Ukraine War and the hike of global energy price, as well as the revenge shopping as the result of pandemic restriction lift in the US and Europe put a jump in demand, hence the increased price pressure on consumer goods. To prevent loss of control on inflation, the US Federal Reserve turned on the aggressive interest rate increase mode and drastically raise the policy interest rate, resulting in a drop in the price of risk-weighted assets, such as stock, and a jump of bond yield. Looking forward to 2023, although the early restriction lift in China may relax the downward pressure on the global economy, the deferred impact of the tightening policy of the major central banks remains. The global economic growth rate is likely to reach rock bottom in the first half of this year and slowly rebound in the second half of the year. The pressure caused by high inflation may possibly be eased whereas the inflation rate is likely to fall slowly, and the high policy interest rates of major central banks may remain at the higher level for a long period. Review and outlook of the domestic life insurance and banking industries are presented as follows:

In terms of business environment for life insurance industry, despite the deregulation of remote service by FSC in 2022 bringing more opportunities in the market, as COVID-19 pandemic continues domestically, the insurance industry will still face the challenges of a super-aged society with low fertility and negative spreads. Coping with these challenges, Cathay Life intends to make an impact on the topics of sustainability, health management and medical care for elderly through the development and sale of products. It also aims to build a financial and health ecosystem with the development of related products and services, so as to shorten the distance between insurances and the general public.

With regard to the business environment for the Bank, factors such as the Russia–Ukraine War and deglobalization gave a rise to the skyrocket of raw material prices in the global market leading to the inflation. A policy of rapid and steep interest rate increase has been adopted by many major central banks to restrain the rising inflation, and it has consequently led to the global market fluctuation that put great pressure on the Bank’s assets and risk management. To deal with such severe challenges in the market, the Bank is committed to the increase of business capability for information security, system stability and digital service in addition to the adjustment for optimal asset structure. In the pursuit of sustainability, the Bank maintains its competitiveness under a volatile economy by gaining customer trust. In 2022, the domestic bank return on assets is 0.64%, return on net worth is 9.19%, overall non-performing loans ratio is 0.15%, such that the operation performance is stable. Looking ahead, the uncertainties in the domestic and international market arising from the ongoing tightened monetary policies of major countries, high inflation rate in the globe, geopolitical risk and COVID’s long shadow will require the Bank’s full attention.

(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	2023 (Estimate)	2022	2021
Amount	472,191	339,054	287,742
Growth rate (%)	39.3%	17.8%	3.7%

(2) Results of research and development:

A. Product innovation:

With respect to the social development trend and market demand, take initiative in the development of innovative products and provide a wide range of protection services tailored to demands of various customer segments:

- (a) As the time spent on 3C devices by Taiwanese reaches a new high, the four major eye diseases (cataract, glaucoma, macular degeneration and retinal detachment) has become prevalent, so the company has initiated the “Jing Cai Ren Sheng Surgery Medical Health Insurance Rider” to increase the coverage on eyes.
- (b) It is found that a higher BMI is associated with higher risk of cardiovascular diseases, so the company launched the first weight loss insurance policy, “Zhi You Wei Ni Specified Illness Term Health Insurance (Spillover-effect Type),” in the industry to strengthen coverage on related customer segments.
- (c) It is found that elder people’s insurance applications are often rejected due to their health conditions, so the company also introduces the insurance products for elderly, such as the cancer insurance, “Le Kang Ai Cancer Prevention Term Health Insurance (Spillover-effect Type)”, which has the highest age limit for application (80 years old) in the industry to fulfill the need of protection for such a group.

B. Customer Group Management: Construct a data-driven marketing model to continuously collect critical data and build diverse marketing scenarios. Increase the work efficiency of sales representatives to improve customer experience journey by leveraging the three key engineerings of critical data, marketing model and resource allocation.

C. Digital development: Cathay Life capitalizes its breakthrough in digital transformation of recent years and incorporates innovation into its primary insurance service to offer its customers a wide spectrum of insurance products and create more epochal financial services. For example, in 2022, it rolled out the revolutionary cross-industry product, the “Interest Is Coverage,” which convert interests of time deposits into premiums for 1-year term accident insurance or reimbursement health insurance; the innovative product “iSmart Variable Life Insurance” approved for trail run at the end of the same year has integrated the wealth management service by the smart investment robot and the big data algorithm to make insurance and wealth management smarter, easier and more efficient.

2. Research and development plan in the future

- (1) The “healthy life and fulfilling retirement” are the mission of an insurance company; in 2023, the company will carry on the two principles by focusing placed on the four aspects, retirement wealth management, elderly, medical care and health, in its product development:
 - A. Retirement wealth management: Provide customers a prudential and sound retirement plan that leads them to a safe and satisfying second half of life with the diverse insurance allocation oriented on investment-linked products combined with interest sensitive products
 - B. Elderly: Continue to launch dedicated elderly-friendly products and build a protection pyramid in conjunction with the innovative services to enhance the physical and mental health of elderly.
 - C. Medical care: Develop high-end self-pay medical devices or innovative products under the new reimbursement arrangement to ensure that the general public can receive quality and sufficient medical care in any emergency.
 - D. Health: Take initiatives to encourage ongoing health promotion for the general public; the health plan “FitBack” provides rich incentives for health promotion. In conjunction with various member-exclusive spillover-effect products, the first in the industry, motivate the general public to improve health and thereby extend their participation time in the plan.
- (2) Customer group management: Develop the digital marketing blueprint and deploy multiple application scenarios at each point of purchase to create the “data-driven marketing” model. Meanwhile, assist the implementing unit to take over and provide personalized insurance experience with improved sales efficiency and optimal customer experience, and thus achieve the goal of a win-win-win situation for the company, channels and customers.
- (3) Digital Development: Follow the Group’s digital transformation strategy fostering an ecosystem for finance, health and travel and actively develop partnering merchants providing diversified services. Allow customers to freely spend their reward points and benefits or simply purchase from any merchant on the platform of Cathay ecosystem. Cathay Life also pays attention to the advance of digital journey, innovative products and specialized services, so in addition to the upgrade and optimization of the investment platform, it also simultaneously elevates its consultant scheduling and novel customer service. Through the integration of online and offline channels, it aims to lift customer service experience to another level. This data system will be applied in the exploration of innovative finance and insurance services, thereby further optimizing the business model.

■ 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	2023 (Estimate)	2022	2021
Amount	975,844	704,389	571,981
Growth rate (%)	38.54%	23.15%	4.52%

(2) Research and development outcomes completed in 2021:

Unit: NT\$ thousand

Name of major project	Investment
Private banking-Hong Kong	84,191
Renewal of the branch's IoT firewall	22,200
Video chat for customer service	20,831
New seal platform	7,950
Smart workstation	3,510
Implementation of overseas accounting system – Vietnam	1,086

2. Research and development plan in the future

Plan/project in the most recent year	Progress	Additional budget required (NT\$ thousand)	Estimated time of completion	Factors critical to the success of research and development
Private banking-Headquarter	In progress (10% incomplete)	8,334	2023/7	Effective communication with the departments in need
Application and transaction fraud detection system construction	In progress (12% incomplete)	15,376	2023/8	Effective communication with the departments in need
Group Market Risk Management System (ALGO) upgrade	In progress (85% incomplete)	1,486	2023/9	Effective communication with the departments in need
Establishment of the remote cloud backup mechanism	In progress (60% incomplete)	1,422	2023/12	Information infrastructure integration and optimization
Renewal and upgrade of the credit card server	Planning in progress	173,800	2024/3	Information infrastructure integration and optimization
Plan for the construction of the phase II network in the QingPu Information Center	Planning in progress	205,000	2024/12	Information infrastructure integration and optimization
GMB 3.0	In progress (95% incomplete)	16,000	2024/12	Effective communication with the departments in need
Implementation of corporate banking CRM system	Planning in progress	19,374	2024/12	Effective communication with the departments in need
A-A implementation of NTD core banking system (Bancs)	In progress (70% incomplete)	27,700	2025/3	Information infrastructure integration and optimization
Transformation of the operational data store (ODS)	Planning in progress	54,720	2026/3	Performance feedback of the operational data store

■ 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	2023 (Estimate)	2022	2021
Amount	3,720	2,521	2,289
Growth rate (%)	47.58%	10.12%	-12.36%

(2) Research and development results thereof in the last two years:

A. Digital aspect:

Turn around and re-arrange operational procedures to accomplish the end-to-end integration from sale to underwriting with the immediate identification of a customer's industry. Drive product planning by risk where customers' risk coverage gap is taken into account in all dimensions in order to offer the appropriate commercial insurance products. In addition, use the big data decision-making engine to determine a customer's risk level, and, based on the customer's risk level, promptly provide the underwriters corresponding review suggestions, therefore accelerating the underwriting process.

B. Damage prevention aspect:

Cathay Century Insurance is dedicated to providing risk control and damage prevention. Backed by a professional damage prevention team and an extensive database of past claims, the company is able to conduct in-depth analyses to identify the 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:

According to various everyday scenarios, such as outing, car rental, water sports, hiking and public transportation, design the corresponding insurance solutions along with an e-commerce-like application process that enables customers to apply insurance as easily as they shop online.

D. Credit ratings and awards:

Cathay Century Insurance continues to earn strong praise and recognition in the industry. It won three gold medals and five silver medals in the "Insurance Excellence Awards" and five excellence awards in the "Insurance Faith, Hope, and Love Award" and was recognized for its corporate sustainability by the "Taiwan Corporate Sustainability Award." Furthermore, the robust financial structure of Cathay Century Insurance has been awarded with the excellent credit ratings of "twAA+" from Taiwan Ratings, "A-" from S&P, "A2" from Moody's and "A" excellence evaluation level from AM Best.

2. Research and development plan in the future

- (1) Continue to construct data infrastructure and implement digitalized processes for the enhancement of the property insurance value chain, raise operational efficiency and optimize customer service quality, 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. Business development spending in the last two years and the results:

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

Unit: NT\$ thousand

Year	2023 (Estimate)	2022	2021
Amount	32,926	31,280	19,962
Growth rate (%)	5%	57%	13%

- (2) Business development results in the last two years:

- A. Complete the platform optimization, such as intraday odd lot trading and intelligent order placement.
- B. Improve the account opening process for customers, such as the opening of a future online account.
- C. Implement sustainable finance and fair treatment services, such as ESG sustainability section and website, and age-friendly services.

2. Future business development plan:

- (1) Improve the online securities account opening and service
- (2) Improve trading and order placement services
- (3) Optimize the user-interface and services of the official website
- (4) Improve the intelligent customer service function

■ 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	2023 (Estimate)	2022	2021
Amount	28,854	24,880	20,420
Growth rate (%)	16%	21.8%	-2.4%

- (2) Results of research and development:

- A. Upgrade of the investment management system architecture and functions
- B. Construction of investment data station and the automated investment model
- C. Comprehensive enhancement of information security protection
- D. Company website and electronic transaction platform user interface and experience optimization
- E. Construction of the application program interface (API) service for the financial ecosystem

2. Research and development plan in the future

Plan in the most recent year	Progress	Additional budget required (NT\$ thousand)	Estimated time of completion	Plan description
Implementation of fund accounting system	In progress (60% completed)	2,180	2023/12	Construction of new fund accounting system, integration of new investment management system, optimization of data and process automation, allowing accounting personnel to complete net asset value settlement accurately and swiftly.
Construction of dual information centers	In progress (60% completed)	8,602	2023/12	Establishment of the dual information centers and completion of data and service backup mechanism to achieve the goal of business continuity.
Annual information security strengthening program	In progress (70% completed)	7,844	2023/12	Completion of the information security enhancement measures, such as the information security standards verification by a third party, the DDoS drills, the white hat hackers, the SOC information security monitoring and information security governance maturity assessment.
Enhancement of digital operation	In progress (60% completed)	4,080	2023/12	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 tool model R&D	In progress (30% completed)	3,190	2023/12	AI intelligent stock selection model and AI investment research tool R&D
Introduction of digital tools and automated process	In progress (60% completed)	2,958	2023/12	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

Although the pandemic shows a sign of easing, the insurance business environment currently still faces a number of challenges including changes in accounting standards and regulatory environment, insurance technology boom and a shift in demographics, for which a short-term plan is required:

- (1) Enforce data governance; enhance preventative internal control and asset & liability management (ALM) for building a sound corporate structure.
- (2) Adopt international standards, e.g. IFRS17, ICS2.0, make ongoing adjustments to product structure and optimize asset allocation for an equilibrium between the bottom line and a robust financial structure.
- (3) Maintain business resilience, develop novel business model through agility, integrate talents from various fields, and implement flexible work modes to accommodate the drastic environment changes.
- (4) Capitalize the group resources, ensure the alignment between organizational development and quality, and build a highly value-added team.

- (5) Provide innovative and diverse products to address customer demands for financial protection and retirement wealth management and to cope with challenges.
- (6) Extend the remote service, turn the service of online channels a regular, and optimize the customer experience for procedures in online and offline channels in the expectation to provide diverse financial service.
- (7) Combine the core competency of an insurance company, the Group's major sustainability focuses on climate/health/empowerment and domestic and international trends and initiatives to develop the company's corporate sustainability policy and action plan and continue observing the Principles for Sustainable Insurance (PSI) in alignment with the Group's RE100 and SBT carbon reduction goals.

2. Long-term business development plan

Taiwan will soon face the four big challenges of pandemic, technology, aging society and climate change. In order to protect insured against the physical health risk (extended unhealthy life), mental health risk (loneliness) and financial risk (lack of financial support from children), Cathay Life has rolled out the three strategic focal points aiming to create corporate profits, sales opportunities and customer services:

(1) Develop a new business model for health

Extended from the existing platform, strengthen product value and connect with the value network by creating more solutions in conjunction with cross-industry services. Leverage the idea of points, lines and planes to develop new products and services and generate a profitable business model, and thus successively expand the source of new insurance policies.

(2) New elderly service platform

Design the elderly user experience, for which relevant service resources in the aspects of good financial planning, self-realization through fulfilling life and recovery with company and care are assembled, and provide the easy-to-find, easy-to-search and easy-to-understand integrated information to enable the full physical, mental and financial protection for elderly.

(3) Nurture sales representatives as new families

Oriented on the "new family" idea, together with the professional trainings for healthcare and retirement, encourage the sales representatives to step outside of their job scopes to provide a comprehensive range of services covering insurance, finance and health with the help of competency improvement and assisting tools. Motive sales representatives to create more value using the incentives including sales system, team training planning and salary and bonuses.

■ Cathay United Bank Co., Ltd.

1. Short-term business development plan

(1) Consumer banking:

- A. Optimize the mortgage and personal loan end-to-end assessment 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 protection-oriented products, in order to improve the awareness for insurance of the general public. Develop new forms of insurance products according to the needs of different customer groups and market trends, in order to satisfy diverse demands of customers.

(2) Corporate banking:

Complete infrastructure construction based on the principle of sustainable management and via the methods of talent planning and adjustment of business structure. Furthermore, make use of SME credit guarantee and financial assets for risk mitigation and improve the capital structure. Moreover, integrate resources of the Bank and initiate high frequency of interaction for extended cross-selling opportunities and stable 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. Build the CUBE parameter platform for customer group management across products and teams. In the presence of such a platform, carry out promotions of corresponding events and tasks in a more timely manner. Not only adjustments can be made to the credit card benefit program dynamically according to any changes in market demands, but also interactions with merchants become more flexible. The Bank can therefore provide more suitable promotional programs based on the customer's activities in the Bank. Via the benefit switch function of the CUBE card, increase the chance for customers accessing other financial products; integrate all financial needs in one single CUBE App. Personalize the App for cross-selling and customer group management; provide additional bonuses to be used in specific merchant stores based on consumer preference in the forms of promotional events and task wall. Built on the CUBE card, enable more variable personalization patterns and offer the most precise incentives to maintain customer loyalty and further improve profitability with the help of data analysis.
- B. Through the use of intelligent data tools, explore customers' consumer preferences in depth, access channels and different field scenarios, in order to discover customers of high operational value. In addition, offer extended secret benefit programs on various aspects according to the customer behaviors and preference. Meanwhile, cross-sell through these secret benefit program and launch the speed marketing event with reference to e-commerce operations to appeal customers by frequent event information notifications that drive card uses; provide personalized suggestions according to customer preference to align demands and experience. 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 to increase customer contributions, such that customer base can be developed and expanded via credit card products, in order to introduce diverse customer groups.

(5) Automatic Channel Business:

- A. Transaction acquisition service: Replace traditional transaction acquisition application and routine operation maintenance with digital services and further increase application efficiency and digital experience; in addition, monitor the movement of payments tools in the market aiming to follow with the trend and address merchants' needs for payment collection.
- B. Emerging payments: Deepen the partnership with merchants and, to a greater extent, incorporate the flexible and self-managed digital model of the CUBE with the channels' digital platforms, thereby improving customer experience.
- 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 and Southeast Asia for the development of localized services and expansion of product and service offerings (such as cash management service, trade finance, project finance, financial marketing, green finance, digital banking, and private banking) to support customers in cross-border deployment and sustainability.
- B. Raise the productivity and financial health of overseas subsidiaries. Continue to speed up the digital transformation and improve operational efficiency through optimal customer groups, enhanced products and services and cross-selling mechanism.
- C. Raise service quality and customer satisfaction by improve the education and training for corporate banking personnel and risk assessment of cross-border credit service, and enhancing the professional training for corporate banking sales representatives and customer service personnel.
- D. Strengthen financial position through ongoing balance sheet optimization and risk management, and implement internal control mechanism while maintaining proper balance between risk and profitability.

(8) Investment and treasury marketing:

- A. Enhance loyalty of the corporate banking customers and focus on both corporate finance and hedging.
- B. Improve transaction efficiency and reduce operating cost through ongoing process optimization.
- C. Appeal to more customers by means of auxiliary sale information and conferences.

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 personal loan service experience on the digital channel 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 the best 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 strengthen the competitiveness of the Bank.
- E. Through digital empowerment, build interactive scenarios, deepen customers' participation in wealth management with digital tools, and develop differentiated value proposition for wealth management; in addition, consolidate the group's resources to offer integrated wealth management service, link online and offline customer services and construct a group financial scenario for the optimal omnichannel customer experience.
- 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 green finance services by enforcing ESG; enhance operating synergy through hardware/software implementation, application of diverse scenarios, process optimization, and strengthening of sales channels; 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:

Oriented on the CUBE card, link to other products and services through the financial demand integration and benefits design, and expand the scope of optional services in alignment with trend, allowing customers to choose products and services needed, in order to shape the more thorough and notable personal financial services. Meanwhile, continue to develop the group reward points connecting with the Tree Points in order to reduce repeated operating costs and achieve a win-win situation by jointly offering member benefits with merchants. Allow users to earn reward points via a number of credit card benefits. The earned reward points can be used at the Cathay Discount, TreeBuy and cross-industry partnering channels; in addition, the discount can be applied on designated digital channels for every purchase not limited to merchants, time or location, and thus customers are more willing to collect the reward points and create the flow of reward points. In the future, plan the application of reward points in financial services by expanding the application scenarios and linking up the entire ecosystem;

constantly optimize services in the aspects of products, services and reward point application scenarios.

(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. Emerging payments: Strengthen the connection between channel members and the Bank's customers and integrate the group resources to establish a full-dimensional financial ecological service.
- 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. Making good use of the advantages of local and overseas locations of the Bank's subsidiaries and partners, continue integration of local and overseas platforms and alignment with development track of the Bank in ways that support the Bank's vision of becoming "the best financial institution in Asia Pacific"; provide comprehensive and convenient financial services and help customers improve efficiency and availability of capital in line with needs in the promotion of cross-border banking services in the Greater China Region and Southeast Asia.
- E. Strengthen the talent cultivation and development system and improve the Bank's learning platform and on-the-job and professional training in accommodation with the overseas development strategy aiming at becoming the best financial institution in the Asia-Pacific region.
- F. Monitor digital banking trends and initiate digital consumer banking business to shape a diverse and innovative financial service portfolio; explore and adopt green finance models; enforce risk management and sustainable practices while pursuing service innovation and financial/business growth.

(8) Investments and financial products:

- A. Strengthen the online sales product system and refine the product and service quality and efficiency.
- B. Address a spectrum of product queries and designs to increase sales volume and ratio of valid customers
- C. Improve risk management platform, monitor product sale risk appetite.
- D. Provide niche products for wealth management and hedging and increase pre-settlement risk limit utilization rate and service charge income.

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

1. Short-term business development plan

(1) Product strategies - Personal insurance:

- A. Continue the promotion of the “6-in-1 automobile insurance” and “2-in-one motorcycle insurance” and introduce the smart insurance underwriting for self-use automobiles, allowing underwriters to pay more attention on high-risk cases.
- B. Inspect the coverage of personal health and injury products to build products tailoring to customer needs and complementing the Group’s product portfolio.

(2) Product strategies - Commercial insurance:

- A. Continue the coordination with large professional insurance agents for commercial insurance and develop potential businesses in line with the government’s major policies; seek business opportunities with major group customers and increase the ratio of commercial insurance cases with managed risk in order to attain a balanced growth of all insurance products.
- B. Introduce the easy-to-use intelligent commercial insurance quotation system to increase the timeliness and convenience of quotation and overall commercial insurance application administrative efficiency. In addition, develop the professional competencies for commercial insurance underwriting and claim adjustment via education and training.

(3) Distribution strategies - Physical channel:

- A. Jointly train the sales representatives for the holding company with Cathay Century Insurance, retain the focus on the “neglected 1% in asset management” in conjunction with education and training to raise sales representatives’ activities in the exploration of new customers, and thereby secure basic sales at existing channels.
- B. Bank channel: Adjust the operational focus in response to the organizational transformation of branches and deepen the services for personal and commercial insurance products in the pursuit of stable performance growth.
- C. Self-developed channel: focus on the relationship with small-to-medium insurance agent/broker companies to enhance business performance; emphasize on the group consolidation of large cases and continuously increase the proportion of profitable cases, so as to explore new market opportunities.

(4) Distribution strategies - Digital channel:

Categorize customers effectively using marketing data technology and understand customer demands and breakpoints to accurately improve the digital experience for customers.

- A. Enhancement of digital marketing:

Make use of external cross-industry partnership to drive traffic (Line, Ettoday, etc.) and increase marketing exposure by following hot topics; increase accessibility to new customers via the cross-selling mechanism of the affiliated bank.

B. Intelligent advertising platform:

Based on the results of AI suggestions, advertise information to customers accurately and maximize the effect of advertising; in addition, by analyzing the data of browsing, clicks and deals, intelligently roll and adjust the target audience groups and frequency of advertising; improve customer experience and deal rate by ongoing perfection of advertising accuracy.

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) Leverage professionalism in insurance, explore market demands and implement risk control by regular renewal and replacement of the existing product portfolio.

■ Cathay Securities Corporation

1. Near-term business objectives

- (1) Encourage the use of our digital account opening platform to grow the number of active users. And, to improve user experience through the interactions new users have with our account opening platform.
- (2) Diversify revenue sources by expanding service road map to include sub-brokerage, OSU, securities borrowing and lending, discretionary investment, systematic investment plans and structured products.
- (3) Expand domestic and foreign institutional businesses by providing high quality research reports, sound structure products and corporate access.
- (4) Reinforce the role as the product underwriter to address the needs of the customers.
- (5) Leverage parent group's resources to facilitate the underwriting business both domestically and internationally.

2. Long-term business objectives

- (1) Collaborate to activate the digital ecosystem of the group, expand the customer interactions and integrate resources to acquire new business opportunities.
- (2) Construct a seamless domestic and international investment platform through the use of the digital business platform.
- (3) Continue to expand the scale of the underwriting business and aim to become a regional investment bank.

- (4) Strengthen product development and channel capabilities to build a complete platform of domestic and international financial products.

■ Cathay Securities Investment Trust Co., Ltd.

1. Short-term business development plan

- (1) Utilize available distribution channels and offer suitable funds based on customers' risk attribute and market trend.
- (2) Continue promotion of retirement financial management education, systematic investment plan and buy-low investment strategies in order to expand the customer group and deduction amount.
- (3) Improve the professional service for corporate customers, promote ETFs to corporate and individual customers, deepen the relationship with securities channels, and facilitate education and training and IPOs for a greater asset scale.
- (4) Continue to enhance the sales of major products, secure high market share by high service frequency, and maintain the sales momentum.
- (5) Continue to refine the digital marketing platform and marketing breadth; utilize critical investment news to promptly answer channels' requests; fill the service gap of physical channels to seize the sales opportunities upon the economic recovery in the future.
- (6) Promote quasi-discretionary-investment-linked insurance policies and grow partnership with mid-to-large banks for more sales at new channels.
- (7) Seek to participate in promotional events of custodian banks and promote single subscriptions and systematic investments.
- (8) Continue to promote the ETF systematic investment service of securities companies, and, along with digital securities marketing, raise the transaction volume and number of customers; improve the mutual fund product maintenance on the investment consulting companies' platforms (e.g. Anue Investment Advisors and Ezfunds Securities Investment Consulting).
- (9) Strengthen the sales of FunRich Securities' retirement mutual funds and the collaborate with the first domestic supervisory sandbox campaign, the "New Online Fund Swap Platform – Fund Swap," and market and promote to the PX Pay Plus members.

2. Long-term business development plan

- (1) Leverage group resources and Cathay's asset management platform and investment management team to deliver consistent long-term returns in line with customers' expectation, and hence improve business performance.
- (2) Grow the relations with internal and external channels of the Group, integrate and utilize the edges of each subsidiary in customer development and cross-selling in order to maximize the synergy of the Group.
- (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.
- (6) Strengthen the professionalism and capability in marketing and raise the finesse and accuracy of quasi-discretionary-investment products.
- (7) Promote the systematic investment business, explore and grow partnership, expand the size of AUM and share of retirement fund market, and further seek opportunities overseas.
- (8) Energize settlements in secondary market and increase the ETF market size and customer base by promoting ETF subscriptions to both institutional and individual investors.

■ 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) Strength 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 2022 results as an example, 28% of Cathay Life Insurance's first-year-premium was generated from the sale of insurance products through Cathay United Bank. For credit card business, 7% 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 58% 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, accidental injury 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

Cathay Life is the first insurance company to provide the remote insurance service, and it continues to invest resources for perfection. Combining with its primary insurance business, it focuses on developing a wide range of financial products and innovative services. Through the three key engineerings, that is, information collection, marketing model deployment and resource allocation, it has generated the data-driven marketing model that provides diverse ecosystem scenarios, and enhanced the work efficiency of sales representatives to improve customer journey.

2. Demand

Following the social development trend, in addition to a super-aged society and extended unhealthy life period, it is found that the time spent on 3C devices by Taiwanese continues to hit new high, hence leading to eye diseases and the high BMI. In addition to the corresponding products for a number of customer groups, Cathay Life also provides services such as discounts on premiums, increase of coverage or additional payment through the spillover policies, to encourage the general public to exercise regularly and maintain a healthy diet in order to prevent and reduce medical costs, hence the attainment of more spillover effects.

3. Future prospects

Adhering to the principles of “healthy life and filling retirement” and oriented on the concept of diverse allocation, the company guides the general public to plan a stable retirement life and develops high-end self-pay medical devices or innovative products under the new reimbursement arrangement to ensure quality medical care in any emergency. Meanwhile, it launched the “FitBack” health plan to encourage the general public to seek a healthy lifestyle and build a pyramid for comprehensive protection.

Cathay Life also pays attention to the advance of digital journey and distinctive services, so in addition to online and offline integration, it has also simultaneously improved its consultant scheduling and novel customer service for the development of the “data-driven marketing” strategy blueprint, thereby providing a more comprehensive service experience. At the same time, it follows the Group’s digital transformation strategy to foster an ecosystem for finance, health and travel and has been active in the collaboration with merchants to provide diversified services, so as to expand the scope of innovative financial and insurance services.

■ Banking

1. Supply

- (1) The COVID-19 pandemic has accelerated digitalization while industry peers have all improved the functions and scopes of their online channels. In addition to refining the customer experience in digital procedures, Cathay United Bank also develops its services towards personalization. Through the linkage between online and offline channels, it has integrated digital finance into customers’ life scenarios and expanded its touchpoints with customers in the hope to offer a full spectrum of customer-centric services.

- (2) The low profitability becomes a new normal in the financial sector due to competition and high product similarity, and it has become harder to maintain a certain level of profitability. Therefore, providing customer-oriented professional services is set to be the primary business strategy of Cathay United Bank.

2. Demand

- (1) The domestic pandemic has been stabilized progressively. Despite the impact of the increase of interest rate and inflation, the overall consumer finance market value and volume still benefit from the customers' rigid own residential demand and long-term property value preservation with stable support, such that the loan and mortgage business is expected to show stable growth.
- (2) The domestic population aging emphasizes the importance of retirement planning and inheritance demands. Accordingly, Cathay United Bank examines the wealth allocation and financial status to provide appropriate recommendations and product portfolio, thereby assisting customers to plan comprehensive retirement living and wealth inheritance.

3. Future prospects

To cope with the domestic and foreign market changes as well as consumer behavior changes of customers, 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 greater 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) With regard to the acceleration of digital channel development in the non-life insurance market in recent year, the company has been active to explore opportunities for cross-sector partnership in order to grow the ecosystem and service scenarios and seek new business opportunities and service models; it aims to increase customer stickiness with precise responses to customer demands for increased product sales; it optimizes digital platform according to feedback for enhanced service efficiency and customer experience while pursuing for comprehensive service functions with the automated operational procedures. It has thereby enhanced its brand recognition and customer usage and conversion rates.
- (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 the "Campus Traffic Accident Risk Map," and "Accident-free Series (Campus, Riders, Bicycles and Community)." These prevention services have reduced the frequency and severity of accidents and delivered the bilateral benefit for the insurance applicant and the beneficiary.
- (3) Cathay Century Insurance has introduced the full-dimensional damage prevention services that offer professional risk assessment and operational environment safety inspection, including the

“TRM stimulation inspection” and “IR electrical equipment inspection” for corporate clients to assist them in reducing the frequency of accidents and fulfill its social responsibility.

2. Demand

The government’s initiative of “2050 Net-Zero Emissions” has led to the demands for commercial insurance in the renewable energy sector; in addition, the emerging risks arising from the transportation electrification and digitalization, such as information security insurance and e-bicycle insurance, have introduced new opportunities to the market.

3. Future prospects

Looking forward in 2023, the global economy is expected to stabilize and return to the pre-pandemic level as the impact of COVID-19 pandemic has softened. The tension arising from automotive chip shortage and unpredictable delivery of imported vehicles in the past two years is likely to be eased as the capacity of automotive supply chain restores. Moreover, the trends in support of sustainability, such as the extension of vehicle replacement subsidy, hybrid cars and electrical vehicles, have posed a positive effect on the overall premium income of automobile insurance. In addition, in light of the authority’s “2050 Net-Zero Emissions” plan, the opportunities in energy market are massive; apart from the contribution of the sophisticated energy technologies such as offshore wind power and solar power, the new energy technology such as geothermal energy and marine energy will also give a rise to demands of relevant insurance and motivate the growth of commercial insurance market. On the other hand, the willingness of the general public to travel abroad increases as the border bans were lifted whereas the global tourism market is still under the threats of COVID-19 and monkeypox. Nevertheless, the factors including the acceleration of the digitalization of non-life insurance due to pandemic, increase in the popularization of online insurance application, the precision marketing with digital technology, the increased reaches to customers and the pursuit of service efficiency improvement with the constant optimization of service experience, have all posed positive impacts on the digital channels of non-life insurance companies.

■ 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 866 in 2022. Despite the lift of pandemic restrictions that eases the tension on the supply side, the factors such as the increasing geopolitical risk, the hiking inflation rate and the rise of interest rate by the Federal Reserve, plus the slowdown of China’s economic growth, have still shocked the primary market in Taiwan. The total number of IPO and SPO cases for the year declined by 6% while the annual underwriting amount decreased by 17%. Both the total number and amount of cases diminished. The authority is currently encouraging businesses with critical technology and innovative capabilities to raise capital and promoting innovation board and the pioneer stock board as the means to support the capital market.

2. Demand

As the geopolitical risk increased and inflation rate remained high, the global economy struggled in 2022 while the stock market declined at the same time, for example, the S&P 500 index has dropped

by 19% to 3,840 points and the TAIEX has declined by 22% to 14,138 points; in terms of turnover, the average daily turnover of TAIEX has fallen to NT\$304.1 billion in 2022 from NT\$476.3 billion in 2021, a 36% decrease. Cathay Securities will extensively improve the financial service experience through the innovation of digital service.

3. Future prospects

In the future, Cathay Securities, born with the digital DNA, will continue to dive deep into the possibility of more and better products and services and pursue for perfection of the customer experience in every point of service from online account opening, stock selection to transaction service. Meanwhile, a richer product portfolio that addresses the needs of all types of investors will be provided at Cathay Securities. Eventually, through the integration of internal and external resources of the Group, Cathay Securities wishes to offer its customers a truly safe, convenient and thoughtful investment environment and become the first choice of investors.

■ Investment Trust

1. Supply

Founded over 20 years ago, Cathay Securities Investment Trust has been 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 2022, the company had won a total of 156 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 Securities Investment Trust 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, we 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, it will increase digital channel partners, expand diverse services to reach the digital customer group, optimize electronic transaction platform user experience, develop personal and intelligent services in the future, in order to increase the fund sales and ETF cross-selling opportunities, thereby increasing the number of active customers and overall asset management scale.

(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 asset management and complete the third profit engine with higher profit contribution; 2. Continue deep-rooted planning in Asia Pacific; and 3. Strengthen FinTech innovative applications. 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 asset management and complete the third profit engine with higher profit contribution:

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 domestic Cathay Securities Investment Trust, U.S. asset management companies of Conning, Octagon and Denmark asset management company Global Evolution, a global asset management platform is established. The Company upholds the customer-oriented service core 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 2022, the asset management platform had accumulated approximately US\$190 billion of assets under management. In the future, the Company will continue to establish prospective and comprehensive asset planning strategy for customers, in order to improve financial performance and enhance profit contribution.

2. Expand in Asia Pacific:

The Company will link to the Greater China and ASEAN market planning in order to provide financial services satisfying the demands of overseas and domestic Taiwanese business operators and local customers. In addition, for the market in China, through the existing subsidiaries, joint venture property insurance and life insurance companies, 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:

With the three major fields of digital, data and technology as the foundation, 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 energy 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) The inflation and supply chain interruption in the US has posed a severe threat on the global economy and led to new risk. The ongoing interest rate increase by the Federal Reserve, in the long run, can relax the stress of negative interest spreads on insurance companies in a low interest rate era, raise the re-investment returns and lower the policy value reserve required to be set aside.
- (2) Despite of the impact of the pandemic, the global insurance technologies have grown steadily in recent years leading the digital transformation of domestic insurance companies; as the FSC gradually relaxed the laws and regulations in connection to insurance technologies, Cathay Life has been actively expanding the application of digital technologies under the technology empowerment. It is expected that the insurance sector will further introduce technologies into the insurance value chain in the future, thereby improving the service quality and efficiency and promptly satisfying customer demands with new emerging technologies and financial services.
- (3) The pandemic has made people more aware of health management, and Cathay Life will expand its health initiative by incorporating a wider range of services to create a health ecosystem where member-exclusive products are offered. New usage-based policies will also be developed to capitalize on the health trend. 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 super-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 political and economic risks concerning the unresolved Russia–Ukraine War, US–China technology war and economic and geopolitical unrests continue to disturb stability of the global economy and financial markets, which in turn reduce 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 expand the data collection and utilization into 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 overall security protection level not only for compliance with competent authority’s policies, but also to ensure top information flow security.
- (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; through relevant enhancement of supervisory, to enhance insurance industry financial structure measures, and with the consequent implementation of risk control and asset-liability management, to improve capital and reduce the impact arising from connecting with international standards. Cathay Life will also introduce the information system meeting the requirements of the IFRS17 and ICS, adjust its overall operational strategy, and prepare itself for the application of new standards by a comprehensive education and training system.

■ Banking

1. Opportunities

- (1) Cathay United Bank has the advantages of access to resources of Cathay Group, and it capitalizes on internal and external professional market analyses and a wide range of financial product resources of the Group to provide new wealth management products and investment guidelines. In addition, Cathay United Bank is the exclusive distribution bank for the insurance policies of Cathay Life and Cathay Century Insurance, resulting in the faster speed in product design and modification, while the insurance sales team of the holding company can take over and provide suggestions for customer queries, thereby forming a competitive financial holding platform.
- (2) Cathay United Bank has been investing resources into financial technologies in recent year aiming to extend the scope of financial services on the digital platform and improve the data model to discover customers’ demands for wealth management. By adding the supporting

tools for customers' decision making, the Bank enhanced customers' experience in an expanded interactive scenario with the Bank.

- (3) With the continuous growth of the credit card market, consumers have gotten used to paying with these plastic currencies. In addition, with the increasing home economy driven by the pandemic, all sectors and industries are eager to adopt zero-contact electronic payment methods and online distribution channels in order to seize business opportunities in the delivery and take-out consumer market. Moreover, large chain stores are also developing their own brand wallets and membership APPs aiding the connection among banks, merchants and consumers and growing the consumer database. In turn, they are able to analyze customers' demands to increase the opportunities for cross-selling and cross-industry alliance.
- (4) The Cathay United Bank's broad network of automated equipment with extensive customer coverage has facilitated the expansion of financial services.
- (5) The Central Bank's interest rate increase and selective credit controls have led to the slowdown of housing market whereas the sales of policy-supported industries, such as the six core strategic industries, returned Taiwanese enterprises, semiconductors and offshore wind power are relatively stable. Moreover, the lift of pandemic restrictions is likely to motivate the domestic needs for hotels, tourism and bus services. Nevertheless, facing the downturn pressure on economy, many companies may postpone their investment plans or reduce capital expenditure. The financial sector is positioned in a highly competitive environment, and Cathay United Bank will maintain its leadership by nurturing professional talents and furnishing a wide range of application environment that combines information technology with corporate banking segment on its path towards digitalization and agile management.

2. Threats

- (1) In an active consumer market, in order to maintain their market share, the top five credit card issuing banks have constantly rolled out attractive credit card benefit events and loyal customer programs, leading to a much more competitive business environment. On the other hand, while credit cards are nowadays mostly used for payments, the reduced credit card debt balance has resulted in a profit decline. 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) After the change of the Costco co-branded card issuing bank, how to analyze and discover customers' needs by data so as to secure the existing high value customer base of the Costco card will be a challenge for the Bank.
- (3) There are a wide and evolving selection of payment methods in the market. The high equipment replacement cost and the participation of large chain stores in the electronic payment market have impacted not only the players in the mobile payment industry including electronic payment and third-party payment, but also the transaction volume with regard to the Bank's payment service for channel members.

- (4) The era of financial digitalization is coming, and as information security is so critical that finding a balance between digital convenience and compliance with information security regulations will become harder.
- (5) The more rigorous financial supervision has led to frequent amendments and adjustments of regulations and laws, and how to raise profit given the risk and legal compliance will become a challenge in the financial sector.
- (6) The authority will restrict the payout ratio of investment-linked insurance policies and the allocation of risk-weighted assets, and it is expected to affect the solicitation of life insurance business. Therefore, quick adjustment of sales strategy and development of marketable products meeting customer expectations and demands will be challenging.
- (7) The stress of slow market growth on the global economy has added more volatility to the market. Challenges, such as the saturated domestic financial market and evolving financial products and environment, have required banks to be more agile and constantly adjust their product portfolio.
- (8) In 2023, although the border restrictions of many countries will be relaxed, according to many research institutes, the shrinking global consumer demand, supply chain deglobalization and increasing costs will drag down the economic growth while the upward trend of interest rate will be likely to end in the first half of year. Moreover, the business environment of the bank sector is still under the certainties of US–China conflict, extreme weather, Russia–Ukraine War and Europe’s energy crisis.

■ Non-life insurance

1. Opportunities

- (1) Cathay Century Insurance has abundant support from Cathay Group including strong brand image, nationwide network, and extensive sales force. It has the advantage to leverage the Group’s highly coordinated marketing efforts, asset management initiatives, and needs analyses to great effect.
- (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) Following the announcement of the new energy policy, the green energy industry has expanded the sophisticated technologies, such as offshore wind power and solar power, and developed new energy technology, such as geothermal energy and marine energy, to explore the vast market potential, leading to the growth of commercial insurance products. At the same time, the pandemic has accelerated the development of online insurance applications, hence the extensive digital channel scale.

2. Threats

The premium rates has been increased due to the decline of international re-insurers' risk appetite driven by inflation, natural disaster losses, claims of domestic commercial fire insurance and the pandemic storm.

■ Securities Business

1. Opportunities

- (1) Cathay Securities is a pioneer in digital service and fully supports the government's policies on financial technology 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 securities products.
- (3) Cathay Securities is able to integrate resources of other group subsidiaries to provide one-stop shop financial services to securities customers and corporate customers, in order to establish the product service ecosystem and to enhance the customer attachment.

2. Threats

- (1) The financial market is expecting new challenges and uncertainties arising from inflation, trade barriers and economic stagnation.
- (2) 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.
- (3) Digital financial service forms a significant part of Cathay Securities' development strategy, which puts the Company in high demand for financial technology talents (the same can be said about financial peers), and competition for critical digital talents has intensified as a result.

■ 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 banking 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 increase of market-making costs, competitive pressure and difficulty in product development.
- (3) Markets may have stabilized but are still susceptible to inflation, interest rate increase and the pandemic.

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		2021	2022	As of March 30, 2023
Employees	Managers	66	77	77
	General Staff	458	537	558
	Total	524	614	635
Avg. Age		35.43	34.98	34.82
Average years of services		6.20	5.89	5.83
Education	Doctorate	0.76%	0.82%	0.79%
	Master	57.06%	58.14%	57.32%
	Bachelor	41.79%	40.72%	41.57%
	High School	0.19%	0.16%	0.16%
	Below High School	0.19%	0.16%	0.16%
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)	1
Financial Risk Manager (FRM)	GARP	3
Certified Public Accountant	The Examination Yuan of R.O.C.	1
Taiwan Bar Exam	Legal Affairs Dept	2
Certified Anti-Money Laundering Specialist (CAMS)	Association of Certified Anti-Money Laundering Specialists (ACAMS)	2
Associate of Society of Actuaries (ASA)	Society of Actuaries	1
U.S. actuary exam	Society of Actuaries	9
Claim Adjuster for Life Insurance	Life Insurance Management Institute of the R.O.C.	5
Qualifications of Insurance Assessor for Life Insurance	Life Insurance Management Institute of the R.O.C.	6
Administrators of Life Insurance Management, R.O.C.	Life Insurance Management Institute of the R.O.C.	11
Fellow of Life Management Institute (FLMI) certification	Life Office Management Association (LOMA)	20
Certified Internal Auditors (CIA)	Institute of Internal Auditors (IIA)	2
Chartered Financial Analyst (CFA)	Association for Investment Management and Research (AIMR)	3
Project Management Professional (PMP)	Project Management Institute	7
Professional Scrum Master (PSM)	Scrum.org.	1
A member of Royal Institution of Chartered Surveyors (RICS)	RICS	2

Certifications and Qualifications	Exam Administrator	Number of employees
SAS Basic Programming Designer	SAS	3
SAS forecast model establishment designer	SAS	3
OCPJWCD	ORACLE	2
CISM, Certified Information Security Manager	ISACA	2
Certified Information System Security Professional, CISSP	International Information Systems Security Certification Consortium, Inc. (ISC2)	3
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.	112
Qualification Exam for Non-Investment Foreign Currency Insurance Products	The Life Insurance Association of the R.O.C.	24
Basic exam for Corporate Internal Control	Securities and Futures Institute	2
Test for Internal Control and Internal Audit of Banks	Taiwan Academy of Banking and Finance	35
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)	7
Securities investment trust and consulting professional	Securities Investment Trust & Consulting Association of The R.O.C (SITCA)	7
Qualification Exam for Investment-orientated Insurance Product Representative	Insurance Institute of the Republic of China	20
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	15
Trust representative	Trust Association of R.O.C.	49
Qualification Exam for Non-Life Insurance Representative	The Non-Life Insurance Association of the Republic of China	46
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	16
Qualification Exam for Bill Finance Specialists	Securities and Futures Institute	2
Qualification Exam for Futures Specialist	Securities and Futures Institute	4
Sales Personnel of Futures Trust Fund Distributor	Securities and Futures Institute	1
Qualification Test for Sales Personnel of Structured Products	Taiwan Academy of Banking and Finance	4
AML and CTF Specialist Exam	Taiwan Academy of Banking and Finance	2
Professional capacity test for debt collector	Taiwan Academy of Banking and Finance	1
Qualification Exam for Securities Specialist	Taiwan Securities Association	11
Qualification Exam for Senior Securities	Taiwan Securities Association	12

Certifications and Qualifications	Exam Administrator	Number of employees
Specialist		
Certified Financial Planner (CFP)	Financial Planning Association of Taiwan (FPAT)	1

3. Continuing Professional Training Received by Employees

Item	Number of Training Received by Employees
General Management	9,541
Professional Courses	1,444
Auditor Continuing Training	266
2022 Total Training Expense	NTD\$ 5,284,121

■ 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		2021	2022	As of March 31, 2023
Employees	Back-Office Personnel	4,949	4,885	4,838
	Front-Office Personnel	27,451	26,268	25,936
	Total	32,399	31,153	30,774
Avg. Age		44.32	44.93	45.00
Average years of services		12.50	12.96	13.08
Education	Doctorate	0.05%	0.06%	0.06%
	Master	8.37%	8.72%	8.70%
	Bachelor	53.62%	54.34%	54.45%
	High School	35.56%	34.64%	34.60%
	Below High School	2.40%	2.24%	2.18%
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	58
Qualification Exam for Securities Specialist	Securities and Futures Institute	166
Qualification Exam for Senior Securities Specialist	Securities and Futures Institute	136
Qualification Exam for Futures Specialist	Securities and Futures Institute	154
Futures Trading Analyst	Securities and Futures Institute	2
Qualification Exam for Securities Investment Trust and Consulting Professional	Securities and Futures Institute	172
Qualification Exam for Securities Investment Trust and Consulting Regulations	Securities and Futures Institute	3747
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	1030
Basic exam for Corporate Internal Control	Securities and Futures Institute	27
Proficiency Test for Asset Securitization	Securities and Futures Institute	4

Certifications and Qualifications	Exam Administrator	Number of employees
Proficiency Test for Financial Planning Personnel	Taiwan Academy of Banking and Finance	923
Basic Proficiency Test for Junior Credit Personnel	Taiwan Academy of Banking and Finance	97
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	17
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	17
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	582
Qualification Exam for Personal Insurance Representative	The Life Insurance Association of the R.O.C.	21323
Qualification Exam for Non-Investment Foreign Currency Insurance Products	The Life Insurance Association of the R.O.C.	25638
Insurance Assessor for Life Insurance	Life Insurance Management Institute of the R.O.C.	792
Claim Adjuster for Life Insurance	Life Insurance Management Institute of the R.O.C.	839
Qualification Exam for Non-Life Insurance Representative	The Non-Life Insurance Association of the R.O.C.	8184
Proficiency Test for Trust Operations Personnel	Trust Association of R.O.C.	4472
Qualification Exam for Bill Finance Specialists	R.O.C. Bills Finance Association	1
Qualification Exam for Investment-orientated Insurance Product Representative	Insurance Institute of the Republic of China	18854
Insured service certification - life insurance	Insurance Institute of the Republic of China	1633
Insured service certification - property insurance	Insurance Institute of the Republic of China	1
Certified Public Accountant	The Examination Yuan of R.O.C.	13
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.	5

Certifications and Qualifications	Exam Administrator	Number of employees
Taiwan Bar Exam	The Examination Yuan of R.O.C.	8
Scrivener	The Examination Yuan of R.O.C.	2
Intangible Asset Valuator	Ministry of Economic Affairs, R.O.C.	0
Life Office Management	Life Office Management Association (LOMA)	124
Associate, Reinsurance Administration Program (ARA)	Life Office Management Association (LOMA)	0
USA Chartered Financial Analyst (CFA)	CFA Institute	32
USA Financial Risk Manager (FRM)	GARP	17
The Associate, Life and Health Claims (ALHC)	International Claim Association	6
ALU	Life Office Management Association (LOMA)	2
Fellow of The Institute of Actuaries of Japan	The Institute of Actuaries of Japan	1
Fellow of the Society of Actuaries	Society of Actuaries	6
Associate of the Society of Actuaries	Society of Actuaries	31
Administration Personnel for Life Insurance	Life Insurance Management Institute of the R.O.C.	53
Fellow of The Actuarial Institute of R.O.C.	The Actuarial Institute of the R.O.C.	6
Associate of The Actuarial Institute of R.O.C.	The Actuarial Institute of the R.O.C.	22
Certified Internal Auditors (CIA)	Institute of Internal Auditors (IIA)	15
Certified Information Systems Auditor (CISA)	International Computer Auditing Education Association (ISACA)	7
Certified Financial Planner (CFP)	Financial Planning Association of Taiwan (FPAT)	439
A member of Royal Institution of Chartered Surveyors (RICS)	RICS	16
Project Management Professional (PMP)	Project management institute	28
Certified Public Accountant (CPA)	American Institute of Certified Public Accountants	0
Certified Anti-Money Laundering Specialist (CAMS)	ACAMS	2
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	0
Oracle Certified Professional, Java EE 5	ORACLE	70

Certifications and Qualifications	Exam Administrator	Number of employees
Web Component Developer(OCPJWCD)		
Certified Information System Security Professional (ISC) ² (CISSP)	CISCO	1
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	5
IBM Certified Advanced Database Administrator –DB2 Universal Database V8.1 series and above for Linux, Unix and Windows (CADA)	IBM	4
CompTIA Security+ information security certification program	Computing Technology Industry Association (CompTIA)	1
Professional Scrum Master(PSM)	Scrum.org	90
Certified Information Security Manager (CISM)	ISACA	2
Professional capacity test for debt collector	Taiwan Academy of Banking and Finance	8
Proficiency test for digital finance knowledge	Taiwan Academy of Banking and Finance	4
AML and CTF Specialist Exam	Taiwan Academy of Banking and Finance	617
PMI-ACP (Agile Certified Practitioner)	Scrum.org	3
Derivative sales personnel exam	Taiwan Academy of Banking and Finance	8
Promoter for reconstruction of urban unsafe and old buildings	Chinese National Futures Association (CNFA)	5

3. Continuing Professional Training Received by Employees

Item	Number of Training Received by Employees
General Management	68,961
Professional Courses	449,126
Auditor Continuing Training	192
2022 Total Training Expense	NT\$ 715,392,872

Note: the 2022 expenditure amount: refer to the statistics of Taiwan Insurance Excellence Awards.

■ 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		2021	2022	As of March 31, 2023
Employees	Managers	762	766	815
	General Staff	9,694	9,964	9,973
	Total	10,456	10,730	10,788
Avg. Age		38.94	39.04	39.13
Average years of services		10	9.98	10.02
Education	Doctorate	0.12%	0.14%	0.13%
	Master	20.84%	20.94%	21.03%
	Bachelor	74.89%	74.81%	74.81%
	High School	4.14%	4.09%	4.00%
	Below High School	0.01%	0.02%	0.02%
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	1,555
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	3,425
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	6,740
Basic Proficiency Test for Foreign Exchange Personnel	Taiwan Academy of Banking and Finance \ The Life Insurance Association of the R.O.C. \ Others	2,937
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	6,197

Certifications and Qualifications	Exam Administrator	Number of employees
	R.O.C \ Securities and Futures Institute \ Taiwan Academy of Banking and Finance \ Insurance Institute of the Republic of China \ Others	
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	6,064
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	6,198
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	3,224
Real Estate Appraiser	Ministry of the Interior (MOI) \ Others	1
Taiwan Bar Exam	Ministry of Justice \ Examination Yuan \ Others	4
Certified Public Accountant	Financial Supervisory Commission, Executive Yuan \ American Institute of Certified Public Accountants \ Ministry of Examination \ Others	10
Certified Internal Auditors (CIA)	Institute of Internal Auditors (IIA) \ Others	13
Financial Risk Manager (FRM)	Operational Risk, Culture & Governance Community \ Others	21
USA Chartered Financial Analyst (CFA)	Association for Investment Management and Research (AIMR) \ Others	28
Certified Anti-Money Laundering Specialist (CAMS)	Association of Certified Anti-Money Laundering Specialists \ Others	43
Certified Financial Service Auditor (CFSA)	The Institute of Internal Auditors \ Others	6

Certifications and Qualifications	Exam Administrator	Number of employees
Project Management Professional (PMP)	Project Management Institute \ Others	68
Certified Financial Planner (CFP)	Financial Planning Association of Taiwan (FPAT) \ Others	261
Certified Information Systems Auditor (CISA)	Information Systems Audit and Control Association (ISACA) \ Others	5

3. Continuing Professional Training Received by Employees

Item	Number of Training Received by Employees
General Management	114
Professional Courses	18,313
Auditor Continuing Training	8
2022 Total Training Expense	NT\$ 73,764,127

■ **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		2021	2022	As of March 31, 2023
Employees	Back-Office Personnel	1,884	1,879	1,869
	Front-Office Personnel	342	360	369
	Total	2,226	2,239	2,238
Avg. Age		39.75	40.39	40.48
Average years of services		10.59	11.06	11.11
Education	Doctorate	0.00%	0.00%	0.00%
	Master	14.82%	14.74%	14.92%
	Bachelor	77.73%	77.81%	77.67%
	High School	7.32%	7.32%	7.28%
	Below High School	0.13%	0.13%	0.13%
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	54
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	143
Proficiency Test for Trust Operations Personnel	Trust Association of R.O.C.	109
Associate of The Actuarial Institute of R.O.C.	The Actuarial Institute of the R.O.C.	6 (Century Insurance) + 3 (Life insurance)
Fellow of The Actuarial Institute of R.O.C.	The Actuarial Institute of the R.O.C.	4 (Century Insurance) + 1 (Life insurance)
Non-life actuaries of China	China Association of Actuaries	0
Associate actuary of casualty insurance in the US	Society of Actuaries	6
Associate actuary of life insurance in the US	Society of Actuaries	4
Fellow of Life Management Institute (FLMI) exam	Life Office Management Association (LOMA)	3
Project Management Professional (PMP)	Project management institute	10
Certified Anti-Money Laundering	Association of Certified Anti-Money	2

Certifications and Qualifications	Exam Administrator	Number of employees
Specialist (CAMS)	Laundering Specialists (ACAMS)	
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.	33
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	212
Chartered Property & Casualty Underwriters (CPCU)	CPCU Taiwan	8
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	32
Qualification Test for Sales Personnel of Structured Products	Taiwan Academy of Banking and Finance	7
Qualification Exam for Non-Life Insurance Representative	The Non-Life Insurance Association of the R.O.C.	2,188
Qualification Exam for Personal Insurance Representative	The Life Insurance Association of the R.O.C.	1,635
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 (External learning)	135
Professional Courses (E-Learning System)	28,198
Auditor Continuing Training	47
2022 Total Training Expense	NT\$ 1,263,430

■ 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		2021	2022	As of March 31, 2023
Employees	Managers	52	62	60
	General Staff	710	813	852
	Total	762	875	912
Avg. Age		40.93	40.57	40.41
Average years of services		5.21	5.07	5.31
Education	Doctorate	0.13%	0.12%	0.00%
	Master	26.38%	26.41%	26.75%
	Bachelor	69.82%	70.24%	70.62%
	High School	3.67%	3.23%	2.63%
	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	497
Qualification Exam for Senior Securities Specialist	Securities and Futures Institute	221
Qualification Exam for Futures Specialist	Securities and Futures Institute	292

3. Continuing Professional Training Received by Employees

Item	Number of Training Received by Employees
General Management	71
Professional Courses	1,595
Auditor Continuing Training	74
2022 Total Training Expense	NT\$ 10,711,371

■ 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		2021	2022	As of 3/30/2023
Employees	Managers	46	50	48
	General Staff	268	276	282
	Total	314	326	330
Avg. Age		42.3	42	41.8
Average years of services		8.2	8.5	8.1
Education	Doctorate	0.31%	0%	0
	Master	50.94%	47.85%	47.57%
	Bachelor	47.8%	51.53%	51.51
	High School	0.95%	0.62%	0.92%
	Below High School	0.00%	0%	0%
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	185
Qualification Exam for Securities Specialist	Securities and Futures Institute	70
Qualification Exam for Securities Investment Trust and Consulting Professional	Securities and Futures Institute	168
Qualification Exam for Securities Investment Trust and Consulting Regulations	Securities and Futures Institute	102
Proficiency Test for Trust Operations Personnel	Taiwan Academy of Banking and Finance	181
Qualification Exam for Futures Specialist	Securities and Futures Institute	163
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	224
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	324
Professional Courses	1,015
Auditor Continuing Training	44
2022 Total Training Expense	NTD\$ 1,356,072

■ 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		2021	2022	As of 3/30/2023
Employees	Managers	6	6	6
	General Staff	16	13	15
	Total	22	19	21
Avg. Age		40.64	41.89	41.24
Average years of services		5.38	6.89	6.24
Education	Doctorate	4.54%	5.26%	4.76%
	Master	72.73%	63.16%	66.67%
	Bachelor	22.73%	31.58%	28.57%
	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.	2
Securities investment analyst	Securities and Futures Institute	1
Corporate evaluator	CABIAV	1
Certified Internal Auditors (CIA)	The Institute of Internal Auditors- USA	1
Securities Specialist	Securities and Futures Institute	4

Certifications and Qualifications	Exam Administrator	Number of employees
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
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 Life Insurance	Life Insurance Management Institute of the R.O.C.	1
The Non-Life Insurance Association of the R.O.C.	The Non-Life Insurance Association 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	1
Sales Personnel of Structured Products	Taiwan Academy of Banking and Finance	1
Fellow, Life Management Institute (FLMI)	Life Office Management Association (LOMA)	2
Class-2 manager of Occupational safety and health affairs	Industrial Safety and Health Association (ISHA) of the R.O.C	1
Class-3 manager of Occupational safety and health affairs	Industrial Safety and Health Association (ISHA) of the R.O.C	1

3. Continuing Professional Training Received by Employees

Item	Number of Training Received by Employees
General Management	84
Auditor Continuing Training	4
2021 Total Training Expense	NTD\$ 4,730

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 society and protects homes:

(I) Arts and culture:

1. The Group has been in partnership with Cloud Gate for 27 years to jointly hold the community tours and outdoor performances for over 284 sessions participated by more than 2.602 million persons. Through arts, it engages community in Taiwan.
2. It has organized the “Nation-wide Children’s Drawing Contest,” which has received nearly 60,689 entries.

(II) Sports promotion:

Due to the pandemic, in 2022, it promoted sports in the digital form by filming the “Crazy NBA” series which gained over 5.919 million views. It also hosted the Cathay 3x3 Basketball Tournament for senior high school and college students, which included four sessions of regional preliminary games, and one session of final with a total of over 3,500 participants annually.

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

1. In the “Cathay 60 Protection for Lifelong Happiness” event, Cathay Life purchased nearly 14,000 bath sets made in the Agape Sheltered Workshop in Changhua County and in the sheltered workshop of the Taiwan Foundation for the Blind and donated to the front-line healthcare workers, who can have a nice shower before going home. The donation has been made to 32 hospitals national wide in total including Taipei City Hospital, Taoyuan General Hospital, Ministry of Health and Welfare, Taichung Veterans General Hospital, Pingtung Hospital, Camillians Saint Mary’s Hospital Luodong and Taitung Christian Hospital.
2. In support of the sheltered workshops, Cathay Charity Foundation helped the Agape Sheltered Workshop to launch its products on the TreeBuy charity platform and organized the Er-Lin Environment-friendly Rice raise charity event on Mid-Autumn Festival for online purchases and fund raise, in which a collective 300 sets of Er-Lin Rice gift box were raised and donated to the low-income families sponsored by the Department of Social Affairs of Changhua County.
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 assist the citizens to overcome the difficult situation due to the pandemic.
4. Summer blood donation event: 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 660 blood donation events were organized throughout Taiwan, and there were a total of 46,046 people participating in the event, and a total of 70,168 bags of blood were collected. Over the past 23 years, a total of 559,000 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. Since 2017, Cathay Life has observed young people's anxiety in their career path, so in order to help young people to understand their talents and how a workplace is like, it has collaborated with the social enterprise "City Wanderer" to organize the "Hundred Work Diary" event, which has assisted college students in the discovery of self and career path through three major categories of tasks (self-challenges, half-day internship and asking the travelers). This event has been active in assisting young people in cultivating workplace competencies and helped over 921 young people in their career path discovery jointly with over 200 enterprises invited with a total of 3.45 million people reached on the internet.

(IV) Student Education Development:

1. The Company organized the 9th term of Student Dream Come True Program, and a total of 21 schools were selected for the program. The dream come true themes were diverse, including sports, music, science, drama, sustainability and environmental protection, and the total dream come true fund reached NT\$3.8 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 six elementary schools were selected, and the total prize reached NT\$180,000.
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 (25 students) and Xiulin Township of Hualien County (23 students), Sanxia Grass Book House (25 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.

(V) Care for young students:

1. Cathay Excellence Incentive Program: The purpose of the program is to provide rewards to Type 2 outstanding students, Type 1 "Characteristic Incentive Team" 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 24 teams received the award. For the Type 2 "Outstanding Student Team," to encourage senior high school and vocational students from disadvantaged families

with outstanding performances, a total of 65 teams received the award amounting to NT\$7.38 million.

2. Young Leader Program: In 2022, Cathay Life launched the Young Leader Program, and in which, 18 top sales representatives of Cathay Life, who were at the same time members of the Million Dollar Round Table (MDRT), have committed to the sponsorship of 10 financially disadvantaged high school/vocational high school students while the Chairman of Cathay Life has also committed to the sponsorship of 10 students, totaling 20 students. **A fund in the form of long-term sponsorship** amounting to NT\$600,000 was raised to support these outstanding but financially disadvantaged students and help to ease their families' financial stress.
3. Winter Warmth Delivery Event: Employee donations were transferred into materials for delivery to 112 elementary schools at remote areas in 2022, including Pingxi District in New Taipei City, Fuxing District in Taoyuan City, Jianshi Township in Hsinchu County, Nanzhuang Township in Miaoli County, GuoXing Township in Nantou County, Laiyi Township in Pingtung County, Nanao Township in Yilan County, Binfeng Township in Hualien County, Changbin Township in Taitung County and Baisha Township in Penghu County, reaching 15 counties and cities and 80 townships and districts, with more than 8,800 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, engage community and discover career path through long-term companionship. Over the past 13 years, the course has been a growth companion of over 16,000 people.

(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. A total of 52 financial fraud prevention events was held with nearly 2,400 enrollments. In addition, it has worked with the Social Welfare Department, New Taipei City Government to make Shuangyu Community in Gongliao **the fourth Cathay Farm**, which encourages elderlies in the community to participate and exercise through farming. This initiative has promoted healthy body and mind and a good interpersonal relation allowing these elderlies to age in place.

(VIII) Promotion of micro-insurance:

Cathay Life has been active in the promotion of micro insurance, and it has been 13 years by the end of 2022. Cathay Life had underwritten the micro insurance policies covering more than 230,000 disadvantaged people with a total of NT\$80 billion in coverage amount, and helped 1,145 families overcome the difficulties in their lives.

(IX) Other charity activities:

1. Cathay Life has organized a series of “New-generation Anti-Drug Promotion” events in various campuses jointly with H.D.A. Stunt Team and Againstwind Trope in forms

appealing to students, including shows, dance, drama and experience sharing. Approximately 5,000 students have benefited from these events. At the same time, Cathay Life has rolled out two anti-drug commercials and one anti-drug documentary to reinforce the impact of these anti-drug campaigns.

2. Tree Planting Event: The image of Cathay Tree has been linked to protection deeply in customers' mind. On March 12, the National Arbor Day, the Director General of Cathay Charity Foundation, Mao-Chi Chung; the Commissioner of Mayor's Office for External Affairs of Taipei City, Tai-Chu Chou, the Representative of British Office Taipei, John Dennis; and the Chairman and President of UnaBiz Co., Ltd., Shang-En Chiu and Cheng-Han He planted the history tree along with 50 other volunteers and policyholders. There was an additional 150 saplings planted in the adjacent area to make this event meaningful not only for history, but also for carbon reduction and earth protection.
3. Welfare for Disabled: The Company sponsored the disabled performance group "Mixed Disabled Arts Group" and a total of seven 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 5,000 people.
4. Low-income Household and Medical Subsidy: Cathay volunteers visited 139 disadvantaged cases and after internal review and meeting, the Company provided a subsidy of approximately NT\$1.596 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, and art and cultural 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 2022 assisted a total of 8,200 disadvantaged elementary and junior high school students. In addition, to extend the philosophy of Elevated Tree Program – Grow A Big Tree From A Shoot, the Company also encouraged students to participate in sports activities, and the "Elevated Tree Program – Sports Education Donation" supported the elementary and junior high schools to promotion 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 2022, the Company sponsored 32 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 in Taitung.

(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. Charity and Public Welfare:

To care for the indigenous tribes and social enterprise development, in 2022, the Company purchased the self-made products from the “Yu-Cheng Social Welfare Foundation” and “Pingtung Christian Bethany Home” and sponsored the “Taitung Bunun Cultural and Education Foundation,” “Pingtung Christian Bethany Home,” “Vox Nativa Taiwan” and “TMC Culture and Arts Foundation” to aid the promotion of tribal tourism and support disadvantaged by actions, at the same time, spreading joy of music to children at remote areas. In addition, it also sponsored the Taiyang Art Association for its “85th Term of Taiyang Art Exhibition” and the Oil Painting Association of R.O.C. for its “46th Term National Oil Painting contest and National Oil Painting Exhibition.”

3. 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 2022, a total of 11 art exhibitions and 6 art seminars were organized, 3 of which were exhibitions for the Elevated Tree Program in which amateur artists were invited to help students in remote areas for charity. In addition, it also prepared the group art calendar by using the local artist’s art piece “Hanabi. Finding Happiness” for passing on blessings and appreciating the beauty of art.

(II) The Bank follows the Cathay Group’s three main sustainability aspects – “Climate, Health, Development,” and it has implemented the Development aspect by dividing into career development and social development and attained significant results summarized as below:

1. Career development: The Bank has been committed to talent cultivation and development for a long time. It has seen its employees as important customers, and with the development goal of “Raising from Early Age, Reshape Existing State and Build New Sustainable Talents,” it aims to integrate both talent development and digital transformation by implementing the four major strategies:

(1) Elevate employees' skills:

The systematic people development is based on the modularized training resources, and it provides chances for practice in various scenarios in preparation for learning needs and challenges of various job positions; meanwhile, it has also introduced a wide range of external learning tools and resources and capitalized on the advantage and flexibility of new technologies to elevate learning experience. The development system is thereby shaped to provide learning opportunities for both trainings and practices to be effectively applied in their jobs.

(2) Reshape employees' skills:

Create a cross-department, cross-field and cross-culture experience mechanism to cultivate employees' skills of learning in various fields; apply the one-stop-shop career development consultant and regular evaluation system that allows employees to realize the skill gap between their capabilities and career goals, and combine with data analysis on the learning platform to achieve personalized recommendation of intelligent learning module.

(3) Build an echelon for leadership:

By the design of diverse development resources and establishment of comprehensive supporting mechanism, invite supervisors from various job levels to jointly participate in the leadership development; use the analyses in respect to professional fields, languages and competence along with personal will and skill gap to formulate the "Personal Development Plan" and thereby build a talent database for different job levels in order to ensure sufficient bench size and echelon for leadership.

(4) Diverse and inclusive workplace:

Continue to carry out diverse and inclusive education and training courses, pass on the concept of accepting each other's differences to enable an equality mindset in employees, and continue to collect feedback, communicate, promote and maintain a diverse and inclusive environment, which allows everyone to reach his or her full potential in the Group. In addition, pay more attention on the resources available for female employees by not only creating internal female learning group connecting internal communities, but also supporting female employees in undertaking challenges in their lives to make sure they just slow down but not stop on their career paths. Implement measures such as uninterrupted learning resources during leaves without pay and flexible schedule program addressing family needs and design the career development path particularly for female supervisors in support of women in leadership.

2. Social development: In Taiwan, one of every two persons is a customer of the Cathay Group; therefore, the Bank has been active to implement sustainability by utilizing the Group's resources and collaborate with diverse strategic partners to facilitate social sustainability and help youth and disadvantaged develop knowledge and skills in the hope of building an inclusive and equal society.

- (1) Youth development: In order to help youth have a better self-understanding in early age and bridge the gap between education and career, the Bank takes the initiative to partner with major colleges and universities in Taiwan, offering different levels of university–industry collaboration and internship programs such as the personal “career discovery” to “workplace competency development.” Through these programs, it directly connects schools to careers, enhances the competency development and equip them with hard and soft skills at workplace. For example, the Cathay Intern Program (CIP) offers the opportunities to work in different departments of the Bank as a summer intern and accepts young students who hold a major other than finance or business administration and want to experience working in a bank. In the university–industry collaboration program, Cathay Seed Program (CSP), students gain long-term practical work experience by facing customers in the front line or carrying out business directly where young students are able to practice what they learned in the jobs. Youths with ambition to work in the banking sector can therefore consider the possibility to work in a bank beforehand.
 - (2) Care for disadvantaged: In order to reduce unfairness in society, the Bank continues to sponsor the student education at remote areas and recruits employees to become a volunteer instructor in financial management at remote areas. With the faith to make education accessible to everyone anywhere, it educates the elementary school students at remote areas online about proper use of money, differentiation between wants and needs and dream accomplishment by financial management; in addition, it has used the fund raised from the community to sponsor local governments in support of children education at remote areas and youth sports development. Holding the principle of “give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime,” it offers children at remote areas opportunities to receive equal and quality education in their student life.
- (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 2022:
1. The Bank continuously promotes electronic bills in order to respond to the environmental protection trend and to reduce paper waste, thereby establishing the ESG sustainable development foundation.
 2. Encourage the general public to apply for cards and submit information online, in order to reduce carbon emission due to printing of application forms and manual transaction processes.
 3. Provide channels with the cloud bill signing and online (internet) transaction functions and help channels upgrade systems for electronic invoices in order to significantly reduce the printing quantity of bills and invoices.
 4. Plan promotional events to trigger customers’ desire to implement or maintain a healthy life, further reducing carbon emission, e.g. credit card reward points for

purchases in partnering merchants such as organic diet stores, Taiwan High Speed Rail, Kaohsiung Metro and bicycle stores.

5. Establish financial service stations, provide digital finance service, automated equipment education and digital account application consultation to residents of remote areas, in order to lower the barrier to consumers' access to FinTech products and to accelerate the development of digital finance. By December 2022, these stations have been set up in 140 townships and served up to 82,000 persons.

- (IV) The Bank has continuously advocated inclusive financial education and promoted financial management education via the straightforward financial education articles, financial management videos and audios, physical seminars and investment conferences. With the high coverage rate and digitalization of the Cathay Group's services, it has expanded its influences both online and offline, and hence delivered correct financial management concept and knowledge to improve financial literacy of the general public. Moreover, it has facilitated the financial services for disadvantaged, including that bank tellers pay more attention on the financial needs of disadvantaged and on the vulnerability of elderly customers in order to provide appropriate financial products; it has also provided friendly services to address the needs for financial and insurance services of customers with disabilities (including vision disability) or elderly customers by allowing a third party to act as a witness so as to increase the financial inclusion and attain inclusive finance.
- (V) With respect to consumer banking, the Bank endeavors to reduce barriers to financial services via the digital platform and aims to provide more friendly and convenient loan products and personalized services by eliminating the restrictions of traditional financial institution locations and operating hours. In April 2021, the Bank became the first in the industry obtaining the "Carbon Footprint Label" from the Environmental Protection Administration of Executive Yuan in the criteria of "personal unsecured loan service" and also achieved the target of reduction of carbon emission by 3% within one year while receiving the "Carbon Reduction Label" at the same time, demonstrating the Bank's contribution and dedication to climate change. At the end of 2022, it further launched the new microfinance product particular for the CUBE App to satisfy customers' diverse needs for fund with the help of the digitalized, agile and easy-to-use mobile personal loan manager, and in turn to assist customers in building good personal credit profile.
- (VI) The Bank advocates FSC's "Trust 2.0" plan to implement the value of trust in financial inclusion by developing a range of innovative trust products and services, seeking cross-industry partnership, and thus expanding the service scope. In December 2022, Cathay Life and the Bank jointly launched the "Insurance Claims Trust Joint Marketing" service, which is the first innovative financial service offering the one-stop shop service for "insurance application, trust and insurance endorsement." Integrating with the Group's resources in the promotion of the idea of undertaking insurance payments on a trust platform, the Bank has helped the general public boost their financial health and attain the goals of assets protection and transaction security.
- (VII) With respect to the energy saving result of its branches, the 165 branches have followed the Bank's zero-carbon transition project where measures including the labeling of air-conditioning zones, annual energy-saving contest, energy-saving

alarm before long weekends and shut-down reminder during off-hours on the visualized energy management system were implemented. In 2022, a total of 153,747 kWh was saved by turning off major air-conditioners.

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

- (I) The company works with Cathay Group in charity and makes donations as part of its citizen duty. Its efforts included:
1. Arts and culture: Cloud Gate On the Go, Nation-wide children's drawing contest and exhibition for the Group's 60th anniversary.
 2. Sport events: Anti-drug PaGamO Tournament and Cathay Basketball Court Adoption Plan, etc.
- (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. Organize the corporate risk courses to provide information on corporate risk and suggestions for improvement. In 2022, it has organized 12 risk management courses in order to improve the disaster prevention capability of corporate management.
 2. Develop and complete the safety education board game that meets the 2019 Curriculum Guidelines, and introduce to campuses for safety promotion. The board game, well received by many schools, teaches students about campus safety in play and enhances children's awareness of damage prevention, thereby reducing the accident rate.
 3. Organize the "Accident-free Bicycles" events in elementary schools to promote safe riding using interesting infographics in conjunction with AR technology. The common causes of bicycle accidents were incorporated into the AR game where players encounter stimulated riding risks that actually occur in real life. Work with the adjacent schools for the first time to build a friendly neighborhood where students are aware of riding safety. In 2022, a total of 25 sessions has been held with a total of 647 enrollments.
 4. Establish the Zero Accident Academy website and introduce the nation's first online driver education system, using a "driver knowledge test" to evaluate the subject's mental capacity, response, and awareness to traffic safety; combine these campaigns with the "Accident-free Bicycles" campus promotion event to extend the effect via online to offline (O2O). The test uses a "behavior diagnosis test," a "hazard perception test," and a "driving knowledge test" to educate the subject on defensive driving and safety. In 2022, there was a total of 90,000 page views of the event website.
 5. The Company created a "campus risk map" that highlighted the traffic conflict hot spots of each campus, and suggested defensive driving techniques to help students avoid danger at these hot spots. It continues to introduce the map to other campuses, and in 2022, it initiated the campaign in National Pingtung University and prepared a campus traffic risk improvement suggestion report.
 6. The company has also been hosting the "Accident-free Rider" program to promote motorcycle safety at colleges. Using an interactive online "Hazard Perception test", the program provided students with new perspectives on traffic safety. In 2021, a total of 19 sessions has been held with a total of 1,750 enrollments.

7. By combining VR technology with its expertise, the company introduced its proprietary “Virtual Reality Hazard Perception Test” and summarized the three common causes of traffic accidents “defensive driving, right of way and driving speed” in edutainment to educate students about road safety and help the subjects evaluate their driving behaviors.
- (III) Through the Cathay three steps for disaster prevention: prevention, survival and transfer, the company assists in the facilitation of correct disaster prevention knowledge in the general public. 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. In 2022, the company’s team won 12 gold medals, 6 silver medals and 7 bronze medals. In addition, in the hope of protecting students’ health and zero-drug campus, Cathay Charity Foundation and the company jointly worked with the National Police Agency to hold the “No Drug for Youth, Triathlon Romance,” which helped youths in orphanage embrace challenges and learn team spirit; thereby, these youths can reject drug use and grow awareness on drugs.
- (V) The Company continued to focus on the promotion of micro insurance. In 2022, the authority granted the “Outstanding Sales Award” and “Care for Disabled Award” to applaud the company’s effort in providing basic protection for disadvantaged.
- (VI) In terms of the long-term care and elderly care, the Company proceeded to the long-term care institution to donate supplies necessary for the living of elderlies and also accompanied elderlies 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,” participated in the “Taiwan Climate Action Exposition” and the “Asia-Pacific Forum & Exposition for Sustainability” and contributed its part to sustainable finance.
 2. Sports: As a support for sports development in Taiwan, the Company continued its adoptions of the basketball courts in National Taiwan University, Tunghai University, Kaohsiung Medical University and National Cheng Kung University and sponsored the related games.
 3. Education and arts and culture: With regard to education, the company joined the Group to host the “Cathay Anti-drug Tournament” exhibiting its determination in anti-drug issue; in terms of arts and culture, the company sponsored the “Cathay Cloud Gate on the Go” for the purposes of giving back to community and deepening culture influence, and hosted the “Nation-wide Children’s Painting Contest” to develop cultural awareness among the new generation.
- (II) Employee care and social care:
 1. The Company takes the initiative in employee healthcare, and it once again jointed the holding company to organize the hiking event to enable a balance among work, body and mind. Cathay Securities also add prizes for the “Step towards 100 million”

campaign, for which, a total of 200 teams were formed by employees with a participation rate of 76%.

2. In order to reach a balance between celebration and environmental protection, the company called the employees of Cathay Securities and Cathay Futures for creating a “Green Christmas” under their own power. The company aimed to implement sustainability through this event revolved on the “ESG Christmas Charity Trilogy,” including the “Environment-friendly Christmas Decoration,” “Love presented by Cathay” and “Volunteering at Remote Areas.”
3. Cathay Securities has organized internal seminars for employees from time to time, such as the seminars with regard to competency development and body and mind health.
4. The Company sponsored the “2022 Charity Program” of Anue, and made donations to the far corners of society including the “Taitung County Mind Farm” “Canaan Disability Home NPO,” “Huakuang Intellectual Development Center,” “Taoyuan City Ankang Intellectual Development Education School,” “Daniel A. Poling Memorial Babies’ Home,” etc.

(III) 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. The Company introduced the SBT scientific carbon reduction target management in the equity fund investment.
3. Extended from its collaboration with National Taipei University initiated in 2020 to provide institutional investors the ESG research service, the Company incorporated the ESG into the digital stock selection service App for natural persons in 2021 and launched the Sustainability Section on the Cathay Securities App in 2022, the first in the industry, to help investors examine the level of ESG accomplishments of the Taiwanese stocks in their portfolio and exercise their influence on sustainability, thereby spreading the idea of ESG investment to general investors.

(IV) Inclusive financing:

1. The Company has organized the corporate volunteer event at schools in remote areas for employees, and, in which, children were taught about financial literacy through edutainment courses.
2. The Company continued to promote Taiwan stock systematic investment plan and U.S. stock systematic investment plan service, and introduced several new services with lowered investment thresholds in the systematic investment section on the Cathay Securities App. For instance, with regard to Taiwanese stocks, the minimum for systematic subscription was adjusted from NT\$1,000 per order to NT\$100 per order. In addition, it also launched the “Daily Deduction” function for systematic investment in Taiwanese stocks where customers can directly purchase any of the mid-to-large Taiwanese stocks or ETF with only NT\$100. As of 2022, more than 280,000 investors have used the systematic subscription function, of which, the total amount has accounted for nearly 40% of the total market value. Moreover, with respect to the systematic investment in US stocks, the Company also provides its customers the low threshold offers, where customers can purchase US stocks with

a minimum amount as little as US\$10 and stack up their stock portfolio with odd lots, in order to bring investors closer to overseas markets. In the future, Cathay Securities is committed to providing more inclusive financing services to a greater number of investors continuously.

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

(I) Financial Health Seminar:

1. As the general public's demand for investment and financial management increases recently, Cathay Securities Investment Trust hosted two physical seminars to the general public in 2022 covering the outlook of investment market and strategies for ETF investment with a total of 278 participants; and six online conferences and seminars with a total of 1400 participants. It also joined the Taiwan Stock Exchange Corporation to host four investor seminars with a total of 128 participants.
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 third consecutive year to provide a series of investment seminars aimed at college students, in collaboration with commerce-related departments of reputable universities. In 2022, seminars were held in collaboration with the College of Commerce of National Chengchi University, the Department of Finance of National Central University, and the Department of Finance of Shih Hsin University, to help young people develop proper financial knowledge and introduce them to simple investment tools that they can use to begin financial planning of their own. There was a total of nearly 400 persons participated in the five seminars.
2. In addition, it also organized the summer finance camp for senior high school students jointly with the Department of Finance of National Central University with a total of 64 participants and 100% attendance rate and satisfaction. In the camp, instruction, investment simulations and team competitions were used to communicate the concept of financial management and introduce characteristics of investment tools, and the financial management education is thereby delivered to the younger generation.
3. Cathay Securities Investment Trust continued to host the on-campus financial management seminars for the third consecutive year in collaboration with commerce-related departments of reputable universities. In 2022, it worked with National Central University to jointly host the online financial management seminar centered on "How to Easily Gain a Fortune through ETFs" and "Careers in Finance Unveiled" with a total of 65 participants.
4. The Company places great emphasis on talent development, and has been hosting the summer internship program for a long time with the commitment in talent nurturing and bridge between theory and practice. In 2022, 15 vacancies were opened for the summer internship program while a total of 505 resumes were received and only 3% of which were accepted. During their internship, a total of 15 training courses, equivalent to 19.5 hours of training, covering knowledge regarding industry, market, product introduction, professional investment/application and soft skills were offered.

At the end of their internship, a competition themed on AI was held, where students brainstormed all possibilities of mobile payments, digital finance and green finance for the investment trust industry. Two of these interns were given the full-time job offers at the end of the internship, and they would officially be employed by taking these offer letters as an official notice within half a year after their graduation without going through hiring process, so as to fulfill the Company's demand for digital and ESG talents.

(III) Volunteer service:

As the pandemic subsided in this year, in addition to the expansion of the existing campaign jointly hosted with Taiwan Digital Talking Book Association, the Company also participated in the "Good Field Plan" event and volunteered in the farming at an organic mandarin farm as a means to practice sustainability by hand. It also hosted the "Educational Support Dogs Interactive Education Plan," in which, employees interacted with the educational support dogs to grow their empathy for disadvantaged, care for stray dogs and understanding of life, in the hope of contributing to and building a better society. Thereby, the total volunteer time has reached 762 hours in 2022 and 4,307 hours cumulatively over its history of volunteering.

(IV) Responsible Investment:

Cathay Securities Investment Trust follows the Group's strategy and implements the Sustainability Development Goals (SDGs) of the United Nation on the three major aspects: "Climate, Health, Development." In 2022, it established the "Corporate Sustainability Committee" under the board, and the board members are responsible for supervising the sustainability transition strategy. Subsequently, the "Sustainability Office" was established under the President's Office dedicated to the implementation and promotion of the Company's sustainability policies and action plans, and of which, a dedicated responsible investment research team was assembled concentrating on the trend of global ESG development and undertaking the stewardship of the largest asset management company in Taiwan by leveraging internal and external research resources. The Company takes the factors with respect to responsible investments into consideration in its investment process. In addition to forming the exclusion list and including positive factors disclosed in the corporate social responsibility report of a TWSE- or TPEX-listed company, it has also introduced the rating database that includes the ESG rating of more than 10,000 businesses globally. In 2022, it continued to strengthen the ESG integration investment system by stipulating that before any investment, the investment department shall screen the targets using the ESG-related indicators, so that ESG risk and opportunities are considered in each of its investment. For the facilitation of low carbon transition, the Company launched the low carbon transition plan (Carbon transition, Aware, Response, Engage, CARE) in 2020. From the three aspects: Aware, Response and Engage, the Company initiated the low carbon transition of all of its investments, and at the end of 2021, it applied to join the Science Based Targets Initiative (SBTi) and received the approval in 2022; the Company has launched two investment products themed on sustainability covering investments in Taiwan and the US, allowing everyone to take part in responsible investment and low carbon transition. The size of these products has reached NT\$140 billion by the end of 2022.

(V) 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 2022, donations were made to "Saint Mary's Hospital Luodong".

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	2021	2022	Difference	Growth rate
No. of full-time non-managerial employees (persons)	20,311	20,316	5	0.02%
Mean salary of full-time non-managerial employees (NT\$1,000)	1,320	1,327	7	0.53%
Median salary of full-time non-managerial employees (NT\$1,000)	1,088	1,107	19	1.72%

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, DELL, and HPE, and EMC, NetApp disk drive
 - (2) Software: Microsoft Windows, Red Hat Enterprise Linux, JBoss, IBM DB2, PostgreSQL, EDB, MSSQL DB, MongoDB
2. IBM Power Host:
 - (1) Hardware: P822(L) server and EMC High-end Disk Drive
 - (2) Software: IBM AIX, WebSphere, IBM 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

Expansion and optimization of dual data center architecture of virtual platform
3. Intel x86 Server:
 - (1) Server EOS upgrade plan for all administration centers in Taiwan
 - (2) Expansion of resource management system functions
4. Application server and website upgrade
 - (1) Life insurance core JDK upgrade
 - (2) Employee portal JDK upgrade
 - (3) Construction of mobile insurance (MI) system Jboss at Qingpu Center
5. Database management
 - (1) Core database and relevant software upgrade
 - (2) SQL Server 2012 upgrade
6. Network:
 - (1) Full-scale network upgrade and optimization
 - (2) Planning and implementation of mobile office

7. Information security:
 - (1) Enhancement of host defense mechanism for endpoint
 - (2) Enhancement of defense mechanism for automated machine attack
 8. Storage equipment:
 - (1) Replacement of advanced storage equipment
 - (2) Replacement of mid-range storage equipment
 - (3) Replacement of entry-level storage equipment
 - (4) Backup system upgrade
 9. Server room: Construction of the phase II network in the QingPu Information Center
- (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. Intel x86 Server:
 - (1) Hardware: Multi-core servers including the IBM, DELL, Lenovo and HPE, and EMC, NetApp disk drive
 - (2) Software: Microsoft Windows, Red Hat Enterprise Linux, MSSQL DB, Oracle DB, JBoss, JWS, IBM DB2, PostgreSQL, EDB, MongoDB
 2. IBM Power Host:
 - (1) Hardware: E980 server and EMC High-end disk drive
 - (2) Software: IBM AIX as the operating system, and Oracle database system

(II) Future Development and procurement plan:

1. Optimization of cloud platform architecture
Introduction of AA architecture and expansion of resource
2. Host and server
 - (1) Research on introduction of new generation high performance server
 - (2) Construction of dedicated hosting environment for CUBE APP
3. Database management:
 - (1) Oracle database version upgrade and optimization
 - (2) Consolidation and upgrade of MS SQL database
 - (3) Intensive application and research of Exadata data machine
4. Network:
 - (1) Optimization of voice recording system and automatic switchboard software and hardware architecture of the Bank
 - (2) Completion of dual data center architecture of network in QingPu server room
 - (3) Upgrade of network equipment of main data center in NeiHu
 - (4) Enhancement of network monitoring software system
5. Terminal equipment
 - (1) Introduction of client cloud virtualization
 - (2) Centralization of software licensing management of the Bank
6. Information security
 - (1) Traffic diversion by web application firewall (WAF)
 - (2) Robot attack defense system implementation
 - (3) Improvement of vulnerability remediation management system
 - (4) Enhancement of remote work connectivity architecture and management
 - (5) Continue enhancement of overseas IT maintenance and information security framework
7. Storage equipment
 - (1) Advanced disk drive expansion and upgrade
 - (2) Fiber channel switch upgrade
8. Introduction of server room smart monitoring for business units bank-wide

(III) Information Security Protection and Emergency Back-Up Measures:

1. Information security protection measures
 - (1) 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 prevention system (IPS), web application firewall (WAF), and APT protection. DDoS defense and ISP clean pipe service have also been adopted to protect against malicious attacks along with the endpoint antivirus and EDR software that protects endpoints against malware and host-based intrusion.
 - (2) Implementation of mobile device management (MDM) and mobile application management (MAM) for enhanced management over the use of mobile devices.
 - (3) Construction of gateway network data loss prevention (WEB DLP/MAIL DLP), personal information directory (PID) system and file virtual encryption system (VES) to prevent the risk of personal information leakage.

- (4) Establishment of APT and SPAM protection mechanism, and utilization of sandbox behavior analysis and mail content multi-protection functions, in order to prevent or effectively reduce employees' risk of hacking.
- (5) Security program development process management, source code examination, infiltration test, and routine vulnerability scan for enhanced system security.
- (6) Establishment of virtual desktop infrastructure (VDI) security mechanism and enablement of secure remote connection to the company's system for routine operations via SSL VPN system for employees.
- (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.

2. 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

Network backup measures such as onsite backup and active-active architecture or load balancing are adopted for important network equipment at the main data center, where the onsite and offsite data backup centers are connected by the ultrahigh-speed optical network providing a solid backup architecture for both sites. A backup ring is set up for heterogeneous primary and backup networks at branches to prevent any loss of connection and ensure connection quality for customers.

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

(I) Key information system setup and maintenance:

1. Core information system:

- (1) Hardware: IBM S822/S924/S922 and EMC High-end Disk Drive
- (2) Software: AIX, RHEL, IBM DB2, WebSphere, JBoss, Imperva DAM and backup software (TSM, CommVault).
- (3) Primary applications: all insurance quotes, claim handling, premium, financial, accounting, business process management, and image system, etc.

2. x86 open systems:

- (1) Hardware: Multi-core servers including the IBM, DELL, and HPE, and EMC, Synology disk drive
- (2) Software: Windows Server, RHEL, JBoss, CentOS, MSSQL DB, IBM DB2, PostgreSQL and backup software (TSM, CommVault)

- (3) 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. Core database mainframe system upgrade project
7. Information system disc drive expansion project
8. IFRS 17 solution implementation
9. Introduction of co-browsing service
10. Introduction of Microsoft 365

(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 Operation Center (SOC), along with anti-virus software and Trojan remover, have been acquired and installed.
4. Gateway network data loss prevention (NDLP) and VES file encryption 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 Power with mid-to-high-range storage and Exadata.
 - (2) Software: AIX, AS/400, Oracle Linux

2. X86 Server:

- (1) Hardware: IBM xSystem, HPE Server, DELL PowerEdge with mid-to-high-range DELL EMC Storage and HPE Storage.
- (2) Software: Microsoft Windows, Redhat Enterprise Linux, Oracle, MSSQL DB, MongoDB, MYSQL

3. Network:

(1) Hardware:

- A. Router: Load balancing equipment is adopted for external access to achieve uninterrupted service, and dual equipment is used for internal network between server rooms in conjunction with the activation of automatic dynamic route detection and link load.
- B. Switch: Virtual SDN network architecture is adopted at server rooms to centralize equipment management.
- C. Firewall: The next generation firewalls (FW/IPS/APT), web application firewall (WAF) and connection with automated backup are adopted.
- D. Line: The Company employs traffic-based broadband for external service line and activates the application-layer DDoS attack guarding mechanism.

(2) Software:

- A. Equipment monitoring and packet monitoring tools are used to analyze and send alarms for network efficiency and traffic.
- B. Web browsing protection system is used to control web browsing and offer personal information and APT protection.

(II) Future Development and procurement plan:

1. Optimization of financial services

- (1) Self-develop mobile trading platform for Taiwan stocks and sub-brokerage to enhance customer experience on the mobile platform.
- (2) Optimize bilateral account opening service for sub-brokerage and Taiwan stocks.
- (3) Improve online futures account opening and electronic signature services in line with business growth.
- (4) Adjust system framework and improve efficiency in line with diversified systematic investment service.
- (5) Establish and develop securities lending platform to assist business expansion
- (6) Establish NTD and foreign currency bond system and discretionary trust system in conformity with the promotion of new proprietary businesses
- (7) Develop bond product platform, structured product and USD PGN system in line with business growth
- (8) Plan the construction of profit/loss platform to improve the flexibility of front-end support.
- (9) Introduce the new AP order placement system for domestic and overseas futures
- (10) Upgrade OSU Web system.
- (11) Optimize functions on electronic platform to enhance customers' user experience
- (12) Enhance functions of the mobile trading platform and integrate other domestic and overseas investment products
- (13) Continuously improve smart customer service and expand the coverage of online services.

2. Digital empowerment and technology framework enhancement:

- (1) Construct and introduce data lake
- (2) Integrate customer segment analysis and enhance customer notification related services
- (3) A user behavior analysis and insight system featuring a data-driven decision model will be implemented
- (4) Continuously develop applications for sub-brokerage and futures mid-office service to improve availability of linked platforms
- (5) Develop securities API using various programming languages for the business promotion to different customer segments

(III) Emergency backup and security:

1. Host: Core trading mainframe on-site HA backup and remote backup currently in place.
2. Network:
 - (1) With respect to network backup design, adopt onsite HA architecture for important firewalls, routers and switches at server room; use dedicated main and backup data lines along with dynamic routing to connect with remote data backup center for uninterrupted important network connection.
 - (2) Implement DDoS traffic cleaning, next generation firewall (FW/IPS/APT) and web application firewall (WAF) outside in, enable malicious attack protection at gateway end, and, in conjunction with anti-virus and EDR software, ensure network and system security to protect customer trading service quality.

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

(I) Key information system setup and maintenance:

1. Intel x86 Server:
 - (1) Hardware: Multi-core servers including the IBM, DELL, and HPE, and EMC disk drive
 - (2) Software: Microsoft Windows, Red Hat Enterprise Linux, MSSQL DB, MongoDB
2. Network equipment:
 - (1) Hardware: FortiGatez firewall, Cisco router switch, Citrix WAF
 - (2) Software: Forti EMS, Whatsup monitoring
3. Information security
 - (1) Hardware: Network APT packet analysis system, network access control (NAC) equipment
 - (2) Software: NDLP endpoint privilege management, external vulnerability detection, system authentication for high privileged accounts

(II) Future Development and procurement plan:

1. Fintech and innovation
 - (1) Research and implementation of RPA
 - (2) AI investment model research, development and application
 - (3) LINE OA (company's account) personalized message application
 - (4) Fund transaction electronic payment application and development

- (5) Development of smart customer service application
- 2. Private cloud - cloud computing
 - (1) Expansion and optimization of dual data center architecture of virtual platform
 - (2) Optimization of VDI virtual platform
- 3. Database management
 - Core database and relevant software upgrade
- 4. Network
 - (1) Optimization of mobile office
 - (2) Construction and relocation of Neihu and Qingpu dual data centers.
 - (3) Replacement and integration of Eos equipment
 - (4) Replacement of voice recording system
- 5. Information security
 - (1) Information security management system promotion (ISMS)
 - (2) Business continuity management (BCM) promotion
 - (3) Introduction and application of desktop personal information manager
- 6. Implementation of new fund accounting system.
- 7. Introduction and application of APIM products
- 8. Introduction and application of Microsoft 365
- (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. Therefore, 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 discovery information security threats and vulnerabilities, thereby strengthen the network and information system security protection capability.
7. In addition to information security education and training, the Company summarizes important news and knowledge regarding information security every month and publish the information security newspaper for Cathay Financial Holdings and its subsidiaries in order to enhance employees' information security awareness and the responsiveness for information security incidents.

(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 Holdings 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) Established "Group Information & Threat Intelligence Sharing Mechanism" to report and share major cyber threat intelligence in order to implement enhancement and preventive defense measures.

- (4) Planned the red team vs blue team operations and cyber range training, and formulated various scenario scripts for ongoing cybersecurity tabletop exercises in order to familiarize employees with incident response processes regarding different scenarios and ensure immediate response in the event of cybersecurity incidences.

3. In 2022, there were no major information security event occurred to the Financial Holdings 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 employee shareholding trust, group insurance, various subsidies, festival allowances, hiking activities, internal training, and exam-taking reimbursements, 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.
6. Assign dedicated nursing personnel to provide 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:

None.

(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, casualty, group and catastrophe 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
Disposal of the real estate	SAVE & SAFE CORPORATION	2022/1/26	Total area of Land: 1,547 square meters, equivalent to 467.97 pings. Total area of Building: 14,073.75 square meters, equivalent to 4,257.31 pings; Unit price: NT\$164,423 per ping; Total transaction price: NT\$700,000,000.	None
Sign the supplementary agreement to the construction contract of urban renewal project	Cathay Real Estate Development Co., Ltd.	2022/3/11	1.Land lot: Songshan District, Dunhua Section, 5th Subsection, Taipei City. Land serial no.2, 2-1, 2-7, 2-8. 2.Building site: Songshan District, Dunhua Section, 5th Subsection, Taipei City. Building serial no.: 3266, 3267, 3268, 3269, 3270, 3271, 3273, 3288, 4408. 3.Land area: 990.9 m ² · Building area: 7,394.46 m ² 4.Estimated Allocated Portion of Ownership: According to the ratio announced and approved by the competent authority. 5.Estimated Price: NT\$1,621,158,416. Terms of contact: Commencing on 2016/04/19 and expiring after 15 years from the date of license approved.	None
The assignment of performing lending	Bank of Panhsin, Co., Ltd.	2022/1/28	Total amount USD\$ 10,000,000	None

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
The assignment of performing lending	E.Sun Commercial Bank, Ltd., Singapore Branch, First Commercial Bank, Offshore Banking Branch, Hua Nan Commercial Bank, Ltd., Offshore Banking Branch, Taishin International Bank Co., Ltd., Chang Hwa Commercial Bank, Ltd. Offshore Banking Branch, Taiwan Business Bank, Ltd., Offshore Banking Branch, Kasikornbank Public Company Limited, The Shanghai Commercial & Saving Bank, Ltd. Offshore Banking Branch, Taichung Commercial Bank Co., Ltd., Offshore Banking Branch, AfrAsia Bank Limited and Taiwan Cooperative Bank, Offshore Banking Branch	2022/2/17	Total amount USD\$36,666,666.67	None
	OSHC (Fund III) Australia Trading Pty Ltd	2022/2/24	Total amount AUD\$24,125,000	
	The Shanghai Commercial & Savings Bank, Ltd. Offshore Banking Branch	2022/3/1	Total amount USD\$10,000,000	
	O-Bank Co., Ltd. and KGI Bank Co., Ltd.	2022/4/19	Total amount USD\$6,000,000 / USD\$4,000,000	
The assignment of performing lending	Chang Hwa Commercial Bank, Ltd., O-Bank Co., Ltd., Mega International Commercial Bank Co., Ltd, The Shanghai Commercial & Savings Bank, Ltd, MUFG Bank, Ltd., Hua Nan Commercial Bank Limited, First Commercial Bank, The Bank of East Asia, Limited. Taipei Branch/Offshore Banking Branch, Entie Commercial Bank, Australia and New Zealand Banking Group Limited, KGI Bank, Co., Ltd., Taichung Commercial Bank Co., Ltd., Offshore Banking Branch, Taiwan Cooperative Bank, Ltd., Chailease International Financial Services (Singapore) Pte. Ltd, King's Town Bank	2022/5/23	Total amount USD\$11,000,000	None
	The Bank of East Asia, Limited. Taipei Branch	2022/6/2	Total amount USD\$11,000,000	

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
The assignment of performing lending	Chang Hwa Commercial Bank, Ltd., O-Bank Co., Ltd., Mega International Commercial Bank Co., Ltd, The Shanghai Commercial & Savings Bank, Ltd, MUFG Bank, Ltd., Hua Nan Commercial Bank Limited, First Commercial Bank, The Bank of East Asia, Limited. Taipei Branch/Offshore Banking Branch, Entie Commercial Bank, Australia and New Zealand Banking Group Limited, KGI Bank, Co., Ltd., Taichung Commercial Bank Co., Ltd., Offshore Banking Branch, Taiwan Cooperative Bank, Ltd., Chailease International Financial Services (Singapore) Pte. Ltd, King's Town Bank	2022/7/12	Total amount USD\$50,000,000	None
	Chang Hwa Commercial Bank, Ltd., E.Sun Bank Commercial Bank, Ltd., Bank of Taiwan, Taiwan Cooperative Bank, First Commercial Bank	2022/8/31	Total amount USD\$22,500,000	
The assignment of performing lending	Woori Bank Singapore Branch, First Commercial Bank, Offshore Banking Branch, Hua Nan Commercial Bank, Ltd., Offshore Banking Branch, Hua Nan Commercial Bank, Ltd., Singapore Branch, Kasikornbank Public Company Limited, Oversea-Chinese Banking Corporation Limited, Union Bank of Taiwan Co., Ltd., Bank of Taiwan, Singapore Branch, Chang Hwa Commercial Bank Ltd., Offshore Banking Branch, Land Bank of Taiwan, Singapore Branch, AfrAsia Bank Limited, Banque Internationale de Commerce–BRED, CTBC Bank Co., Ltd., Singapore Branch, Taichung Commercial Bank Co., Ltd., Offshore Banking Branch, Bank of Panhsin, The Shanghai Commercial & Savings Bank, Ltd.	2022/9/13	Total amount USD\$32,500,000	None

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
	KGI Bank Co., Ltd.	2022/11/14	Total amount USD\$10,000,000	
	Standard Chartered Bank (Singapore) Limited	2022/12/21	Total amount USD\$10,000,000	
The assignment of performing lending	Taipei Fubon Commercial Bank Co., Ltd., Taiwan Shin Kong Commercial Bank, Hong Kong Branch, Taishin International Bank Co. Ltd, Mashreqbank PSC, Kookmin Bank Hong Kong Branch, Citibank, N.A., Hong Kong Branch	2022/12/23	Total amount USD\$11,495,486.47	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, 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 risk/event, engineering & construction, casualty, and personal accident insurance policies	
	KOREAN REINSURANCE COMPANY	2002/1/1~	Reinsurance contracts for fire, risk/event, casualty, marine, engineering & construction, and personal accident insurance policies	
	SWISS REINSURANCE COMPANY	1993/8/19~	Reinsurance contracts for risk/event, engineering & construction, marine insurance, and personal accident policies	
	HANNOVER REINSURANCE COMPANY	1997/1/1	Reinsurance contracts for fire, 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.	111/07/01~112/12/31	System Maintenance Contract	
	Sysjust Co., Ltd.	111/05/01~112/04/30	Data License Agreement	
	Da Cho Digital Co., Ltd.	110/11/09~113/11/08	Securities brokerage business, proprietary (securities, futures, warrant) application system	
	MDBS Digital Technology Co., Ltd.	110/09/01~112/08/31	Maintenance agreement for Speedy_securities system	
	Mitake Information Corp.	111/01/01~111/12/31	Maintenance agreement for Mitake mobile trading system	
	Cmoney Technology Co., Ltd.	111/01/01~111/12/31	CMoney System Rental Contract	
	Cmoney Technology Co., Ltd.	111/01/01~111/12/31	CMoney Cloud Subscription System Rental Contract	
	Cmoney Technology Co., Ltd.	111/01/01~111/12/31	Instant stock selection contract	
	TPIsoftware Corp.	111/01/01~111/12/31	Intelligent Customer Service System Software License and Maintenance Agreement	
	TAIWAN-CA Inc.	111/01/01~111/12/31	TWID Pre-Signed Service and TWID Portal System Maintenance Agreement	
	Systex Corporation.	111/01/01~111/12/31	Wealth management financial products platform	
	Singapore Consilium Software Inc(pte) Ltd.Taiwan Branch.	110/09/01-111/08/31	CTI Call Center Telephone Traffic Management System Maintenance Contract	
	Syscom Computer Engineering Company.	111/05/01~112/04/30	software maintenance contract_PineReport maintenance contract	
	Syscom Computer Engineering Company.	111/07/01~112/06/30	software maintenance contract_FE System Maintenance Contract	
	Syscom Computer Engineering Company.	111/07/01~112/06/30	software maintenance contract_FEP System Maintenance Contract	
	Dimerco Data System Corp.	111/05/01~112/04/30	Financial management system maintenance service	
	Fortune Information Systems Corp.	111/11/01~113/10/31	Forcepoint Employee Internet Gateway Defense System Software License Procurement Contract	
Software and Hardware construction	Changing Information Technology Inc.	110/05/26~111/05/25	Contract and Seal Management System for New-opened Accounts	

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
Contract	Paysecure Technology Co., Ltd.	110/12/01~111/11/30	Hardware Encryption Maintenance Contract	
	Mercuries Data Systems Ltd.	110/01/01~111/12/31	Oracle Suppot Service Renewal	
	Mercuries Data Systems Ltd.	110/01/01~110/12/31	Oracle Advance Customer Services	
	IBM Taiwan Corporation	108/01/01~112/12/31	Integrated system software and hardware technology and maintenance services for IT infrastructure	
	Symphox Information Co., Ltd.	111/06/18~112/12/31	Mail Data Loss Prevention (DLP) Maintenance Service Contract	
	Symphox Information Co., Ltd.	110/05/01~115/4/30	Network Infrastructure Services Agreement	
	Sanfran Technologies Inc.	111/07/01~113/06/30	Network Equipment Maintenance Contract	
	Sanfran Technologies Inc.	111/06/22~112/12/31	Supplemental Contract for the Purchase and Sale of Co-location Network Equipment Relocation Plan of the Taiwan Stock Exchange	
Software Writing Service	Easyuse Digital Technology Co., Ltd.	111/08/01~112/07/31	BillHunter/MailHunter Ultimate Electronic statement and marketing E-mail system	
Hardware equipment procurement contracts	Dimerco Data System Corp.	109/10/15~113/5/27	Purchase Agreement	
	G-Trend Integration Corp.	111/07/01~115/01/31	Procurement and Maintenance Contract for Cathay Sec INC. Data Center Network Service Improvement Project	
	Stark Technology Inc.	110/11/01~115/10/31	Contract for Replacement of EOS Equipment and Subdivision of Data Center Network Segments in Cathay Sec INC. Dun Nan Data Center	
Software Construction Contract	Singapore Consilium Software Inc(pte) Lte.Taiwan Branch.	110/07/06~112/08/23	Intelligent Voice Automatic Dialing System Implementation Contract	
	Mobvoi Taiwan Corporation.	110/08/01~111/12/22	AI Call Center System Authorization and Integration Contract	
Software License contract	KPMG Advisory Services Co., Ltd.	110/01/01~111/12/31	UiPath RPA Software License Agreement	
	Changing Information Technology Inc.	111/01/01~111/12/31	Certificate Security Control Platform Maintenance Contract	
Appointment Contract	Cathay Futures	111/04/01~112/03/31	Analytical Research Consulting Services	

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
Software Service	SYSTEX Corporation	111/06/01~ 112/05/31	NYSE real-time US stock information service	
Sales Contract	SYMPHOX INFORMATION CO., LTD	111/06/01~ 111/12/31	Treepoints sale and service contract	
Software Service	Dimerco Data System Corp..	111/11/04~ 112/11/04	Bond module system construction	

■ 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	
	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	
	Shanghai Commercial Bank	2014/8/6~	Cathay Global Multiple Income Balanced Fund	
	Hua Nan Bank	2014/12/18~	Cathay Asian Growth Fund	
	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	

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
	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	
	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	2017/4/6~	Cathay U.S. Treasury 20+ Year Bond 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 Investment Grade 5Y+ 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	
	Hua Nan Bank	2018/7/25	Cathay FTSE Chinese Policy Bank Bond 5+ Years ETF	
	E.Sun Bank	2018/11/20	Cathay 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	

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
	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 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	
	Mega International Commercial Bank	2022/1/13	Cathay US ESG Fund	
	First Commercial Bank	2022/11/4	Cathay US Premium Bond Fund	
	Hua Nan Bank	2022/7/1	Cathay Global Digital Payment Services ETF	
	Chinatrust Bank	2022/9/16	Cathay Global Top 50 Brands 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	2018	2019	2020	2021	2022	Financial Information as of March 30, 2023
Cash and cash equivalents, due from Central Bank and call loans to banks	310,799,369	524,350,564	666,220,179	702,181,532	678,336,116	(Note 3)
Financial assets at fair value through profit or loss	1,428,824,049	1,653,983,453	1,748,081,143	1,929,395,229	1,675,024,629	
Financial assets at fair value through other comprehensive income	1,127,810,270	1,182,534,102	1,562,998,457	1,626,821,625	929,052,914	
Investment in debt instruments measured at amortized cost	2,688,221,788	3,068,838,014	3,161,044,538	3,266,686,240	4,510,776,595	
Financial assets for hedging	216,611	548,075	146,959	500,642	29,891	
Securities purchased under agreements to resell	59,212,899	43,586,931	67,264,342	77,243,060	38,076,491	
Receivable - net	161,216,190	185,049,532	191,916,164	205,480,862	217,153,186	
Current income tax assets	6,438,062	4,853,833	4,689,275	4,164,103	5,158,702	
Available-for-sale assets - net	0	0	0	283,087	0	
Discount and loan - net	2,176,775,907	2,066,761,296	2,141,276,205	2,287,115,449	2,495,516,810	
Reinsurance assets	7,623,707	8,458,658	9,646,628	12,260,483	15,851,568	
Investments under equity method - net	44,932,006	48,145,672	33,036,282	32,614,572	32,883,301	
Other financial assets - net	555,740,531	615,117,482	660,547,975	741,107,026	669,832,659	
Investment property - net	319,222,554	408,696,108	419,476,228	432,525,464	448,140,598	
Property and equipment - net	166,458,327	101,855,371	98,405,132	97,852,266	108,550,891	
Right-of-use asset - net	0	3,908,913	4,138,543	4,362,776	4,833,197	
Intangible assets - net	53,826,467	51,270,972	54,002,407	51,543,583	51,636,617	
Deferred tax assets - net	40,806,934	40,595,612	61,507,384	63,746,198	89,895,981	
Other assets	76,357,835	56,924,753	66,074,603	58,477,264	100,135,437	
Total assets	9,224,483,506	10,065,479,341	10,950,472,444	11,594,361,461	12,070,885,583	
Deposits by the Central Bank and other financial peers	81,432,233	84,108,128	66,131,059	74,605,174	97,309,239	
Bankers acceptances and funds borrowed	0	0	1,076,000	1,076,000	0	

Year Item		2018	2019	2020	2021	2022	Financial Information as of March 30, 2023
Financial liabilities at fair value through profit or loss		129,698,896	111,526,387	140,778,098	79,934,187	182,999,244	(Note 3)
Financial liabilities for hedging		0	30,894	139,858	20,956	3,716,091	
RP bill and bond liabilities		59,307,037	50,278,533	12,299,564	39,827,873	34,723,428	
Commercial papers payable		62,989,367	54,018,845	39,519,918	63,469,166	73,880,000	
Payables		66,727,399	66,934,725	68,696,694	76,870,285	73,787,470	
Income tax liabilities - current period		2,543,689	3,274,828	20,628,900	7,528,389	4,484,328	
Deposit and remittances		2,187,203,086	2,303,443,816	2,615,799,063	2,871,960,053	3,185,436,089	
Bonds payable		90,600,000	118,900,000	148,800,000	141,800,000	132,147,398	
Other loans payable		336,381	2,201,364	1,657,576	1,670,185	12,763,713	
Provisions		5,341,935,726	5,713,778,385	6,117,073,219	6,448,259,356	6,842,132,184	
Other financial liabilities		627,815,178	676,972,179	692,760,284	763,908,198	720,648,395	
Lease liability		0	12,720,337	13,011,637	14,721,170	19,240,853	
Deferred tax liabilities		27,091,143	55,144,257	67,823,378	52,976,726	49,779,071	
Other liabilities		17,514,376	30,119,484	39,501,515	41,695,016	26,130,045	
Total Liabilities	Before payout	8,695,194,511	9,283,452,162	10,045,696,763	10,680,322,734	11,459,177,548	
	After payout	8,716,707,217	9,313,181,506	10,082,010,712	10,729,805,893	(Note 4)	
Total equity attributable to the owner of parent company		519,731,330	771,747,365	893,061,216	902,038,146	598,840,340	
Capital stock	Before payout	140,965,102	147,025,102	147,025,102	147,025,102	162,025,102	
	After payout	140,965,102	147,025,102	147,025,102	147,025,102	(Note 4)	
Additional paid-in capital	Before payout	165,449,364	177,256,976	177,256,053	177,244,388	215,318,047	
	After payout	161,680,401	177,256,976	177,256,053	177,244,388	(Note 4)	
Retained earnings	Before payout	285,875,616	326,282,407	371,468,940	477,986,919	454,847,472	
	After payout	268,131,873	296,553,063	335,154,991	428,503,760	(Note 4)	
Other equities		(72,558,752)	121,182,880	197,311,121	99,781,737	(233,350,281)	
Treasury stock		0	0	0	0	0	
Uncontrolled equity		9,557,665	10,279,814	11,714,465	12,000,581	12,867,695	
Total equity	Before payout	529,288,995	782,027,179	904,775,681	914,038,727	611,708,035	
	After payout	507,776,289	752,297,835	868,461,732	864,555,568	(Note 4)	

Note 1: Financial statements of the Company in 2018 to 2022 were audited.

Note 2: The Company did not conduct any revaluation of assets in 2018 to 2022.

Note 3: As of the publication date of this annual report, no financial information of 2023 had been audited or reviewed by CPAs.

Note 4: Distribution for earnings in 2022 had not yet been resolved by the shareholder's meeting

(II) Income Statement Summary of Cathay Financial Holdings and Subsidiaries

Unit: NT\$ thousand

Year Item	2018	2019	2020	2021	2022	Financial Information as of March 30, 2023
Interest income	202,714,029	220,258,661	208,249,264	207,813,024	250,519,506	(Note 2)
Less: Interest expenses	(22,085,810)	(23,892,156)	(17,319,732)	(12,930,863)	(24,356,980)	
Net interest income	180,628,219	196,366,505	190,929,532	194,882,161	226,162,526	
Net income other than interest	292,683,668	359,520,693	438,984,953	431,080,444	115,271,132	
Net income	473,311,887	555,887,198	629,914,485	625,962,605	341,433,658	
Bad debt expenses and provisions for commitment and guarantee liability	(4,599,086)	(2,205,393)	(3,177,875)	(3,484,370)	(4,777,580)	
Changes in insurance liabilities and provisions	(334,121,938)	(394,074,197)	(462,094,141)	(377,408,390)	(198,098,005)	
Operating expenses	(78,992,089)	(89,050,434)	(83,026,688)	(85,543,474)	(88,610,281)	
Pre-tax income (loss) from continuing operations	55,598,774	70,557,174	81,615,781	159,526,371	49,947,792	
Income tax (expense) benefit	(3,776,518)	(6,697,870)	(5,657,558)	(18,637,061)	(11,985,678)	
Net profit (net loss) this term of the units in continued business operation	51,822,256	63,859,304	75,958,223	140,889,310	37,962,114	
Profit (loss) of the unit discontinued from business operation	0	0	0	0	0	
Net profit (net loss) this term	51,822,256	63,859,304	75,958,223	140,889,310	37,962,114	
Other comprehensive (loss) income (net amount before tax)	(198,869,588)	217,394,627	91,240,673	(110,462,720)	(378,767,819)	
Other comprehensive (loss) income this term (net amount after tax)	(175,183,163)	189,381,909	80,238,491	(94,275,862)	(344,316,374)	
Total consolidated (loss) income – current period	(123,360,907)	253,241,213	156,196,714	46,613,448	(306,354,260)	
Income (loss) attributable to the owner of parent this term	51,467,243	62,757,286	74,579,460	139,514,082	37,359,360	
Income (loss) attributable to uncontrolled equity this term	355,013	1,102,018	1,378,763	1,375,228	602,754	
Total comprehensive (loss) income attributable to the owner of parent this term	(123,867,466)	251,892,166	154,988,421	45,166,120	(306,895,790)	
Total amount of comprehensive income (loss) belonging to non-controlled equity this term	506,559	1,349,047	1,208,293	1,447,328	541,530	
Earnings Per Share	3.95	4.76	5.41	10.34	2.58	

Note 1: Financial statements of the Company in 2018 to 2022 were audited.

Note 2: As of the publication date of this annual report, no financial information of 2023 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
2018	Accountant Bob Chang, James Huang	Emphasis paragraph on unqualified opinion (Note 1)
2019	Certified Public 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
2022	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 (2018-2022)

Title (Note 3)		Year	2018	2019	2020	2021	2022	Financial Information as of March 30, 2023
Operational ability	Total assets turnover (times)		0.05	0.06	0.06	0.06	0.03	Note 2
	Deposit to loan ratio of subsidiary bank (%)		71.34	66.58	62.94	61.88	62.95	
	NPL ratio of subsidiary bank (%)		0.16	0.15	0.14	0.09	0.08	
	Average revenues per employee (group)		8,828	10,011	10,984	10,865	6,055	
	Average earnings per employee (group)		967	1,150	1,324	2,445	673	
Profitability	ROA (%)		0.77	0.86	0.85	1.34	0.49	
	ROE (%)		8.83	9.74	9.01	15.49	4.98	
	Net profit margin (%)		10.95	11.49	12.06	22.51	11.12	
	Earnings Per Share (NT\$)		3.95	4.76	5.41	10.34	2.58	
Financial structure	Liabilities to assets ratio (%)		94.26	92.23	91.74	92.12	94.93	
	Liabilities to net worth ratio (%)		1,642.81	1,187.10	1,110.30	1,168.48	1,873.31	
	Financial holding double leverage ratio (%)		112.41	109.67	110.81	112.88	122.00	
	Financial ratios of financial holding pursuant to Article 41 of the Financial Holding Company Act (%)		None	None	None	None	None	
Leverage	Operation leverage		7.19	6.72	6.79	3.43	5.21	
	Financial holding company financial leverage		1.40	1.34	1.21	1.08	1.49	
Growth rate	Asset growth rate (%)		4.33	9.12	8.79	5.88	4.11	
	Profitability growth rate (%)		(6.77)	26.90	15.67	95.46	(68.69)	
Cash flows	Cash flow ratio (%)		(None 5)	51.87	63.39	23.75	(None 5)	
	Cash flow adequacy (%)		(None 5)	(None 5)	173.70	215.44	132.93	
	Cash flow coverage ratio (%)		(None 5)	(None 5)	1293.61	562.51	(None 5)	
Scale of operation	Market share of asset (%)		16.57	16.74	16.64	16.33	16.33	
	Market share of net worth (%)		14.36	17.59	18.46	17.43	14.61	
	Market share of the deposit at subsidiary bank (%)		5.33	5.35	5.53	5.71	5.96	
	Market share of lending at subsidiary bank (%)		5.85	5.45	5.45	5.49	5.76	

Title (Note 3)			Year	2018	2019	2020	2021	2022	Financial Information as of March 30, 2023
Capital adequacy ratio	Capital adequacy ratio set forth by respective subsidiaries at industry standard (%)	Cathay Life Insurance	291.70	346.05	360.13	370.72	316.46	Note 2	
		Cathay United Bank	14.99	15.09	16.91	16.25	15.38		
		Cathay Century Insurance	369.75	339.24	323.21	284.43	368.76		
		Cathay Securities	377.41	448.75	325.43	483.64	636.21		
		Cathay Securities Investment Trust	85.49	77.39	78.00	78.24	79.03		
		Cathay Venture	98.24	98.96	99.29	99.19	85.62		
	Qualified capital of respective subsidiaries (NT\$ thousand)	Cathay Life Insurance	488,752,735	565,404,020	621,219,356	743,211,554	636,354,819		
		Cathay United Bank	247,142,545	261,880,481	276,800,810	277,727,052	289,995,650		
		Cathay Century Insurance	9,831,977	11,211,227	12,179,533	13,684,508	12,305,548		
		Cathay Securities	5,208,773	6,061,167	8,712,584	10,246,873	10,337,606		
		Cathay Securities Investment Trust	2,559,779	2,697,854	2,924,161	3,551,968	3,928,472		
		Cathay Venture	3,735,531	4,208,591	4,491,451	4,818,428	4,642,412		
	Net qualified capital of the group (NT\$ thousand)		646,964,204	728,880,802	785,491,898	895,370,177	787,569,026		
	Mandatory capital requirements of respective subsidiaries (NT\$ thousand)	Cathay Life Insurance	335,101,600	326,777,835	344,994,185	400,952,592	402,166,250		
		Cathay United Bank	162,837,923	182,170,074	171,889,293	179,465,475	198,045,076		
		Cathay Century Insurance	5,318,228	6,609,567	7,536,668	9,622,434	6,674,084		
		Cathay Securities	2,070,194	2,025,997	4,015,849	3,178,027	2,437,299		
		Cathay Securities Investment Trust	1,497,116	1,742,915	1,874,420	2,270,053	2,485,579		
		Cathay Venture	1,901,290	2,126,349	2,261,794	2,428,909	2,711,141		
	Mandatory total capital requirements of the whole group (NT\$ thousand)		509,166,798	524,439,669	540,779,019	599,802,833	619,593,272		
	Capital adequacy ratio of the group (%)		127.06	138.98	145.25	149.28	127.11		
A financial holding company shall disclose the aggregate amount or ratio of credit, endorsement or other transactions by all subsidiaries to the same person, the same related party or the same affiliate pursuant to Article 46 of the Act (in NT\$ million)			6,855,496	7,722,722	6,919,385	8,694,028	9,455,432	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. Due to decrease in investment gains, total assets turnover, the average income of employees, average profitability of employees, return on assets, return on equity, net margin, earnings per share and profit growth rate decreased relatively.									
2. The increase in the debt to net worth ratio was mainly due to the decrease in other equity under net worth during the period.									
3. The increase in operating leverage and financial leverage of the financial holding company was mainly due to the decrease in net profit before tax for the period.									
4. The decrease in asset growth ratio is mainly due to the decrease in financial assets at FVOCI during the period.									
5. Cash flow adequacy ratio decreased mainly due to decreased cash flow from operating activities during the recent five years.									

Note 1: Financial statements of the Company in 2018 to 2022 were audited.

Note 2: As of the publication date of this annual report, no financial information of 2023 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 year – total assets in previous year)/total assets in previous year
- (2) Profitability growth rate = (earnings before taxation in current year – earnings before taxation in previous year)/earnings before taxation in previous year

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 liabilities at FVTPL + 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 2022 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:

2023 Annual General Shareholders' Meeting of Cathay Financial Holdings

Auditing Committee
Edward Yung Do Way, Convener

April 27, 2023

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 last 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	2021	2022	Change in amount	Change in proportion (%)
Cash and cash equivalents	633,233	7,943,654	7,310,421	1,154
Financial assets at fair value through profit or loss	36,260,000	33,575,500	(2,684,500)	(7)
Financial assets at fair value through other comprehensive income	143,491	195,035	51,544	36
Securities purchased under agreements to resell	0	0	0	-
Receivable - net	1,466,748	4,121,685	2,654,937	181
Current income tax assets	4,102,282	5,131,669	1,029,387	25
Equity investment under the equity method	981,855,958	696,821,834	(285,034,124)	(29)
Property and equipment	55,225	161,431	106,206	192
Intangible assets	0	0	0	-
Right-of-use asset	123,677	289,676	165,999	134
Deferred tax assets	35,604	333,745	298,141	837
Other assets	96,202	306,016	209,814	218
Total assets	1,024,772,420	748,880,245	(275,892,175)	(27)
Payables	64,534,616	89,781,806	25,247,190	39
Income tax liabilities - current period	7,057,511	3,947,034	(3,110,477)	(44)
Bonds payable	50,000,000	50,000,000	0	0
Other loans payable	0	5,000,000	5,000,000	-
Provisions	749,874	753,962	4,088	1
Lease liability	124,980	290,119	165,139	132
Deferred tax liabilities	266,714	266,714	0	0
Other liabilities	579	270	(309)	(53)
Total liabilities	122,734,274	150,039,905	27,305,631	22
Common stock	131,692,102	146,692,102	15,000,000	11
Preferred shares	15,333,000	15,333,000	0	0
Additional paid-in capital	177,244,388	215,318,047	38,073,659	21
Legal reserve	59,471,895	73,747,059	14,275,164	24
Special reserve	150,716,023	150,768,651	52,628	0
Undistributed earnings	267,799,001	230,331,762	(37,467,239)	(14)
Exchange differences resulting from translating the financial statements of a foreign operation	(18,652,251)	(13,027,301)	5,624,950	(30)
Gain (loss) on effective cash flow hedge instruments	335,851	950,265	614,414	183
Unrealized gains (loss) on financial assets at fair value through other comprehensive income	47,131,473	(58,533,041)	(105,664,514)	(224)

Item \ Year	2021	2022	Change in amount	Change in proportion (%)
Other comprehensive income reclassified using the coverage approach	64,764,671	(171,329,940)	(236,094,611)	(365)
Changes of designated financial liabilities at fair value through profit or loss resulting from credit risk	(889,397)	(428,795)	460,602	(52)
Remeasurement of defined benefit plans	(966,130)	(1,097,143)	(131,013)	14
Revaluation Surplus	11,281,909	12,609,000	1,327,091	12
Other equity - Others	(3,224,389)	(2,493,326)	731,063	(23)
Total shareholders' equity	902,038,146	598,840,340	(303,197,806)	(34)

Changes in the ratios of the analysis:

1. The difference of cash and cash equivalents between two periods is mainly due to the cash capital increase in the current period.
2. The difference of financial assets FVOCI between the two periods is mainly due to the valuation loss recognized in the current period.
3. Variation in receivable - net was mainly attributed to the consolidated tax system.
4. The difference of the income tax assets between two periods is mainly due to the increase in tax refund receivable for the current period.
5. The difference of investment by the equity method -net between the two periods is mainly due to the decrease in net profits of the subsidiaries, and the increase in unrealized valuation loss on financial assets.
6. The difference of property and equipment between the two periods is mainly due to the purchase of equipment in the current period.
7. The difference of right-of-use assets between the two periods is mainly attributed to new lease agreements signed in the current year.
8. The difference of deferred tax assets between the two periods is mainly due to the increase in the deductible temporary differences in the current period.
9. The difference of accounts receivable between the two periods is mainly due to the consolidated tax system.
10. Variation in current income tax liabilities was mainly attributed to decreased business income tax payable.
11. The difference of other borrowings between the two periods is mainly due to the addition of short-term borrowings during the current period.
12. The difference of lease liabilities between the two periods is mainly attributed to new lease agreements signed in the current year.
13. The difference of capital reserve between the two periods is mainly due to the issuance of new shares for the cash capital increase in the current year.
14. The difference of legal reserve between the two periods is mainly due to the increase in the provision in the current period.
15. The difference of exchange from translating financial statements of foreign operations between the two periods is mainly due to exchange rate movements.
16. The difference of the gain (loss) on the hedging instruments belonging to the effective hedging positions of the cash flow hedge between two periods is mainly due to the valuation gains generated from the hedging positions.
17. 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.
18. Variation in credit risk effect of financial liabilities measured at fair value was mainly attributed to credit risk changes and valuation changes in USD bonds issued by subsidiaries.

II. Analysis of Financial Performance

Unit: NT\$ thousand

Item \ Year	2021	2022	Change in amount	Change in proportion (%)
Net income	142,322,780	42,896,907	(99,425,873)	(70)
Expenses and loss	(1,766,470)	(1,922,878)	(156,408)	9
Pre-tax income (loss)	140,556,310	40,974,029	(99,582,281)	(71)
Net profit (net loss)	139,514,082	37,359,360	(102,154,722)	(73)

III. Cash flows

(I) Liquidity Analysis in the last two years

Unit: %

Item \ Year	2021	2022	Increase (decrease) in proportion (%)
Cash flow ratio (%)	Note	Note	—
Net cash flow adequacy (%)	Note	Note	—
Cash flow adequacy 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
7,943,654	6,763,546	24,459,333	(9,752,133)	None	Issue corporate bonds and commercial paper

IV. Major capital expenditures in the last year

None.

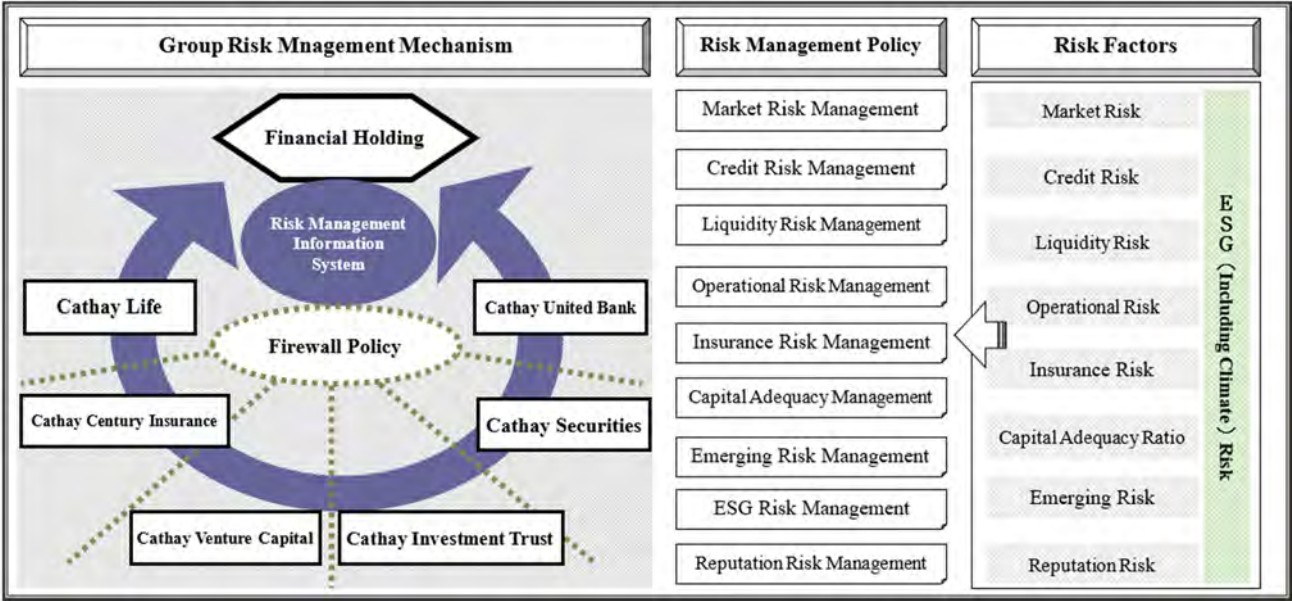
V. The investment Strategy in the last year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

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 last 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 standards are approved by the board of directors, and serve as the basis of compliance for the Company’s risk management, to specify the duties and operating mechanism for the risk management. 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, insurance 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 risk management departments of subsidiaries also establish the risk management standards based on the Risk Management Policy established by the Company, depending on the regulations and the business attributes.
- (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 periodic 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 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. Furthermore, in the regard of business continuity management, the Company and the major subsidiaries, such as Cathay Life, Cathay United Bank, Cathay Century Insurance, Cathay Securities and Cathay Investment Trust have established an business continuity management mechanism, and obtained the international standard certification, "ISO 22301 Business Continuity Management System" from BSI British Standards Institution, to continuously strengthen the Group's operational resilience, and implement the business continuity management mechanism for various risk scenarios.
- E. Insurance risk management: In addition to establishing the insurance risk management framework and system, the Company and its insurance subsidiaries independently evaluate each product's risk profile of the insurance subsidiaries, and the effectiveness of risk mitigation measures with the premise to meet the Company's business strategies and acceptable profit targets; meanwhile, the experience after the sale of products are regularly tracked to reduce the loss of insurance risks resulting from unexpected changes.
- F. Capital adequacy management: Currently the Company and the subsidiaries all maintain a capital adequacy ratio superior to the regulation requirement. Other than calculating the capital adequacy

ratios regularly pursuant to laws and regulations, the Company and the subsidiaries estimate the capital adequacy ratios from time to time based on the Company's merger and acquisition plans, or depending on the investment plans of each subsidiary; on the one hand, it is to maintain an appropriate level of capital adequacy, and on the other hand, it is to provide the Company with a reference for the future planning of fund sources.

- G. Emerging risk management: Facing the increasingly complex global financial operating environment, as well as the increasing issues such as technological development and population aging with rising probability of occurrence, the Company collects references of external emerging risk sources every year, to compile risk maps with major subsidiaries, regularly identify and measure the major risks faced in the next five years, and plan the approaches to respond to and control risks. Two emerging risks mainly monitored were identified; please refer to "VIII. Other Important Matters" for the details.
- H. 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.
- I. Reputation risk management: To reduce the negative perception of the Company by stakeholders such as customers, counterparties, shareholders, investors or competent authorities, in the event of material incident, the Company should handle with the relevant internal measures and take defensive measures to reduce the impact of damages.

(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

Cathay Life and Cathay Century Insurance:

1. Cathay Life and Cathay Century 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. Limit management for credit and investment risk.
 - 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 – evaluating the appropriateness of product design details, the reasonableness of product pricing, the adequacy of product rates, and the after-sales 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. Analyses for fair values of liabilities, covenant values, and net worth.

(8) Capital adequacy

- A. Definition:
 - a. The capital adequacy ratio refers to the ratio of adjusted net capital to risk-based capital calculated based on risk-based capital (RBC) pursuant to 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. The key attentions for handling material incident, and the reporting mechanisms for operational risks, personal information infringement and disaster incidents are established, and such are reviewed and amended to cope with the laws and regulations, as well as practical operations.
 - b. Implementation of the self-inspection system: members of each unit inspect each other's actual business implementation, and the supervisor of each unit or personnel at or above the equivalent level are responsible for supervising the implementation, to discover operational deficiencies as early as possible for correcting such in a timely manner.
 - c. Perfect legal compliance system: the compliance officers at the head office properly test whether the personnel in charge of each operation have indeed complied with relevant laws and regulations (including compliance risk assessment report and supervision and

improvement of vulnerabilities, management of amended laws and regulations, self-assessment of compliance, due and appropriate legal training for personnel of each unit) based on the legal compliance plan approved by the board of directors.

- d. Risk control mechanism: establish an independent and effective risk management mechanism to assess and monitor the Company's risk appetite, and the current assumed risks, to determine the responding strategies for risks and how the risk management procedures are complied with.
- e. Healthy internal audit and internal control system: the audit unit conducts audits and evaluations for the internal control system, to measure the effectiveness and compliance of the current policies and procedures, and their impact on various operational activities, to assist the board of directors and management in assessing whether the internal control system is operating effectively, while providing improvement advice in a timely manner, to ensure the internal control system to be implemented continuously and effectively and to serve as a basis for reviewing and amending the internal control system.
- f. The independent director and supervisor system: the board of directors recognizes the risks faced in operations, supervises the operating results, and assumes the ultimate responsibility to ensure the establishment and maintenance of an appropriate and effective internal control system, to promote the healthy operation of the insurance industry and achieve the effects of operating profitability and performance.

(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: refers to the potential negative impacts on the insurance industry generated from environmental, social and governance risks, as well as climate change transition risks and physical risks.
- B. The method of controlling:
 - a. Establishing the scope, analysis and control mechanism of ESG and climate risk management.
 - b. Implementing the three lines of defense to manage ESG and climate risks.

c. Improving the technologies and information disclosure of ESG and climate risk assessment.

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 capital adequacy ratio and net worth ratio are calculated regularly according to the risk based capital (RBC), to meet the statutory minimum requirements.
- (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 Review 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, Audit Committee, Asset and Liability Management Committee and 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 the control unit for market risks, responsible for relevant authorization standards, supervision of investment and trading position risks, derivatives evaluation and position management.

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 of Directors is the highest unit with authority and accountability 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 is the highest unit with authority and accountability, 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 daily operation and executions; if any major change is faced, or expected for the liquidity positions of the Bank, it should analyze and take measures jointly with the Finance and Accounting Department and the Market Risk Management Department; a temporary meeting of Asset and Liability Management Committee may be convened, if necessary, to response.

B. Risk management process:

- a. The Financial Investment Department adjusts its liquidity gaps depending on changes in daily capital flows and movements of market conditions to ensure appropriate liquidity.
- b. The Finance and Accounting Department adopts the quantitative management and prepares the monthly liquidity risk management statement, to submit such to the Asset and Liability Management Committee for monitoring the changes in the liquidity risk.

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 liquidity risk management indicators are developed, the alerting thresholds are set, and limits are monitored; adverse factors to liquidity are analyzed and countermeasures are taken immediately to eliminate the 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 unit with authority and accountability; the Risk Management Committee is responsible for reviewing ESG and climate risk management mechanisms and reports, and the International Review Department is responsible for the planning, promotion and monitoring of ESG and climate risk management systems.

B. Risk management process:

By identifying the ESG and climate risks of customers, counterparties and portfolios, the risk appetite of banks are considered, and the extent, frequency and importance of climate risks are assessed and analyzed, with countermeasures formulated.

C. Measurement and control principle:

Pursuant to the International Equator Principles and voluntary compliance with the UN Responsible Bank Principles, by integrating advised financial disclosure frameworks related to the climate change, the relevant indicators are regularly monitored, and climate risks are analyzed, assessed and managed.

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, capital adequacy and ESG and climate risk. 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.

(8)ESG and Climate Risk

A. Definition: ESG risks include environmental risks, social risks and corporate governance risks; climate-related risks are part of environmental risks, referring to the potential negative impacts of climate change on the Company, mainly divided into transition risks and physical risks.

B. The method of controlling:

Establishing the ESG and climate risk measurement indicators and control mechanisms, with regular monitoring, assessment and analyses of climate-related risks, to avoid or reduce any possible material impact on the Company's business development.

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 Financial Holding with our clarification on the company's assumption of risks and the appropriateness of current risk management regulations.

2. 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 2022; furthermore, liquidity ratios for foreign currencies were maintained above 100% throughout 2022.
- (3) Calculating net adjusted capital adequacy ratio according to regulations on securities brokers and rules from regulators. In 2022, the capital adequacy ratio figures were between 426% and 674%, meaning that they were all above the internal risk control indicator of 250%.

Cathay Venture:

1. Cathay Venture 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 risks include environmental risks, social risks and corporate governance risks.

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 risks include environmental risks, social risks and corporate governance risks.

B. The method of controlling:

The ESG risk management mainly refers to grasping the ESG risks of investment targets through internal and external ESG information.

(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 of the financial holding company in the event of changes in local and foreign regulations

Regulatory changes and major policies	Response measures
The Financial Supervisory Commission promulgated the interpretation on the “Special Earning Reserve Provided for the Re-Classification of Insurance Subsidiaries’ Financial Assets by Financial Holding Companies” in 2022, that when a financial holding company distributes the distributable earnings, it should provide a special earning reserve of the same amount as the change in the fair value of the financial assets reclassified by its insurance subsidiary; should the change in fair value be reversed, the financial holding company may reverse the earning distributed from the special earning reserve for the reversed portion; the financial holding company shall disclose the changes in the fair values of financial assets reclassified by the insurance subsidiary in the notes of the annual financial report.	The Company has reviewed the published interpretation and the relevant units have cooperated to handle such.

(IV) Effect on the financial holding company’s financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response

To respond to technological changes, Cathay Financial Holdings will continue to move towards the goal of becoming a “technology-based company with finance as the core” with the four pillars, namely “digital,” “data,” “technology,” and “talent.” Other than continuously expanding the application fields of digital transformation, through fragmented financial services, the use scenarios in customers’ lives are incorporated to, and the customer convenience in various ecosystems are improved, to create the ultimate user experience. It is sought to create the future of finance on the foundation of financial technologies, with supplements of customer-oriented core mindset. 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) Major impact on the company brought by company image change of the Financial Holding and its subsidiaries and remedial actions

Cathay Financial Holdings leverages its core financial competency to enhance our commitment to ESG development and corporate resilience. We are creating a digital financial service ecosystem by implementing financial innovation and digital transformation internally and externally. Upholding the brand spirit of “What if we could,” our goal is to become a data technology driven company providing financial products and services. Meanwhile, we aim to be recognized “the best financial institute in the Pacific Asia region.”

In response to incidents that may cause brand damage, Cathay Financial Holdings has established the “Media Information Disclosure Policy for Cathay Financial Holdings and its subsidiaries,” outlining procedures and protocols to follow for media interviews, media crisis management, as well as keeping track of brand image variation in the market on daily basis.

(VI) Potential effects and risks associated with mergers and acquisitions and response measures

■ Acquisition/investment

None.

■ Expected benefits of the acquisition

Not applicable.

■ Possible risks and response measures

Not applicable.

(VII) Risks associated with concentration of business activities and response measures

The business scopes of the Company's subsidiaries cover the life insurance, property and casualty insurance, banking, and securities, among various financial professional fields; with wide range of products and services; with the gradually expanding geographic extent of operations and overseas operation scope, the overall asset portfolio of the Group are getting diversified, to sufficiently lower the operating risk due to the concentration of the business.

(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 2023, 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) Cathay Life has generally assume all the assets, liabilities and enterprise of Global Life Insurance Co., Ltd (hereinafter, "Global Life") in July 1, 2005. It was found that in October of 2003, 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. 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. On August 30 2022, Taiwan High Court has rendered its judgment in favor of Cathay Life, to the effect that Cathay Life is entitled to the aforementioned auction price of Real Estate. The case is currently pending in the Supreme Court due to the Defendant's appeal. Cathay Life has assume Global Life's action in accordance with the applicable law. Cathay Life and the attorneys hold that these cases will not cause significant impact on the financial position of Cathay Life.
2. As of March 30 2023, 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 and the case is in the proceeding. 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. Responding Mechanism to the Crisis Handling

(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 political 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
<p>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.</p> <p>According to the 2023 World Economic Forum Global Risk Report, geoeconomic confrontation are listed as one of the top ten risks affecting the world in the next decade; focuses are mainly on the energy issues caused by Russia, the U.S. blocking China's access to high-end chips, and the threat of potential cross-strait conflicts.</p>	Society	<p>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:</p> <ul style="list-style-type: none"> Investment and financing performance tends to be weak and, therefore, erode the Company's earnings: <ul style="list-style-type: none"> Short-term impacts: Under the Russia-Ukraine War, inflation increased, and panic spread as the conflict escalated, resulting in slumping prices of financial assets due to selloffs, affecting global capital flows and liquidity in the financial market, and leading to increased risks to which investment and financing in the relevant regions are exposed. Medium and long-term impacts: With the escalation of political and economic risks, countries are promoting the localization of key supply chains, changing the division of labor in the global supply chain, pushing up operating costs, compressing profitability, and impacting business returns. In addition, if geopolitical turmoil continues, the impact of economic and financial sanctions will result in a decline in investment and consumer confidence, exchange rate depreciation, and economic recession, which may affect countries with fiscal fragility, and lead to a domino effect such as capital flight, weakening the refinancing and solvency of such countries and related enterprises, and resulting in an increased risk of default; this may affect the Company's profitability. Customers are more reluctant to be insured, affecting the premium revenue: if long-term inflation is still elevated due to political and economic factors, the Central Bank will tighten monetary policy and private consumption will be suppressed. In this case, customers will be less willing to be insured, and thus premium revenue of Cathay will be impacted. The escalation of cross-strait geopolitics impacts the Company's operation: if the situation across the Taiwan Strait escalates, and any military conflict breaks out, the consequences may include that international trading is affected, resources are blocked, or infrastructure required for people's livelihood, such as transportation, electricity and internet, is damaged. Insufficient consumer confidence tends to lead to liquidity risks, such as a run on the bank, which may affect the Company's operation. 	<ul style="list-style-type: none"> Keep closely watching the changes in the global political and economic situations, conduct risk assessment and adjust 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. The Company continues to monitor political and economic movements, and regularly reviews the appropriateness of country risk levels and limits by referring to the credit ratings and operational risk scores of each country. 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. The business continuity management (BCM) mechanism for extreme scenarios is established for the Group, and the related BCM strategies and emergency response procedures are established to strengthen the operational resilience of the Company.
<p>Information security risk: Emerging technologies, such as Artificial intelligence (AI), cloud computing, and the Internet of Things replace the old technologies; if hackers and cybercriminals use new technologies to attack, information security may be affected.</p> <p>According to the 2023 World Economic Forum Global Risk Report, widespread cybercrime and cyber insecurity are listed as one of the top ten risks affecting the world in the next decade for the first time, indicating an increase in related risks.</p>	Technology	<p>Cathay has over 8 million insurance customers, over 4 million Internet banking app users, and more than 1.4 million digital securities order-placing service users in Taiwan. In case of any information security incident, the impacts on the Group are as below:</p> <ul style="list-style-type: none"> Short-term impacts: <ul style="list-style-type: none"> Network attacks causing operational or service interruptions: A cyber-attack may cause the Company's network-related systems to be paralyzed, resulting in the failure of normal business operations, and the Company's operations and profits are impacted. Hacking and cybercrime causing financial losses: Hackers may steal customers' deposits, steal classified and sensitive information of the Company, and extort the Company to pay ransom, which may result in serious financial loss to the Company. Medium and long-term impacts: <ul style="list-style-type: none"> Leakage of personal information causing damage to the Company's reputation: <ul style="list-style-type: none"> A compromised internal information system would result in the leakage of customer's personal information, causing damage to customers' rights and interests. If the occurrence is repetitive, or the impact is significant, the customers will not trust the Company and the Company's reputation would be negatively affected. 	<ul style="list-style-type: none"> Various measures of the Group's information security blueprint are regularly reviewed and implemented, including information security governance, 7x24 information security event monitoring, border protection, intranet and host system penetration testing, and vulnerability scanning mechanisms, to enhance protection against information security threats and to protect the security of customer services. We continue to strengthen the information security awareness of employees and customers through information security education, training and promotion. The ISO 27001 international information security management framework is introduced to comply with related regulations and align with international standards. <ul style="list-style-type: none"> Cathay Life, Cathay United Bank, Cathay Century Insurance, Cathay Securities, Cathay Futures, Cathay Investment Trust, and Cathay Securities Investment Consulting have all been certified with ISO 27001 and maintain the validity of their certifications on an on-going basis. The financial holdings is introducing the ISO 27001 international information security management framework, and it is expected to obtain external third-party certification in 2023. The Company collects and analyzes intelligence and risks regarding external information security threats, and fixes vulnerabilities to improve protection against information security threats; it also cooperates with F-ISAC of FSC, the Bureau of Investigation of the Ministry of Justice, and the International Information Security Agency (RSA) to grasp information security risks in a timely manner. Regularly conduct the full participation exercise to strengthen the emergency response capabilities for information security incidents.

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

The subsidiary Cathay Life has decided to change its business model upon the joint considerations of the management and the attesting CPAs and reasonableness judged by the relevant facts before September 30, 2022. Pursuant to IFRS 9, the reclassification date of financial assets is October 1, 2022; upon the reasonableness opinions obtained from CPAs, Cathay Life's board of directors on October 20, 2022 was reported to. After reclassification, the amount of consolidated equity was increased by approximately NT\$242.6 billion from September 30, 2022, and the net worth ratio was increased from 2.63% to 5.78%. As a result of reclassification, the consolidated equity of the parent company was increased by approximately NT\$242.6 billion from September 30, 2022, and the net worth ratio increased from 2.7% to 4.8%.

**Cathay Financial Holding Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 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, 2022 and 2021, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the year ended December 31, 2022. 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, 2022 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 an understanding of 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, 2022 to identify any abnormalities on the recognized amounts of policy reserve in 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, 2022.

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, 2022.
 - 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, 2022.

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 were 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 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 obtained an understanding of and tested its internal controls of impairment assessment on loans.
2. We tested the classification of the credit assets into their respective categories out of the total five categories and confirmed that such classification complies with the relevant regulations issued by the authorities.
3. We performed the tests on selected samples and confirmed the appropriateness of impairment 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 and confirmed that such provision complies with the relevant regulations issued by the authorities.

Adequacy of Loss Reserves

Cathay Century Insurance Co., Ltd. is a subsidiary of Cathay Financial Holding Co., Ltd. Its 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 by the claim department based on the relevant information from each received claim. The reserve for claims not yet filed is comprised of the provision calculated by the actuary department according to the claim development methods (accident year basis) or past claim experiences complied with actuarial principles, along with a reserve for the unallocated loss adjustment expenses; such accrual principle is also applied to ceded loss reserve under reinsurance contract assets.

The claims not yet filed estimated by the abovementioned claim development methods or past experiences complied with the actuarial principles were calculated by considering the weighted results of the claim development and expected loss rates. The actuary department exercises its professional judgment in determining the appropriate models, assumptions and parameters. Therefore, we identified the adequacy of loss reserves as a key audit matter. For the accounting policies and relevant disclosure information, refer to Notes 4, 5 and 21 to the accompanying consolidated financial statements.

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

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

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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Cheng-Hung Kuo and Shu-Wan Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2023

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 28)	\$ 412,013,900	3	\$ 467,635,057	4
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	266,322,216	2	234,546,475	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5, 7 and 28)	1,675,024,629	14	1,929,395,229	17
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 8, 28 and 29)	929,052,914	8	1,626,821,625	14
DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 9 and 29)	4,510,776,595	37	3,266,686,240	28
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 5)	29,891	-	500,642	-
NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS (Note 4)	38,076,491	-	77,243,060	1
RECEIVABLES, NET (Notes 4, 5, 10 and 28)	217,153,186	2	205,480,862	2
CURRENT TAX ASSETS	5,158,702	-	4,164,103	-
ASSETS HELD FOR SALE, NET	-	-	283,087	-
DISCOUNT AND LOANS, NET (Notes 4, 5, 11 and 28)	2,495,516,810	21	2,287,115,449	20
REINSURANCE CONTRACT ASSETS, NET	15,851,568	-	12,260,483	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 13 and 28)	32,883,301	-	32,614,572	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 23)	669,832,659	6	741,107,026	6
INVESTMENT PROPERTIES, NET (Notes 4, 5, 14, 28 and 29)	448,140,598	4	432,525,464	4
PROPERTY AND EQUIPMENT, NET (Notes 4 and 15)	108,550,891	1	97,852,266	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 28)	4,833,197	-	4,362,776	-
INTANGIBLE ASSETS, NET (Notes 4, 17 and 38)	51,636,617	-	51,543,583	-
DEFERRED TAX ASSETS (Notes 4 and 26)	89,895,981	1	63,746,198	1
OTHER ASSETS, NET (Notes 28 and 29)	<u>100,135,437</u>	<u>1</u>	<u>58,477,264</u>	<u>-</u>
TOTAL	<u>\$ 12,070,885,583</u>	<u>100</u>	<u>\$ 11,594,361,461</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 97,309,239	1	\$ 74,605,174	1
DUE TO THE CENTRAL BANK AND BANKS	-	-	1,076,000	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 7)	182,999,244	2	79,934,187	1
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 5)	3,716,091	-	20,956	-
NOTES AND BONDS SOLD UNDER REPURCHASE AGREEMENTS (Note 4)	34,723,428	-	39,827,873	-
COMMERCIAL PAPER PAYABLE, NET (Note 18)	73,880,000	1	63,469,166	-
PAYABLES (Note 28)	73,787,470	1	76,870,285	1
CURRENT TAX LIABILITIES (Note 4)	4,484,328	-	7,528,389	-
DEPOSITS AND REMITTANCES (Notes 19 and 28)	3,185,436,089	26	2,871,960,053	25
BONDS PAYABLE (Note 20)	132,147,398	1	141,800,000	1
OTHER BORROWINGS	12,763,713	-	1,670,185	-
PROVISIONS (Notes 4, 21 and 22)	6,842,132,184	57	6,448,259,356	56
OTHER FINANCIAL LIABILITIES (Notes 4 and 23)	720,648,395	6	763,908,198	7
LEASE LIABILITIES (Notes 4, 16 and 28)	19,240,853	-	14,721,170	-
DEFERRED TAX LIABILITIES (Notes 4 and 26)	49,779,071	-	52,976,726	-
OTHER LIABILITIES (Note 28)	<u>26,130,045</u>	<u>-</u>	<u>41,695,016</u>	<u>-</u>
Total liabilities	<u>11,459,177,548</u>	<u>95</u>	<u>10,680,322,734</u>	<u>92</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 24)				
Share capital				
Ordinary shares	146,692,102	1	131,692,102	1
Preference shares	15,333,000	-	15,333,000	-
Capital surplus	215,318,047	2	177,244,388	2
Retained earnings				
Legal reserve	73,747,059	1	59,471,895	1
Special reserve	150,768,651	1	150,716,023	1
Unappropriated earnings	230,331,762	2	267,799,001	2
Other equity	<u>(233,350,281)</u>	<u>(2)</u>	<u>99,781,737</u>	<u>1</u>
Total equity attributable to owners of the Company	598,840,340	5	902,038,146	8
NON-CONTROLLING INTERESTS (Notes 4 and 24)	<u>12,867,695</u>	<u>-</u>	<u>12,000,581</u>	<u>-</u>
Total equity	<u>611,708,035</u>	<u>5</u>	<u>914,038,727</u>	<u>8</u>
TOTAL	<u>\$ 12,070,885,583</u>	<u>100</u>	<u>\$ 11,594,361,461</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4 and 28)	\$ 250,519,506	73	\$ 207,813,024	33
INTEREST EXPENSE (Notes 4 and 28)	<u>(24,356,980)</u>	<u>(7)</u>	<u>(12,930,863)</u>	<u>(2)</u>
NET INTEREST INCOME	<u>226,162,526</u>	<u>66</u>	<u>194,882,161</u>	<u>31</u>
NET INCOME AND GAINS OTHER THAN INTEREST INCOME				
Net gain on service fee and commission fee (Notes 4, 23, 25 and 28)	15,421,254	5	12,648,663	2
Net income on insurance operations (Notes 4, 25 and 28)	1,436,140	-	218,483,618	35
(Loss) gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 7)	(445,353,503)	(130)	142,017,737	23
Gain on investment properties (Notes 4, 14 and 28)	13,696,591	4	11,657,941	2
Realized gain on financial assets at fair value through other comprehensive income (Note 4)	2,712,295	1	33,186,918	5
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	10,365,022	3	37,416,140	6
Foreign exchange gain (loss) (Note 4)	301,166,569	88	(74,946,785)	(12)
(Impairment loss) reversal of impairment loss on assets (Note 4)	(4,682,547)	(1)	2,299,198	1
Share of profit of associates and joint ventures accounted for using the equity method (Notes 4 and 13)	2,265,986	1	1,806,724	-
Gain on reclassification using the overlay approach (Notes 4 and 7)	254,281,014	74	39,313,145	6
Net other non-interest (loss) gain (Note 28)	<u>(36,037,689)</u>	<u>(11)</u>	<u>7,197,145</u>	<u>1</u>
PROFIT FROM OPERATIONS	<u>341,433,658</u>	<u>100</u>	<u>625,962,605</u>	<u>100</u>
NET CHANGES IN INSURANCE LIABILITY RESERVE (Notes 21 and 25)	<u>(198,098,005)</u>	<u>(58)</u>	<u>(377,408,390)</u>	<u>(60)</u>
PROVISION FOR BAD DEBT, COMMITMENTS AND GUARANTEE RESERVE	<u>(4,777,580)</u>	<u>(1)</u>	<u>(3,484,370)</u>	<u>(1)</u>
OPERATING EXPENSES (Notes 25 and 28)				
Employee benefit expenses	(54,004,407)	(16)	(53,706,468)	(9)
Depreciation and amortization expenses	(7,544,064)	(2)	(7,397,795)	(1)
Other general and administrative expenses	<u>(27,061,810)</u>	<u>(8)</u>	<u>(24,439,211)</u>	<u>(4)</u>
Total operating expenses	<u>(88,610,281)</u>	<u>(26)</u>	<u>(85,543,474)</u>	<u>(14)</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 49,947,792	15	\$ 159,526,371	25
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(11,985,678)</u>	<u>(4)</u>	<u>(18,637,061)</u>	<u>(3)</u>
NET INCOME	<u>37,962,114</u>	<u>11</u>	<u>140,889,310</u>	<u>22</u>
OTHER COMPREHENSIVE LOSS (Notes 4 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(267,311)	-	1,208,112	-
Property revaluation surplus	1,322,404	-	332,149	-
(Loss) gain on equity instruments at fair value through other comprehensive income	(28,637,506)	(8)	9,716,739	2
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	575,753	-	736,634	-
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	(809,491)	-	(47,908)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	451,933	-	307,054	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	5,780,461	2	(2,842,282)	-
Gain (loss) on hedging instruments	762,058	-	(13,681)	-
Loss on debt instruments at fair value through other comprehensive income	(103,810,322)	(30)	(79,200,595)	(13)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	597,149	-	(1,038,743)	-
Other comprehensive loss reclassified using overlay approach	(254,281,014)	(75)	(39,313,145)	(6)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 26)	<u>33,999,512</u>	<u>10</u>	<u>15,879,804</u>	<u>2</u>
Total other comprehensive loss for the period, net of income tax	<u>(344,316,374)</u>	<u>(101)</u>	<u>(94,275,862)</u>	<u>(15)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME	<u>\$ (306,354,260)</u>	<u>(90)</u>	<u>\$ 46,613,448</u>	<u>7</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 37,359,360	11	\$ 139,514,082	22
Non-controlling interests	<u>602,754</u>	<u>-</u>	<u>1,375,228</u>	<u>-</u>
	<u>\$ 37,962,114</u>	<u>11</u>	<u>\$ 140,889,310</u>	<u>22</u>
TOTAL COMPREHENSIVE (LOSS) INCOME				
ATTRIBUTABLE TO:				
Owner of the Company	\$(306,895,790)	(90)	\$ 45,166,120	7
Non-controlling interests	<u>541,530</u>	<u>-</u>	<u>1,447,328</u>	<u>-</u>
	<u>\$(306,354,260)</u>	<u>(90)</u>	<u>\$ 46,613,448</u>	<u>7</u>
EARNINGS PER SHARE (Note 27)				
Basic earnings per share	<u>\$ 2.58</u>		<u>\$ 10.34</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, 2022 AND 2021
(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, 2021	\$ 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	131,692,102	15,333,000	177,244,388	59,471,895	150,716,023	267,799,001	(18,652,251)	47,131,473	335,851	(889,397)	(966,130)	11,281,909	64,764,671	(3,224,389)	902,038,146	12,000,581	914,038,727
Appropriation 2021 earnings																	
Legal reserve	-	-	-	14,275,164	-	(14,275,164)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	52,628	(52,628)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(46,092,235)	-	-	-	-	-	-	-	-	(46,092,235)	-	(46,092,235)
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	-	-	(104,319)	-	-	-	-	-	-	-	-	-	-	-	(104,319)	-	(104,319)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(623,579)	-	-	-	-	-	-	-	731,063	107,484	(109,072)	(1,588)
Net income for the year ended December 31, 2022	-	-	-	-	-	37,359,360	-	-	-	-	-	-	-	-	37,359,360	602,754	37,962,114
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	5,624,950	(116,041,219)	614,414	460,602	(131,013)	1,311,727	(236,094,611)	-	(344,255,150)	(61,224)	(344,316,374)
Total comprehensive income (loss) for year ended December 31, 2022	-	-	-	-	-	37,359,360	5,624,950	(116,041,219)	614,414	460,602	(131,013)	1,311,727	(236,094,611)	-	(306,895,790)	541,530	(306,354,260)
Issuance of ordinary shares for cash	15,000,000	-	37,500,000	-	-	-	-	-	-	-	-	-	-	-	52,500,000	-	52,500,000
Share-based payment transactions	-	-	677,978	-	-	-	-	-	-	-	-	-	-	-	677,978	42	678,020
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(10,376,705)	-	10,376,705	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	(15,364)	-	-	-	-	-	15,364	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	434,614	434,614
BALANCE, AT DECEMBER 31, 2022	<u>\$ 146,692,102</u>	<u>\$ 15,333,000</u>	<u>\$ 215,318,047</u>	<u>\$ 73,747,059</u>	<u>\$ 150,768,651</u>	<u>\$ 230,331,762</u>	<u>\$ (13,027,301)</u>	<u>\$ (58,533,041)</u>	<u>\$ 950,265</u>	<u>\$ (428,795)</u>	<u>\$ (1,097,143)</u>	<u>\$ 12,609,000</u>	<u>\$ (171,329,940)</u>	<u>\$ (2,493,326)</u>	<u>\$ 598,840,340</u>	<u>\$ 12,867,695</u>	<u>\$ 611,708,035</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 49,947,792	\$ 159,526,371
Adjustments for:		
Depreciation expense	4,472,857	4,111,453
Amortization expense	3,071,207	3,286,342
Bad debt expense	4,777,580	3,484,370
Loss (gain) on financial assets and liabilities at fair value through profit or loss	462,987,914	(125,960,769)
Interest expense	24,356,980	12,930,863
Net gain on derecognition of financial assets at amortized cost	(10,365,022)	(37,416,140)
Interest income	(250,519,506)	(207,813,024)
Dividend income	(27,521,113)	(22,306,890)
Net change in insurance liabilities	353,292,935	336,991,049
Net changes in other provisions	40,449,731	(5,767,139)
Compensation cost of share-based payments	678,020	-
Share of profit of associates and joint ventures accounted for using the equity method	(2,265,986)	(1,806,724)
Gain on reclassification using the overlay approach	(254,281,014)	(39,313,145)
Loss on disposal and retirement of property and equipment	15,643	9,975
Gain on disposal of investment properties	(2,369)	(23,700)
Gain on disposal of assets held for sale	(440,613)	-
Gain on disposal of investments accounted for using the equity method	(358,539)	(167,748)
Loss (gain) on disposal of investments	6,775,085	(26,532,879)
Expected credit loss (reversal of expected credit loss) on financial assets	4,682,547	(2,299,198)
Gain on changes in fair value of investment properties	(2,094,495)	(957,835)
Net changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(8,406,645)	(11,737,020)
Decrease (increase) in financial assets at fair value through profit or loss	294,868,000	(16,019,550)
Increase in financial assets at fair value through other comprehensive income	(495,374,571)	(105,890,639)
Increase in debt instruments at amortized cost	(181,326,295)	(66,414,804)
Decrease (increase) in financial assets for hedging	1,208,290	(157,643)
Increase in receivables	(3,122,185)	(12,366,383)
Increase in loans	(213,073,325)	(149,313,340)
Increase in reinsurance assets	(3,493,052)	(2,646,202)
Decrease in other financial assets	2,091,129	2,366,619
(Increase) decrease in other assets	(444,697)	3,991,220
Increase deposits from the Central Bank and banks	22,704,065	8,474,115
Decrease in financial liabilities at fair value through profit or loss	(399,877,010)	(98,353,852)
Increase (decrease) in financial liabilities for hedging	3,719,654	(328,623)
(Decrease) increase in notes and bonds sold under repurchase agreements	(5,104,445)	27,528,309

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
(Decrease) increase in payables	\$ (6,578,073)	\$ 8,552,337
Increase in deposits and remittances	313,476,036	256,160,990
(Decrease) increase in provisions for employee benefits	(23,492)	39,727
Increase (decrease) in provisions	40,334	(45,153)
Increase (decrease) in other financial liabilities	25,523,435	(11,378,375)
(Decrease) increase in other liabilities	<u>(18,750,158)</u>	<u>5,706,826</u>
Cash used in operations	(264,283,371)	(111,856,209)
Interest received	243,285,551	208,731,688
Dividends received	28,304,737	23,172,239
Interest paid	(22,615,640)	(14,416,154)
Income tax paid	<u>(10,946,182)</u>	<u>(33,115,959)</u>
Net cash (used in) generated from operating activities	<u>(26,254,905)</u>	<u>72,515,605</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(17,202,630)	(33,909,657)
Proceeds from disposal of financial assets at fair value through other comprehensive income	15,688,232	33,464,578
Acquisition of financial assets at fair value through profit or loss	(967,522)	(1,082,603)
Proceeds from disposal of financial assets at fair value through profit or loss	523,372	581,550
Proceeds from capital reduction of financial assets at fair value through profit or loss	-	14,800
Acquisition of investments accounted for using equity method	(2,308,500)	(414,500)
Proceeds from disposal of investments accounted for using equity method	595,743	307,166
Net of cash outflow on acquisition of subsidiaries (after deduction of cash and cash equivalent balances acquired)	(415,958)	-
Proceeds from capital reduction of investments accounted for using equity method	170,887	404,415
Proceeds from disposal of assets held for sale	723,700	-
Acquisition of property and equipment	(4,179,942)	(2,728,904)
Proceeds from disposal of property and equipment	195,217	1,608
Acquisition of intangible assets	(743,023)	(733,320)
Proceeds from disposal of intangible assets	40,988	-
Acquisition of investment properties	(8,201,702)	(11,576,015)
Proceeds from disposal of investment properties	36,891	117,100
(Increase) decrease in other assets	(36,876,827)	2,564,385
Dividends received	<u>95,134</u>	<u>97,878</u>
Net cash used in investing activities	<u>(52,825,940)</u>	<u>(12,891,519)</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in funds borrowed from the Central Bank and banks	\$ (1,076,000)	\$ -
Increase in commercial paper payable	10,410,000	23,950,000
Proceeds from issuance of financial debentures	693,116	-
Repayment of financial debentures	(10,384,260)	(7,000,000)
Increase in borrowings	3,598,444	70,853
Repayment of the principal portion of lease liabilities	(1,705,048)	(1,548,493)
Increase (decrease) in other liabilities	4,019,118	(2,889,289)
Dividends paid	(49,483,159)	(36,313,949)
Proceeds from issuance of ordinary shares	52,500,000	-
Acquisition of interests in subsidiaries	(911,234)	(605,519)
Changes in non-controlling interests	<u>(1,071,062)</u>	<u>(676,345)</u>
Net cash generated from (used in) financing activities	<u>6,589,915</u>	<u>(25,012,742)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>1,052,650</u>	<u>(394,137)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(71,438,280)	34,217,207
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>692,041,687</u>	<u>657,824,480</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 620,603,407</u>	<u>\$ 692,041,687</u>
Reconciliation of cash and cash equivalents:		
	December 31	
	2022	2021
Cash and cash equivalents presented in the consolidated balance sheets	\$ 412,013,900	\$ 467,635,057
Due from the Central Bank and call loans to banks qualified for cash and cash equivalents under the definition of IAS 7	170,513,016	147,163,570
Notes and bonds purchased under resale agreements qualified for cash and cash equivalents under the definition of IAS 7	<u>38,076,491</u>	<u>77,243,060</u>
Cash and cash equivalents at the end of the years	<u>\$ 620,603,407</u>	<u>\$ 692,041,687</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, 2022 AND 2021 (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 9, 2023.

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

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

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”).

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

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

- 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
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

- 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 comprise 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 by applying 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 of the application of other standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF 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, the amount of any non-controlling interests of the acquiree 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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

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 and investment properties acquired through leases 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 and accumulated in gain on property revaluation under other equity that will be transferred directly to retained earnings when the asset is derecognized.

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. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

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

1) Measurement 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.

5) Reclassification of financial assets

When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with IFRS 9. If the Group reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Group shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortized cost. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

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, and its carrying amounts are calculated based on weighted average by share type. 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. 11004925801. 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.

In accordance with Jin Guan Bao Tsai No. 11004931041 issued on August 24, 2021, starting from 2003 policy year, 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 unterminated insured risk, the calculation and the provision of unearned premium reserve are based on the unexpired risk of each insurance.

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

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

Unearned 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 future lease payments resulting from 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 2022, 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 expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

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 Group considers the possible impact of the economic environment implications of the recent development of COVID-19, the military conflict between Russia and Ukraine, related international sanctions, inflation and interest rate fluctuations when making its critical accounting estimates on cash flow projections and discount rate, etc. 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 and judgments, 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 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	
	2022	2021
Cash on hand	\$ 25,804,834	\$ 23,527,042
Cash in banks	142,995,682	196,752,403
Time deposits	115,356,201	184,624,212
Checks for clearing	5,633,023	6,116,728
Cash equivalents	33,985,224	20,796,677
Due from banks	88,281,746	35,838,074
Less: Loss allowance	<u>(42,810)</u>	<u>(20,079)</u>
	<u>\$ 412,013,900</u>	<u>\$ 467,635,057</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets mandatorily classified as at FVTPL</u>		
Stocks	\$ 416,247,404	\$ 556,703,945
Funds and beneficiary certificates	706,159,006	759,503,179
Government bonds	9,106,147	17,741,331
Corporate bonds	10,439,754	18,855,363
Financial debentures	51,335,119	51,879,381
Overseas bonds	268,876,240	295,813,069
Short-term notes	95,605,849	168,386,378
Futures trading margin	159,636	205,263
Structured time deposits	13,981,139	7,771,014
Derivative instruments	<u>103,114,335</u>	<u>52,536,306</u>
	<u>\$ 1,675,024,629</u>	<u>\$ 1,929,395,229</u>
<u>Financial liabilities at FVTPL</u>		
Designated as at FVTPL		
Bonds	\$ 39,076,751	\$ 40,587,123
Held for trading		
Derivative instruments	142,950,303	38,301,659
Security lending payable (non-hedging)	639,802	1,031,175
Security lending payable (hedging)	<u>332,388</u>	<u>14,230</u>
	<u>\$ 182,999,244</u>	<u>\$ 79,934,187</u>

- 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	
	2022	2021
<u>Financial assets mandatorily classified as at FVTPL</u>		
Stocks	\$ 409,746,186	\$ 545,639,162
Funds and beneficiary certificates	661,870,978	737,717,965
Financial debentures	16,235,380	13,160,060
Overseas bonds	267,877,938	294,220,757
Structured time deposits	<u>13,981,139</u>	<u>7,771,014</u>
	<u>\$ 1,369,711,621</u>	<u>\$ 1,598,508,958</u>

Reclassifications from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the years ended December 31, 2022 and 2021 are as below:

	For the Year Ended December 31	
	2022	2021
(Loss) gain due to application of IFRS 9 to profit or loss	\$(189,389,292)	\$ 116,660,218
Gain if applying IAS 39 to profit or loss	<u>(64,891,722)</u>	<u>(155,973,363)</u>
Gain reclassified due to application of overlay approach	<u>\$(254,281,014)</u>	<u>\$ (39,313,145)</u>

Due to application of overlay approach, the amounts of gain and loss on financial assets and liabilities at FVTPL for the years ended December 31, 2022 and 2021 decreased from loss of \$445,353,503 thousand to \$191,072,489 thousand and increased from gain of \$142,017,737 thousand to \$181,330,882 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 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 years ended December 31, 2022 and 2021, such interest rate swaps were valued with a net loss of \$6,342,801 thousand and \$2,445,367 thousand, respectively.

- c. As of December 31, 2022, none of the financial assets at FVTPL of Cathay United Bank and its subsidiaries were sold under repurchase agreements. 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.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
Investments in equity instrument at FVTOCI		
Stocks	\$ 116,432,806	\$ 176,155,083
Investments in debt instrument at FVTOCI		
Government bonds	99,707,940	112,700,665
Corporate bonds	77,298,462	103,339,355
Financial debentures	56,897,017	80,292,790
Overseas bonds	338,755,440	1,119,667,280
Asset-backed securities	7,052,947	10,163,330
Negotiable certificates of deposits	246,261,699	25,599,336
Less: Litigation deposits	(36,548)	(43,613)
Less: Deposits in the Central Bank	(2,053,785)	(1,052,601)
Less: Derivative collateral	(11,263,064)	-
	<u>812,620,108</u>	<u>1,450,666,542</u>
	\$ 929,052,914	\$ 1,626,821,625

- 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 years ended December 31, 2022 and 2021 were \$9,494,973 thousand and \$6,661,304 thousand, respectively. Those related to investment derecognized for the years ended December 31, 2022 and 2021 were \$4,370,973 thousand and \$1,153,232 thousand, respectively.
- c. In consideration of the investment strategy, the Group sold equity instruments at FVTOCI at fair values of \$104,700,721 thousand and \$53,831,949 thousand at the time of sale, and transferred unrealized loss of \$10,376,705 thousand and unrealized gain of \$3,834,335 thousand from other equity to retained earnings for the years ended December 31, 2022 and 2021, respectively.
- d. As of December 31, 2022 and 2021, certain financial assets at FVTOCI of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$20,288,287 thousand and \$28,230,898 thousand, respectively. The proceeds amounting to \$18,969,910 thousand and \$27,600,460 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$19,113,099 thousand and \$27,614,471 thousand before the end of May 2023 and June 2022, respectively.
- e. As of December 31, 2022 and 2021, Cathay Securities and its subsidiaries sold certain debt instruments at FVTOCI under repurchase agreements with notional amounts of \$4,274,560 thousand and \$2,650,000 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.
- h. Refer to Note 36 for information relating to reclassified debt instruments at FVTOCI to debt instruments at amortized cost.

9. DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2022	2021
Time deposits	\$ 8,735,223	\$ 6,300,361
Financial debentures	75,935,708	44,228,630
Corporate bonds	50,874,868	41,926,858
Government bonds	81,566,816	78,728,343
Overseas bonds	3,918,757,911	2,603,446,990
Financial asset beneficiary certificates	2,237,000	445,000
Asset-backed securities	64,605,102	40,413,469
Short-term notes	325,589,626	461,857,140
Less: Guarantee deposits	(1,527,314)	(1,151,573)
Less: Deposits in the Central Bank	(7,431,186)	(8,733,908)
Less: Derivative collateral	(5,054,740)	-
Less: Loss allowance (Note)	<u>(3,512,419)</u>	<u>(775,070)</u>
	<u>\$ 4,510,776,595</u>	<u>\$ 3,266,686,240</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of December 31, 2022 and 2021, the amounts were \$754 thousand and \$286 thousand, respectively.

- a. For the years ended December 31, 2022 and 2021, the Group disposed of bonds before maturity due to increase in credit risk, which resulted in gains on disposal of \$476,193 thousand and \$4,327,880 thousand, respectively; disposal of bonds close to maturity with proceeds that approximate remaining contractual cashflows, which resulted in losses on disposal of \$39,087 thousand and \$0; 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 \$9,880,990 thousand and \$29,013,762 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in gains on disposal of \$257,045 thousand and \$4,722,448 thousand, respectively.
- b. As of December 31, 2022 and 2021, certain debt instruments at amortized cost of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$16,286,483 thousand and \$7,791,895 thousand, respectively. The proceeds amounting to \$11,761,896 thousand and \$7,412,233 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$11,835,606 thousand and \$7,417,746 thousand before March 2023 and February 2022, 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	
	2022	2021
Notes receivable	\$ 513,968	\$ 437,570
Accounts receivable	108,411,353	103,071,169
Interest receivables	63,256,303	53,454,191
Acceptances	996,607	1,372,808
Factoring receivables	4,523,885	4,081,459
Others	<u>43,277,282</u>	<u>45,570,597</u>
	220,979,398	207,987,794
Less: Loss allowance	<u>(3,826,212)</u>	<u>(2,506,932)</u>
	<u>\$ 217,153,186</u>	<u>\$ 205,480,862</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, 2022

	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	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Beginning balance	\$ 418,248	\$ 288,704	\$ 1,658,913	\$ 2,365,865	\$ 69,669	\$ 2,435,534
Changes of financial instruments recognized at the beginning of the current reporting year						
Transferred to Lifetime ECLs	(4,470)	190,986	(1,287)	185,229	-	185,229
Transferred to credit-impaired financial assets	(1,173)	(3,929)	114,964	109,862	-	109,862
Transferred to 12-month ECLs	22,288	(164,304)	(1,924)	(143,940)	-	(143,940)
Derecognition of financial assets in the year	(347,571)	(105,202)	(89,433)	(542,206)	-	(542,206)
New financial assets purchased or originated	248,195	109,888	255,448	613,531	-	613,531
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	(10,675)	(10,675)
Written off as bad debt expense	-	-	(387,020)	(387,020)	-	(387,020)
Effects of exchange rate changes and others	<u>171,322</u>	<u>43,868</u>	<u>41,505</u>	<u>256,695</u>	<u>-</u>	<u>256,695</u>
Ending balance	<u>\$ 506,839</u>	<u>\$ 360,011</u>	<u>\$ 1,591,166</u>	<u>\$ 2,458,016</u>	<u>\$ 58,994</u>	<u>\$ 2,517,010</u>

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	Difference from Impairment Charged in Accordance with Applicable Laws and 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 year	(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
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	6,728	6,728
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>

- 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>	
	2022	2021
Beginning balance	\$ 71,398	\$ 145,168
Provision for the year	1,261,640	24,311
Amounts written off	(24,045)	(97,769)
Amounts recovered	185	-
Foreign exchange	24	(312)
Ending balance	<u>\$ 1,309,202</u>	<u>\$ 71,398</u>

11. DISCOUNTS AND LOANS, NET

	<u>December 31</u>	
	2022	2021
Export negotiations	\$ 1,246,793	\$ 1,354,799
Loans	2,524,404,978	2,314,739,694
Discounts and overdrafts	1,328,114	1,278,734
Overdue loans	<u>7,905,476</u>	<u>4,872,323</u>
	2,534,885,361	2,322,245,550
Less: Loss allowance	<u>(39,368,551)</u>	<u>(35,130,101)</u>
	<u>\$ 2,495,516,810</u>	<u>\$ 2,287,115,449</u>

- a. As of December 31, 2022, the gross amount of domestic discounts and loans and the related loss allowance belonging to Cathay United Bank amounted to \$1,900,651,659 thousand and \$30,982,562 thousand, respectively.
- b. For the years ended December 31, 2022 and 2021, 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 \$210,119 thousand and \$647,050 thousand, respectively.
- c. Refer to Note 36 for information relating to the credit risk management and impairment of discounts and loans.

12. SUBSIDIARIES

- a. Subsidiaries included in the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)		Notes
			December 31		
			2022	2021	
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	99.00	Note 1
Cathay Life	Cathay Power Inc. (“Cathay Power”)	Energy technical services	70.00	45.00	Note 2
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	69.19	61.15	Note 3
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	
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	86.34	86.13	
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	99.77	99.51	
Global Evolution Financial ApS	Global Evolution Fondsmæglerselskab A/S	Asset management services	100.00	100.00	
Global Evolution Financial ApS	Global Evolution Manco S.A.	Asset management services	90.00	90.00	
Global Evolution Fondsmæglerselskab A/S	Global Evolution USA, LLC	Asset management services	100.00	100.00	
Global Evolution Fondsmæglerselskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	100.00	
Cathay Power	SUNRISE PV ONE CO., LTD. (“SUNRISE PV ONE”)	Energy technical services	100.00	-	Note 2
Cathay Power	Cathy Sunrise Two Co., Ltd. (“Cathy Sunrise Two”)	Energy technical services	100.00	-	Note 2

(Continued)

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)		Notes
			December 31		
			2022	2021	
Cathay Power	Bai Yang Energy Co., Ltd. (“Bai Yang Energy”)	Energy technical services	100.00	-	Note 2
Cathay Power	Cathy Sunrise Electric Power Two Co., Ltd. (“Cathy Sunrise Electric Power Two”)	Energy technical services	100.00	-	Note 2
Cathay Power	Hong Cheng Sing Tech. Co., Ltd. (“Hong Cheng Sing Tech”)	Energy technical services	100.00	-	Note 2
Cathay Power	Shen Lyu Co., Ltd. (“Shen Lyu”)	Energy technical services	100.00	-	Note 2
Cathay Power	Nan Yang Power Co., Ltd. (“Nan Yang Power”)	Energy technical services	80.00	-	Note 2
Cathay Power	CM Energy Co., Ltd. (“CM Energy”)	Energy technical services	70.00	-	Note 4
Cathay Power	Neo Cathy Power Corp. (“Neo Cathy Power”)	Energy technical services	100.00	-	Note 4
SUNRISE PV ONE	Shu Guang Energy Co., Ltd. (“Shu Guang Energy”)	Energy technical services	70.00	-	Note 2
CM Energy	Hong Tai Energy Co., Ltd. (“Hong Tai Energy”)	Energy technical services	100.00	-	Note 4
CM Energy	Tian Ji Energy Co., Ltd. (“Tian Ji Energy”)	Energy technical services	100.00	-	Note 4
CM Energy	Tian Ji Power Co., Ltd. (“Tian Ji Power”)	Energy technical services	100.00	-	Note 4
CM Energy	Chen Fong Power Co., Ltd. (“Chen Fong Power”)	Energy technical services and electric power supply, electric transmission and power distribution machinery manufacturing	100.00	-	Note 5
Hong Tai Energy	Hong Tai Power Co., Ltd. (“Hong Tai Power”)	Energy technical services	100.00	-	Note 4
Neo Cathy Power	Si Yi Co., Ltd. (“Si Yi”)	Energy technical services	100.00	-	Note 4
Neo Cathy Power	Da Li Energy Co., Ltd. (“Da Li”)	Energy technical services	100.00	-	Note 4
Neo Cathy Power	Yong Han Co., Ltd. (“Yong Han”)	Energy technical services	100.00	-	Note 4
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	
CUBC Bank	CUBC Investment Co., LTD. (CUBC-I)	Investment service	100.00	100.00	Note 6
Cathay Securities	Cathay Futures Co., Ltd. (“Cathay Futures”)	Futures services	99.99	99.99	
Cathay Securities	Cathay Securities (Hong Kong) Limited (“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	
Cathay Venture	Cathay Investment Inc. (“Cathay Investment”)	Venture capital	-	100.00	Note 7
Cathay Securities Investment	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: Cathay Life originally held 45% equity shares in Cathay Power, which were recorded as investments accounted for using equity method. On November 25, 2022, Cathay Life acquired a further part of equity shares, which increased its the ownership interest to 70%, and obtained the controls of Cathay Power and its subsidiaries. Refer to Note 38 for information relating to the business combination.

Note 3: The non-controlling interests executed the put options on the subsidiary's shares such that CHL acquired an additional 8.04% equity shares on June 22, 2022, and its ownership interest increased from 61.15% to 69.19%.

Note 4: On November 24, 2022, Cathay Power issued ordinary shares to exchange all the shares of Neo Cathay Power and CM Energy that San Ching Engineering Co., Ltd. and the Company originally held, and obtained the control of Neo Cathay Power, CM Energy and thier subsidiaries.

Note 5: On December 28, 2022, CM Energy acquired 100% of Chen Fong Power shares for \$31,000 thousand in cash. Refer to Note 38 for information relating to the business combination.

Note 6: CUBC Bank substantially controls over CUBC-I's operations and the composition of its board of directors with 49% ownership through proxy agreements with the remaining shareholders and held 100% of economic benefit, therefore listing as a subsidiary of CUBC Bank.

Note 7: Cathay Investment was resolved for dissolution by the board of directors (on behalf of shareholders) on April 27, 2021, and went into liquidation on February 21, 2022. The liquidation was completed on July 14, 2022.

b. Subsidiaries excluded from the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)		Notes
			December 31		
			2022	2021	
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	
	2022	2021
Investments in unconsolidated subsidiaries	\$ 687,870	\$ 699,974
Investments in associates	<u>32,195,431</u>	<u>31,914,598</u>
	<u>\$ 32,883,301</u>	<u>\$ 32,614,572</u>

a. Investments in unconsolidated subsidiaries

	December 31	
	2022	2021
Cathay Securities Investment Consulting	<u>\$ 687,870</u>	<u>\$ 699,974</u>

b. Investments in associates

	December 31	
	2022	2021
Rizal Commercial Banking Corporation	\$ 16,976,954	\$ 15,974,154
Cathay Insurance Company Limited (China)	4,950,963	4,824,396
CMG International Two Co., Ltd.	1,770,924	663,377
CMG International One Co., Ltd.	1,555,961	668,836
Taiwan Finance Corp.	1,526,245	1,736,374
Dasheng IV Venture Capital Co., Ltd.	1,147,091	1,254,083
PSS Co., Ltd.	963,095	935,422
Ding Teng Co., Ltd.	893,766	855,187
Dasheng Venture Capital Co., Ltd.	611,753	1,023,946
TaiYang Solar Power Co., Ltd.	501,756	417,152
Symphox Information Co., Ltd.	350,320	386,762
BSCOM Cathay Asset Management Co., Ltd.	285,340	327,780

(Continued)

	December 31	
	2022	2021
ThrivEnergy Co., Ltd.	\$ 215,844	\$ -
Tien-Tai Optronics Corporation	137,346	137,144
Tiantai II Optoelectronics Co., Ltd.	132,470	133,369
Taiwan Real-estate Management Corp.	95,880	95,892
Lin Yuan Property Management Co., Ltd.	58,045	52,963
Southern Electricity Corp.	18,519	-
Tien-Tai Management Consulting Co., Ltd.	3,159	5,818
Neo Cathay Power Corp. (Note 12)	-	731,593
Cathay Power Inc. (Note 12)	-	728,975
CM Energy Co., Ltd. (Note 12)	-	487,829
Greenhealth Water Resources Co., Ltd.	-	469,273
WK Technology Fund VI Co., Ltd.	-	4,273
PT Bank Mayapada Internasional Tbk	-	-
	<u>\$ 32,195,431</u>	<u>\$ 31,914,598</u>
		(Concluded)

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2022	2021
The Group's share of:		
Net income	\$ 2,051,467	\$ 1,552,737
Other comprehensive loss	<u>(215,952)</u>	<u>(1,091,662)</u>
Total comprehensive income for the year	<u>\$ 1,835,515</u>	<u>\$ 461,075</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 loss of associates were based on non-audited financial statements.
- 2) Cathay Sunrise Corporation was renamed Cathay Power Inc. on April 30, 2021.
- 3) Cathay Life disposed of all shares of Greenhealth Water Resources Co., Ltd. in December 2022.
- 4) CDBS Cathay Asset Management Co., Ltd. was renamed as BSCOM Cathay Asset Management Co., Ltd. on July 28, 2022.
- 5) WK Technology Fund VI Co., Ltd. was dissolved on April 25, 2022 and completed the liquidation procedure.
- 6) Cathay Life lost significant influence on PT Bank Mayapada Internasional Tbk as the shareholding percentage decreased to less than 20% in March 2022, and reclassified the investment to financial assets at FVTPL.
- 7) 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, 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	(502,128)	(832,015)	-	-	(1,334,143)
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>
Balance at January 1, 2022	\$ 309,245,953	\$ 119,624,493	\$ 3,412,376	\$ 242,642	\$ 432,525,464
Additions	3,995,792	-	3,501,288	4,705,481	12,202,561
Disposals	(28,851)	(5,671)	-	-	(34,522)
Other reclassification	5,144,570	1,117,067	(1,168,388)	(3,454,682)	1,638,567
Gain on changes in fair value of investment property	1,199,305	895,190	-	-	2,094,495
Foreign exchange	(81,265)	(18,422)	2,491	7,902	(89,294)
Others	(191,606)	(5,067)	-	-	(196,673)
Balance at December 31, 2022	<u>\$ 319,283,898</u>	<u>\$ 121,607,590</u>	<u>\$ 5,747,767</u>	<u>\$ 1,501,343</u>	<u>\$ 448,140,598</u>

For the Year Ended December 31

	2022	2021
Rental income from investment properties	\$ 11,599,727	\$ 10,676,406
Direct operating expenses from investment properties that generate rental income	(847,254)	(783,637)
Direct operating expenses from investment properties that do not generate rental income	<u>(238,036)</u>	<u>(339,357)</u>
	<u>\$ 10,514,437</u>	<u>\$ 9,553,412</u>

- 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.
- As of December 31, 2022, the investment properties (excluding investment property under construction and prepayment for buildings and land - investments) belonging to Cathay Life amounted to \$401,817,854 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.
- 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 on December 31, 2022 and 2021 respectively.

Name of Appraisal Firms	December 31	
	2022	2021
DTZ Real Estate Appraiser Firm	Chang-da, Yang; Gen-yuan, Li; Chia-ho, Tsai; Chun-chun, Hu	Gen-yuan, Li; Jia-he, 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	Yu-hsiang, Tsai; Hsiang-yi, Hsu	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu
V-LAND Real Estate Appraiser Firm	His-chung, Wang	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin; His-chung, Wang; Hong-Zhi, Li
Shang-shang Real Estate Appraiser Firm	Hong-yuan, Wang; Jian-hao, Huang	Hong-yuan, Wang; Jian-Hao, Huang
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-hui, Luo	Yu-lin, Chen; Yi-hui, Luo
CBRE Real Estate Appraiser Firm	Fu-xue, Shi; Zhi-wei, Lee	Fu-xue, Shi; Zhi-wei, Lee
China Credit Information Service Ltd.	Zhi-Hao, Wu; Wei-Ru, Li	Zhi-Hao, Wu; Wei-Ru, Li
LinkU Real Estate Appraisal and Consulting Services	Lin-Yu, Lian; Sheng-Feng, Lai	Lin-Yu, Lian; Sheng-Feng, Lai
Colliers International Real Estate Appraiser Firm	Feng-ru, Ke	-

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 for the first quarter of 2020. However, the 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 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 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 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 sales comparison approach and cost approach. Wholesale stores located in industrial districts are valued by 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 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	
	2022	2021
Direct capitalization rates (net)	0.44%-5.15%	0.61%-5.12%
Discount rates	2.82%-4.50%	2.35%-4.26%

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 rates for the properties acquired after May 11, 2020 had been determined in accordance with the amendment to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

The 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 "Regulations on Real Estate Appraisal". The valuation dates were December 31, 2022 and 2021, respectively.

Name of Appraiser Office	December 31	
	2022	2021
REPro Knight Frank Real Estate Appraiser Firm	Xiang-Yi, Hsu; You-Xiang, Cai	Xiang-Yi, Hsu; Hong-Xu, Wu; You-Xiang, Cai

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

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

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

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

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

The main inputs used are as follows:

	December 31	
	2022	2021
Direct capitalization rates	1.13%-4.03%	1.20%-4.04%
Overall capital interest rate	0.84%-2.50%	0.67%-1.93%

- 2) The fair values of hillside conservation zones, farmlands and scenic areas had been determined mainly by the land development analysis and comparison approaches due to fewer market transactions in such areas as a result of legal restrictions and furthermore, no significant changes are expected in these areas that will affect the market in the near future.
- 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., respectively, with valuation dates at December 31, 2022 and 2021, 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	
	2022	2021
Estimated future cash inflows	\$ 460,417	\$ 444,833
Estimated future cash inflows (outflows)	<u>15,041</u>	<u>(14,740)</u>
Estimated net cash inflows	<u>\$ 475,458</u>	<u>\$ 430,093</u>
Discount rate	2.720%	2.295%
Earnings capitalization rate	2.48%	2.54%

The market monthly rentals in 2022 and 2021 ranged from \$4 thousand to \$6 thousand per ping in the areas where the investment property is located.

The investment properties were entirely leased under operating leases, and generated rental income of \$7,802 thousand and \$7,006 thousand for the years ended December 31, 2022 and 2021, 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 year. 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, house 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 on December 31, 2022 and 2021 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.

- g. Reconciliations for Level 3 fair value measurements are as follows:

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 405,850,441	\$ 398,420,117
Amount recognized in profit or loss		
Gain from investment property	2,094,495	957,835
Amount recognized in other comprehensive income		
Exchange differences resulting from translation of the financial statements of foreign operations	(99,687)	(1,334,143)
Additions	3,995,792	-
Disposals	(34,500)	(93,400)
Transfers to property and equipment	(52,109)	(5,517)
Transfers from investment property under construction	1,168,449	1,757,060
Transfers from prepayment for buildings and land	727	4,606,027
Transfer from investment properties measured at cost	2,218,659	-
Transfer from property and equipment	1,690,615	1,542,462
Others	<u>(196,673)</u>	<u>-</u>
Ending balance	<u>\$ 416,636,209</u>	<u>\$ 405,850,441</u>

The above amount excludes those measured at cost.

- h. Refer to Tables 5 and 6 for the acquisition or disposal of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital, respectively.
- 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, 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	(15,482)	(17,369)	(47,086)	(16,881)	(3,282)	(17,636)	(912)	(118,648)
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>
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>
Cost								
Balance at January 1, 2022	\$ 69,524,895	\$ 44,614,486	\$ 10,154,047	\$ 1,383,785	\$ 125,651	\$ 12,855,198	\$ 1,541,462	\$ 140,199,524
Additions	16	1,013	1,315,601	55,516	880	1,034,619	1,772,297	4,179,942
Acquisitions through business combinations (Note 38)	8,010	-	-	-	-	10,179,365	1,306,878	11,494,253
Disposals	(45,421)	(262,355)	(609,702)	-	(6,794)	(687,244)	(3)	(1,611,519)
Reclassification	(136,459)	1,163,787	(122,965)	14,308	1,850	773,929	(2,288,108)	(593,658)
Foreign exchange	57,148	43,692	170,624	48,658	12,310	34,069	3,445	369,946
Balance at December 31, 2022	<u>\$ 69,408,189</u>	<u>\$ 45,560,623</u>	<u>\$ 10,907,605</u>	<u>\$ 1,502,267</u>	<u>\$ 133,897</u>	<u>\$ 24,189,936</u>	<u>\$ 2,335,971</u>	<u>\$ 154,038,488</u>
Depreciation and impairment								
Balance at January 1, 2022	\$ 103,134	\$ 24,072,492	\$ 6,907,169	\$ 878,153	\$ 87,261	\$ 10,299,049	\$ -	\$ 42,347,258
Acquisitions through business combinations (Note 38)	-	-	-	-	-	1,633,713	-	1,633,713
Depreciation	-	879,216	1,046,112	121,068	8,908	849,529	-	2,904,833
Disposals	(4,866)	(149,518)	(580,044)	-	(6,033)	(660,198)	-	(1,400,659)
Others	-	(136,359)	(16,363)	-	-	17,608	-	(135,114)
Foreign exchange	-	16,844	65,236	25,242	8,441	21,803	-	137,566
Balance at December 31, 2022	<u>\$ 98,268</u>	<u>\$ 24,682,675</u>	<u>\$ 7,422,110</u>	<u>\$ 1,024,463</u>	<u>\$ 98,577</u>	<u>\$ 12,161,504</u>	<u>\$ -</u>	<u>\$ 45,487,597</u>
Carrying amount at December 31, 2022	<u>\$ 69,309,921</u>	<u>\$ 20,877,948</u>	<u>\$ 3,485,495</u>	<u>\$ 477,804</u>	<u>\$ 35,320</u>	<u>\$ 12,028,432</u>	<u>\$ 2,335,971</u>	<u>\$ 108,550,891</u>

- a. 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

- b. As of December 31, 2021, the Cathay United Bank disposed of two vacant premises and classified them as assets held for sale with a carrying amount of \$283,087 thousand. The two premises were originally used for the Cathay United Bank's office and business warehouse. In January and April 2022, the Cathay United Bank disposed the premises for proceeds of \$23,700 thousand and \$700,000 thousand, respectively, and recognized a disposal gain of \$440,613 thousand. No impairment loss was recognized on the classification of the premises as assets held for sale for the year ended December 31, 2021 and for the year ended December 31, 2022.

- c. Refer to Note 29 for the property and equipment that were pledged as collateral.
- d. Refer to Table 6 for the disposal of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital.

16. LEASE AGREEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 175,445	\$ -
Buildings	4,556,008	4,262,741
Office equipment	14,706	10,652
Machine equipment	2,435	1,971
Transportation equipment	<u>84,603</u>	<u>87,412</u>
	<u>\$ 4,833,197</u>	<u>\$ 4,362,776</u>
Right-of-use assets presented as investment properties	<u>\$ 13,499,663</u>	<u>\$ 9,958,120</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 1,264,990</u>	<u>\$ 1,484,481</u>
Acquisitions through business combinations (Note 38)	<u>\$ 639,514</u>	<u>\$ -</u>
Depreciation expense for right-of-use assets		
Land	\$ 1,629	\$ -
Buildings	1,506,334	\$ 1,396,516
Office equipment	10,735	10,671
Machine equipment	877	1,150
Transportation equipment	<u>48,449</u>	<u>48,250</u>
	<u>\$ 1,568,024</u>	<u>\$ 1,456,587</u>

b. Lease liabilities

	December 31	
	2022	2021
Carrying amount	<u>\$ 19,240,853</u>	<u>\$ 14,721,170</u>

Range of discount rates for lease liabilities is as follows:

	December 31	
	2022	2021
Land	1.24%-2.63%	-
Buildings	0.05%-8.57%	0.04%-8.57%
Office equipment	0.42%-4.76%	0.42%-4.76%
Machine equipment	0.36%-4.15%	0.36%-4.15%
Transportation equipment	0.22%-4.35%	0.22%-4.35%
Investment property - superficies right	2.82%-4.24%	2.82%-4.00%

17. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
<u>Cost</u>							
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>
<u>Amortization and impairment</u>							
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>
<u>Cost</u>							
Balance at January 1, 2022	\$ 6,698,107	\$ 37,659,600	\$ 363,265	\$ 5,406,299	\$ 21,880,593	\$ 194,906	\$ 72,202,770
Addition - acquired separately	743,023	-	-	-	-	-	743,023
Acquisitions through business combinations (Note 38)	4,589	-	-	-	519,580	-	524,169
Disposal	(313,551)	-	-	-	-	-	(313,551)
Reclassification	391,755	-	-	-	-	-	391,755
Foreign exchange	41,953	-	39,593	589,246	1,165,904	21,243	1,857,939
Balance at December 31, 2022	<u>\$ 7,565,876</u>	<u>\$ 37,659,600</u>	<u>\$ 402,858</u>	<u>\$ 5,995,545</u>	<u>\$ 23,566,077</u>	<u>\$ 216,149</u>	<u>\$ 75,406,105</u>
<u>Amortization and impairment</u>							
Balance at January 1, 2022	\$ 4,670,668	\$ 13,515,990	\$ -	\$ 2,279,391	\$ -	\$ 193,138	\$ 20,659,187
Acquisitions through business combinations (Note 38)	790	-	-	-	-	-	790
Amortization	906,568	1,788,416	-	376,223	-	-	3,071,207
Disposal	(272,563)	-	-	-	-	-	(272,563)
Foreign exchange	30,587	-	-	259,230	-	21,050	310,867
Balance at December 31, 2022	<u>\$ 5,336,050</u>	<u>\$ 15,304,406</u>	<u>\$ -</u>	<u>\$ 2,914,844</u>	<u>\$ -</u>	<u>\$ 214,188</u>	<u>\$ 23,769,488</u>
Carrying amount at December 31, 2022	<u>\$ 2,229,826</u>	<u>\$ 22,355,194</u>	<u>\$ 402,858</u>	<u>\$ 3,080,701</u>	<u>\$ 23,566,077</u>	<u>\$ 1,961</u>	<u>\$ 51,636,617</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

Cathay Life recognized goodwill in the acquisitions of (1) 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) 100% interest in Conning Holdings Limited on September 18, 2015; (3) 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of the Group) on February 1, 2016; and (4) 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020 ; (5) Cathay Power and its subsidiaries, which increased its ownership interest to 70% on November 25, 2022 ; (6) Chen Fong Power through CM Energy, a 70% owned subsidiary of the Group on December 28, 2022. As of December 31, 2022 and 2021, the carrying amounts of goodwill were \$14,978,211 thousand and \$13,324,628 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 of 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 5 year of 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	
	2022	2021
Nominal amount	\$ 73,880,000	\$ 63,470,000
Less: Discount on short-term bills payable	-	(834)
	<u>\$ 73,880,000</u>	<u>\$ 63,469,166</u>
Interest rate range	1.30%-1.58%	0.28%-0.50%

19. DEPOSITS AND REMITTANCES

	December 31	
	2022	2021
Checking deposits	\$ 16,598,955	\$ 17,580,377
Demand deposits	798,676,913	795,879,514
Demand savings deposits	1,331,212,632	1,267,338,737
Time deposits	638,736,493	429,061,978
Time savings deposits	392,058,316	354,855,029
Negotiable certificates of deposit	5,897,706	4,665,005
Outward remittances and remittances payable	<u>2,255,074</u>	<u>2,579,413</u>
	<u>\$ 3,185,436,089</u>	<u>\$ 2,871,960,053</u>

20. BONDS PAYABLE

	December 31	
	2022	2021
Financial debentures	\$ 37,147,398	\$ 46,800,000
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>\$ 132,147,398</u>	<u>\$ 141,800,000</u>

a. Financial debentures

	December 31	
	2022	2021
1st of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	\$ -	\$ 4,200,000
2nd of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: August 2022	-	5,600,000
1st of subordinated financial debentures in 2013; fixed rate at 1.70%; maturity: April 2023	9,900,000	9,900,000
1st of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000
2nd of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000
2nd of subordinated financial debentures in 2017; fixed rate at 1.50%; maturity: April 2024	2,400,000	2,400,000
US dollars exchange rate structured note 6 months; interest rate between 4.8%-5.6%; maturity: June 2023 (US\$4,800 thousand)	<u>147,398</u>	<u>-</u>
	<u>\$ 37,147,398</u>	<u>\$ 46,800,000</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. The 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	
	2022	2021
Insurance liability		
Unearned premium reserve	\$ 36,385,842	\$ 34,802,057
Loss reserve	36,298,952	23,598,653
Policy reserve	6,672,193,954	6,334,959,642
Special reserve	12,714,102	13,674,763
Premium deficiency reserve	9,370,726	9,808,215
Reserve for insurance contracts with the nature of financial products	18,495,469	15,188,788
Reserve for foreign exchange valuation	49,503,457	9,053,726
Other reserve	<u>1,845,253</u>	<u>1,865,925</u>
	6,836,807,755	6,442,951,769
Provisions for employee benefits	4,068,167	4,091,659
Other reserves	<u>1,256,262</u>	<u>1,215,928</u>
	<u>\$ 6,842,132,184</u>	<u>\$ 6,448,259,356</u>

As of December 31, 2022, policy reserve belonging to Cathay Life amounted to \$6,605,655,261 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, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 79,271	\$ -	\$ 79,271
Individual injury insurance	7,824,570	-	7,824,570
Individual health insurance	11,203,470	-	11,203,470
Group insurance	1,314,757	-	1,314,757
Investment-linked insurance	<u>125,502</u>	<u>-</u>	<u>125,502</u>
	<u>20,547,570</u>	<u>-</u>	<u>20,547,570</u>
Less ceded unearned premium reserve			
Individual life insurance	906,602	-	906,602
Individual injury insurance	20,883	-	20,883
Individual health insurance	<u>253,267</u>	<u>-</u>	<u>253,267</u>
	<u>1,180,752</u>	<u>-</u>	<u>1,180,752</u>
	<u>\$ 19,366,818</u>	<u>\$ -</u>	<u>\$ 19,366,818</u>

	December 31, 2021		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		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>
	<u>19,496,231</u>	<u>-</u>	<u>19,496,231</u>
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>

The changes in unearned premium reserve are summarized below:

	For the Year Ended December 31, 2022		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Beginning balance	\$ 19,496,231	\$ -	\$ 19,496,231
Provision	20,759,517	-	20,759,517
Recovery	(19,719,805)	-	(19,719,805)
Foreign exchange	<u>11,627</u>	<u>-</u>	<u>11,627</u>
Ending balance	<u>20,547,570</u>	<u>-</u>	<u>20,547,570</u>
Less ceded unearned premium reserve			
Beginning balance	1,131,321	-	1,131,321
Increase	<u>49,431</u>	<u>-</u>	<u>49,431</u>
Ending balance	<u>1,180,752</u>	<u>-</u>	<u>1,180,752</u>
Net ending balance	<u>\$ 19,366,818</u>	<u>\$ -</u>	<u>\$ 19,366,818</u>

	For the Year Ended December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 18,775,949	\$ -	\$ 18,775,949
Provision	19,496,422	-	19,496,422
Recovery	(18,773,833)	-	(18,773,833)
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>
Net ending balance	<u>\$ 18,364,910</u>	<u>\$ -</u>	<u>\$ 18,364,910</u>

2) Loss reserve

	December 31, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance			
Filed but not paid	\$ 3,640,563	\$ 56,967	\$ 3,697,530
Not yet filed	107,915	-	107,915
Individual injury insurance			
Filed but not paid	99,946	-	99,946
Not yet filed	2,176,688	-	2,176,688
Individual health insurance			
Filed but not paid	1,185,388	-	1,185,388
Not yet filed	4,086,747	-	4,086,747
Group insurance			
Filed but not paid	65,111	-	65,111
Not yet filed	1,128,086	-	1,128,086
Investment-linked insurance			
Filed but not paid	210,696	-	210,696
Not yet filed	<u>1,954</u>	<u>-</u>	<u>1,954</u>
	<u>12,703,094</u>	<u>56,967</u>	<u>12,760,061</u>
Less ceded loss reserve			
Individual life insurance	102,962	-	102,962
Individual injury insurance	35	-	35
Individual health insurance	15,629	-	15,629
Group insurance	<u>4,270</u>	<u>-</u>	<u>4,270</u>
	<u>122,896</u>	<u>-</u>	<u>122,896</u>
	<u>\$ 12,580,198</u>	<u>\$ 56,967</u>	<u>\$ 12,637,165</u>

	December 31, 2021		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Individual life insurance			
Filed but not paid	\$ 2,964,152	\$ 31,747	\$ 2,995,899
Not yet filed	44,557	-	44,557
Individual injury insurance			
Filed but not paid	88,214	-	88,214
Not yet filed	1,978,486	-	1,978,486
Individual health insurance			
Filed but not paid	1,534,710	-	1,534,710
Not yet filed	3,398,768	-	3,398,768
Group insurance			
Filed but not paid	92,359	-	92,359
Not yet filed	1,422,405	-	1,422,405
Investment-linked insurance			
Filed but not paid	207,053	-	207,053
Not yet filed	930	-	930
	<u>11,731,634</u>	<u>31,747</u>	<u>11,763,381</u>
Less ceded loss reserve			
Individual life insurance	35,496	-	35,496
Individual injury insurance	12	-	12
Individual health insurance	11,607	-	11,607
Group insurance	<u>4,382</u>	<u>-</u>	<u>4,382</u>
	<u>51,497</u>	<u>-</u>	<u>51,497</u>
	<u>\$ 11,680,137</u>	<u>\$ 31,747</u>	<u>\$ 11,711,884</u>

The changes in loss reserve are summarized below:

	For the Year Ended December 31, 2022		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Beginning balance	\$ 11,731,634	\$ 31,747	\$ 11,763,381
Provision	13,960,341	56,967	14,017,308
Recovery	(13,040,396)	(31,747)	(13,072,143)
Foreign exchange	<u>51,515</u>	<u>-</u>	<u>51,515</u>
Ending balance	<u>12,703,094</u>	<u>56,967</u>	<u>12,760,061</u>
Less ceded loss reserve			
Beginning balance	51,497	-	51,497
Increase	114,812	-	114,812
Decrease	(43,632)	-	(43,632)
Foreign exchange	<u>219</u>	<u>-</u>	<u>219</u>
Ending balance	<u>122,896</u>	<u>-</u>	<u>122,896</u>
Net ending balance	<u>\$ 12,580,198</u>	<u>\$ 56,967</u>	<u>\$ 12,637,165</u>

	For the Year Ended December 31, 2021		
	Financial Instruments with Discretionary Participation Features		Total
	Insurance Contracts		
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	<u>(16,592)</u>	<u>-</u>	<u>(16,592)</u>
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	<u>(46)</u>	<u>-</u>	<u>(46)</u>
Ending balance	<u>51,497</u>	<u>-</u>	<u>51,497</u>
Net ending balance	<u>\$ 11,680,137</u>	<u>\$ 31,747</u>	<u>\$ 11,711,884</u>

3) Policy reserve

	December 31, 2022		
	Financial Instruments with Discretionary Participation Features		Total
	Insurance Contracts		
Life insurance (Note 1)	\$ 5,710,174,015	\$ 2,609	\$ 5,710,176,624
Injury insurance	7,566,436	-	7,566,436
Health insurance	942,869,506	-	942,869,506
Annuity insurance	1,080,857	7,771,653	8,852,510
Investment-linked insurance	<u>2,241,645</u>	<u>-</u>	<u>2,241,645</u>
Total (Note 2)	<u>6,663,932,459</u>	<u>7,774,262</u>	<u>6,671,706,721</u>
Less ceded policy reserve			
Life insurance	367,705	-	367,705
Health insurance	<u>19,900</u>	<u>-</u>	<u>19,900</u>
	<u>387,605</u>	<u>-</u>	<u>387,605</u>
	<u>\$ 6,663,544,854</u>	<u>\$ 7,774,262</u>	<u>\$ 6,671,319,116</u>

	December 31, 2021		
	Financial Instruments with Discretionary Participation Features		Total
	Insurance Contracts		
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>

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 \$6,672,193,784 thousand and \$6,334,959,547 thousand as of December 31, 2022 and 2021, respectively.

The changes in policy reserve are summarized below:

	For the Year Ended December 31, 2022		
	Financial Instruments with Discretionary Participation Features		Total
	Insurance Contracts		
Beginning balance	\$ 6,324,073,143	\$ 10,400,305	\$ 6,334,473,448
Provision	517,506,275	80,917	517,587,192
Recovery	(326,479,011)	(2,707,015)	(329,186,026)
Reclassification	(41,413)	-	(41,413)
Foreign exchange	<u>148,873,465</u>	<u>55</u>	<u>148,873,520</u>
Ending balance	<u>6,663,932,459</u>	<u>7,774,262</u>	<u>6,671,706,721</u>
Less ceded policy reserve			
Beginning balance	395,115	-	395,115
Increase	96,506	-	96,506
Decrease	(109,702)	-	(109,702)
Foreign exchange	<u>5,686</u>	<u>-</u>	<u>5,686</u>
Ending balance	<u>387,605</u>	<u>-</u>	<u>387,605</u>
Net ending balance	<u>\$ 6,663,544,854</u>	<u>\$ 7,774,262</u>	<u>\$ 6,671,319,116</u>

	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	(44,318,194)	(137)	(44,318,331)
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	(3,411)	-	(3,411)
Ending balance	<u>395,115</u>	<u>-</u>	<u>395,115</u>
Net ending balance	<u>\$ 6,323,678,028</u>	<u>\$ 10,400,305</u>	<u>\$ 6,334,078,333</u>

4) Special reserve

	December 31, 2022			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Participating policies				
dividends reserve	\$ (13,396)	\$ -	\$ -	\$ (13,396)
Dividend risk reserve	15,805	-	-	15,805
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 2,409</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,733</u>
	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>

The changes in special reserve are summarized below:

For the Year Ended December 31, 2022				
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Beginning balance	\$ 1,735	\$ -	\$ 11,083,324	\$ 11,085,059
Provision for participating policies dividends reserve	39,305	-	-	39,305
Recovery of participating policies dividends reserve	(10,847)	-	-	(10,847)
Recovery of dividend risk reserve	<u>(27,784)</u>	<u>-</u>	<u>-</u>	<u>(27,784)</u>
Ending balance	<u>\$ 2,409</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,733</u>
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>

5) Premium deficiency reserve

December 31, 2022			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 6,802,796	\$ -	\$ 6,802,796
Individual injury insurance	4,495	-	4,495
Individual health insurance	1,323,134	-	1,323,134
Group insurance	<u>41</u>	<u>-</u>	<u>41</u>
	<u>\$ 8,130,466</u>	<u>\$ -</u>	<u>\$ 8,130,466</u>

	December 31, 2021		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		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>

The changes in premium deficiency reserve are summarized below:

	For the Year Ended December 31, 2022		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Beginning balance	\$ 9,808,215	\$ -	\$ 9,808,215
Provision	90,249	-	90,249
Recovery	(2,015,884)	-	(2,015,884)
Foreign exchange	<u>247,886</u>	<u>-</u>	<u>247,886</u>
Ending balance	<u>\$ 8,130,466</u>	<u>\$ -</u>	<u>\$ 8,130,466</u>

	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>

6) Other reserve

	December 31, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Others	<u>\$ 1,845,253</u>	<u>\$ -</u>	<u>\$ 1,845,253</u>

	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>

The changes in other reserve are summarized below:

	For the Year Ended December 31, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 1,865,925	\$ -	\$ 1,865,925
Recovery	<u>(20,672)</u>	<u>-</u>	<u>(20,672)</u>
Ending balance	<u>\$ 1,845,253</u>	<u>\$ -</u>	<u>\$ 1,845,253</u>

	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>

7) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Features	
	December 31	
	2022	2021
Unearned premium reserve	\$ 20,547,570	\$ 19,496,231
Policy reserve	6,672,193,784	6,334,959,547
Premium deficiency reserve	8,130,466	9,808,215
Other reserve	<u>1,845,253</u>	<u>1,865,925</u>
Book value of insurance liabilities	<u>\$ 6,702,717,073</u>	<u>\$ 6,366,129,918</u>
Estimated present value of cash flows	<u>\$ 5,672,979,281</u>	<u>\$ 5,607,152,746</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.

Cathay Life's liability adequacy testing methodology is listed as follows:

	December 31, 2022	December 31, 2021
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	Under the asset allocation situation on September 30, 2022, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2021; with neutral assumptions for the discount rate after 30 years.	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.

Cathay Lujiazui Life's liability adequacy testing methodology is listed as follows:

	December 31, 2022	December 31, 2021
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 2021; 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 2020; with neutral assumptions for the discount rate after 30 years.

Cathay Life (Vietnam)'s liability adequacy testing methodology is listed as follows:

	December 31, 2022	December 31, 2021
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, 2022 and 2021, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

	December 31	
	2022	2021
Life insurance	\$ 17,369,718	\$ 14,095,296
Investment-linked insurance	<u>1,125,751</u>	<u>1,093,492</u>
	<u>\$ 18,495,469</u>	<u>\$ 15,188,788</u>
	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 15,188,788	\$ 13,731,508
Premiums received	4,919,957	3,936,515
Claims and payments	(2,933,379)	(3,469,466)
Net provision of statutory reserve	1,046,127	1,052,640
Foreign exchange	<u>273,976</u>	<u>(62,409)</u>
Ending balance	<u>\$ 18,495,469</u>	<u>\$ 15,188,788</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	
	2022	2021
Beginning balance	\$ 9,053,726	\$ 14,820,865
Provision:		
Compulsory reserve	6,053,844	7,479,726
Additional reserve	<u>46,419,458</u>	<u>2,135,119</u>
	52,473,302	9,614,845
Recovery	<u>(12,023,571)</u>	<u>(15,381,984)</u>
Ending balance	<u>\$ 49,503,457</u>	<u>\$ 9,053,726</u>

c) Effects due to reserve for foreign exchange valuation

Item	For the Year Ended December 31, 2022		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 69,719,145	\$ 37,359,360	\$ (32,359,785)
Earnings per share	5.03	2.58	(2.45)
Reserve for foreign exchange valuation	-	49,503,457	49,503,457
Equity attributable to owners of the Company	634,840,209	598,840,340	(35,999,869)

Item	For the Year Ended December 31, 2021		
	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)

b. Cathay Century and its subsidiaries

1) Unearned insurance premium reserve

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

Insurance Type	December 31, 2022			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business	Reinsurance	Ceded	
	(1)	Inward Business (2)	Reinsurance Business (3)	
Fire insurance	\$ 1,893,367	\$ 127,729	\$ 1,322,102	\$ 698,994
Marine insurance	202,701	7,867	153,542	57,026
Land and air insurance	7,010,302	2,848	232,378	6,780,772
Liability insurance	1,292,650	1,011	403,032	890,629
Guarantee insurance	57,735	1,470	38,608	20,597
Other property insurance	1,446,086	29,349	1,166,220	309,215
Accident insurance	1,601,564	5,204	143,686	1,463,082
Health insurance	174,035	851	34,013	140,873
Policy-oriented residential earthquake insurance	238,221	29,845	238,220	29,846
Compulsory automobile liability insurance	<u>1,250,469</u>	<u>464,968</u>	<u>750,282</u>	<u>965,155</u>
	<u>\$ 15,167,130</u>	<u>\$ 671,142</u>	<u>\$ 4,482,083</u>	<u>\$ 11,356,189</u>

December 31, 2021				
Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business	Reinsurance Inward Business	Ceded Reinsurance Business	
	(1)	(2)	(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>

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

For the Year Ended December 31				
	2022		2021	
	Unearned Premium Reserve	Ceded Unearned Premium Reserve	Unearned Premium Reserve	Ceded Unearned Premium Reserve
Beginning balance	\$ 15,305,826	\$ 4,361,937	\$ 13,737,655	\$ 3,626,938
Provision	15,831,142	4,478,504	15,307,114	4,362,505
Recovery	(15,355,033)	(4,383,859)	(13,763,608)	(3,634,266)
Foreign exchange	<u>56,337</u>	<u>25,501</u>	<u>24,665</u>	<u>6,760</u>
Ending balance	<u>\$ 15,838,272</u>	<u>\$ 4,482,083</u>	<u>\$ 15,305,826</u>	<u>\$ 4,361,937</u>

2) Loss reserve

a) Loss reserve and ceded loss reserve

December 31, 2022				
Items	Loss Reserve		Ceded Loss Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business	Reinsurance Inward Business	Ceded Reinsurance Business	
	(1)	(2)	(3)	
Filed not yet paid	\$ 9,206,621	\$ 1,230,106	\$ 3,972,173	\$ 6,464,554
Not yet filed	<u>12,626,344</u>	<u>475,820</u>	<u>2,418,383</u>	<u>10,683,781</u>
	<u>\$ 21,832,965</u>	<u>\$ 1,705,926</u>	<u>\$ 6,390,556</u>	<u>\$ 17,148,335</u>

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>

b) Net changes in loss reserve and ceded loss reserve

For the year ended December 31, 2022

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	\$ 9,227,418	\$ 5,960,873	\$ 1,230,106	\$ 1,129,732	\$ 3,366,919
Not yet filed	<u>12,598,806</u>	<u>4,301,044</u>	<u>475,820</u>	<u>450,325</u>	<u>8,323,257</u>
	<u>\$ 21,826,224</u>	<u>\$ 10,261,917</u>	<u>\$ 1,705,926</u>	<u>\$ 1,580,057</u>	<u>\$ 11,690,176</u>

Items	Ceded Reinsurance Business		Net Changes in Loss Reserve
	Provision (6)	Recovery (7)	(8)=(6)-(7)
Filed not yet paid	\$ 3,980,105	\$ 2,753,419	\$ 1,226,686
Not yet filed	<u>2,405,491</u>	<u>1,372,166</u>	<u>1,033,325</u>
	<u>\$ 6,385,596</u>	<u>\$ 4,125,585</u>	<u>\$ 2,260,011</u>

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
	Provision (6)	Recovery (7)	Loss Reserve (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>

Refer to Note 39 for the impact of the COVID-19 on Cathay Century and its subsidiaries.

c) Details of liability for claims filed but not yet paid and claim not yet filed of policyholders

Insurance Type	December 31, 2022		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 4,182,815	\$ 82,858	\$ 4,265,673
Marine insurance	671,037	208,516	879,553
Land and air insurance	2,372,432	1,327,669	3,700,101
Liability insurance	661,738	762,778	1,424,516
Guarantee insurance	48,770	34,605	83,375
Other property insurance	801,742	528,210	1,329,952
Accident insurance	256,038	528,089	784,127
Health insurance	957,852	7,837,730	8,795,582
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>484,303</u>	<u>1,791,709</u>	<u>2,276,012</u>
	<u>\$ 10,436,727</u>	<u>\$ 13,102,164</u>	<u>\$ 23,538,891</u>

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>

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

Insurance Type	December 31, 2022		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 2,379,825	\$ 38,119	\$ 2,417,944
Marine insurance	482,299	133,887	616,186
Land and air insurance	108,566	37,903	146,469
Liability insurance	283,097	281,830	564,927
Guarantee insurance	13,774	19,391	33,165
Other property insurance	489,080	109,591	598,671
Accident insurance	23,411	41,044	64,455
Health insurance	42,960	940,321	983,281
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>149,161</u>	<u>816,297</u>	<u>965,458</u>
	<u>\$ 3,972,173</u>	<u>\$ 2,418,383</u>	<u>\$ 6,390,556</u>

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>

- e) Reconciliation of loss reserve and ceded loss reserve

	For the Year Ended December 31			
	2022		2021	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	\$ 11,835,272	\$ 4,119,854	\$ 9,862,265	\$ 2,820,967
Provision	23,532,150	6,385,596	11,835,491	4,120,523
Recovery	(11,841,974)	(4,125,585)	(9,861,828)	(2,820,745)
Foreign exchange	<u>13,443</u>	<u>10,691</u>	<u>(656)</u>	<u>(891)</u>
Ending balance	<u>\$ 23,538,891</u>	<u>\$ 6,390,556</u>	<u>\$ 11,835,272</u>	<u>\$ 4,119,854</u>

3) Special reserve

a) Special reserve for compulsory automobile liability insurance

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 851,422	\$ 865,038
Provision	155,320	117,823
Recovery	<u>(80,137)</u>	<u>(131,439)</u>
Ending balance	<u>\$ 926,605</u>	<u>\$ 851,422</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, recognized as expense 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 be compensated with the special reserve first; if there is still any shortage, it shall be handled in accordance with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

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

	For the Year Ended December 31, 2022		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	\$ 393,265	\$ 1,345,017	\$ 1,738,282
Provision	-	-	-
Recovery	<u>-</u>	<u>(1,036,518)</u>	<u>(1,036,518)</u>
Ending balance	<u>\$ 393,265</u>	<u>\$ 308,499</u>	<u>\$ 701,764</u>

	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>

If the Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises (formerly Directions for Strengthening Natural Disaster Insurance (Commercial Earthquake, Typhoon and Flood Insurance) Reserve by Non-Life Insurance Enterprises), Directions in Strengthening the Reserve Provision Made by the Co-Insurance Members Undertaking the Taiwan Residential Earthquake Insurance, and Directions for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises were not applied, the Cathay Century and its subsidiaries pre-tax income/loss would have decreased by \$1,036,518 thousand and \$18,727 thousand for the years ended December 31, 2022 and 2021, respectively. The special reserve under liabilities would have decreased by \$393,265 thousand and \$1,429,782 thousand, and the special reserve under equity would have increased by \$308,748 thousand and \$310,139 thousand. Earnings (losses) per share for the years ended December 31, 2022 and 2021 would have decreased by \$2.01 and \$0.05, respectively, if Century Insurance and its subsidiaries did not apply to the notices and regulations.

For the year ended December 31, 2022, the Cathay Century and its subsidiaries recovered of \$1,036,518 thousand from the special reserve for fluctuation of risk in accordance with the Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises, since the actual retained claims resulted from disasters exceeded the expected claims net of the reversal of the special reserve for catastrophic event.

4) Premium deficiency reserve

a) Premium deficiency reserve and ceded premium deficiency reserve

Insurance Type	December 31, 2022			
	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	\$ 28,236	\$ 11,735	\$ -	\$ 39,971
Marine insurance	3	192	-	195
Land and air insurance	-	94	-	94
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	1,200,000	-	-	1,200,000
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ 1,228,239</u>	<u>\$ 12,021</u>	<u>\$ -</u>	<u>\$ 1,240,260</u>

December 31, 2021

Insurance Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(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>

- 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, 2022									
Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve (5)=(1)-(2)+(3)-(4)	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve (8)=(6)-(7)	Net Loss Recognized for Premium Deficiency Reserve (9)=(5)-(8)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)		Provision (6)	Recovery (7)		
Fire insurance	\$ 28,236	\$ -	\$ 11,735	\$ -	\$ 39,971	\$ -	\$ -	\$ -	\$ 39,971
Marine insurance	3	-	192	-	195	-	-	-	195
Land and air insurance	-	-	94	-	94	-	-	-	94
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	1,200,000	-	-	-	1,200,000	-	-	-	1,200,000
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ 1,228,239</u>	<u>\$ -</u>	<u>\$ 12,021</u>	<u>\$ -</u>	<u>\$ 1,240,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,240,260</u>

For the Year Ended December 31, 2021									
Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve (5)=(1)-(2)+(3)-(4)	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve (8)=(6)-(7)	Net Loss Recognized for Premium Deficiency Reserve (9)=(5)-(8)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)		Provision (6)	Recovery (7)		
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>\$ 3,200</u>	<u>\$ -</u>	<u>\$ 998</u>	<u>\$ (4,198)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,198)</u>

c) Reconciliation of premium deficiency reserve and ceded premium deficiency reserve

	For the Year Ended December 31			
	2022		2021	
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve
Beginning balance	\$ -	\$ -	\$ 4,198	\$ -
Provision	1,240,260	-	-	-
Recovery	-	-	(4,198)	-
Ending balance	<u>\$ 1,240,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

5) Policy reserve

a) Details of policy reserve and ceded policy reserve

December 31, 2022

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	<u>\$ 170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170</u>

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	<u>\$ 95</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95</u>

b) Net changes in policy reserve and ceded policy reserve

For the year ended December 31, 2022

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Health insurance	<u>\$ 154</u>	<u>\$ 79</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75</u>

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

For the year ended December 31, 2021

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	Policy Reserve (5)=(1)-(2)+(3)-(4)
Health insurance	\$ 40	\$ 64	\$ -	\$ -	\$ (24)

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 that 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 Venture and Cathay Securities Investment Trust in accordance with the Labor Standards Act are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries for 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	
	2022	2021
Present value of defined benefit obligation	\$ 17,463,903	\$ 19,123,825
Fair value of plan assets	<u>(22,179,733)</u>	<u>(23,403,382)</u>
Net defined benefit assets	<u>\$ (4,715,830)</u>	<u>\$ (4,279,557)</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, 2021	<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	378,575	-	378,575
Changes in financial assumptions	(503,168)	-	(503,168)
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	-	(542,610)	(542,610)
Benefits paid	(1,637,435)	1,629,674	(7,761)
Exchange differences	<u>(464)</u>	<u>-</u>	<u>(464)</u>
Balance at December 31, 2021	<u>19,123,825</u>	<u>(23,403,382)</u>	<u>(4,279,557)</u>
Service cost			
Current service cost	439,885	-	439,885
Interest expense (income)	<u>122,897</u>	<u>(152,568)</u>	<u>(29,671)</u>
Recognized in profit or loss	<u>562,782</u>	<u>(152,568)</u>	<u>410,214</u>
Return on plan assets (excluding amounts included in net interest)	-	488,598	488,598
Actuarial loss (gain)			
Changes in demographic assumptions	-	-	-
Changes in financial assumptions	(718,343)	-	(718,343)
Experience adjustments	<u>137,204</u>	<u>-</u>	<u>137,204</u>
Recognized in other comprehensive income	<u>(581,139)</u>	<u>488,598</u>	<u>(92,541)</u>
Contributions from the employer	-	(718,777)	(718,777)
Benefits paid	(1,641,685)	1,606,396	(35,289)
Exchange differences	<u>120</u>	<u>-</u>	<u>120</u>
Balance at December 31, 2022	<u>\$ 17,463,903</u>	<u>\$ (22,179,733)</u>	<u>\$ (4,715,830)</u>

Through the defined benefit plan under the Labor Standards Act, 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 sixth life table (2021TSO) 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	
	2022	2021
Discount rate	1.15%-1.35%	0.65%-0.77%
Expected rate of salary increase	1.50%-3.50%	1.50%-3.50%

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (318,703)</u>	<u>\$ (373,221)</u>
0.25% decrease	<u>\$ 319,674</u>	<u>\$ 392,244</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 638,576</u>	<u>\$ 746,966</u>
0.5% decrease	<u>\$ (612,749)</u>	<u>\$ (707,010)</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	
	2022	2021
Expected contributions to the plans for the next year	<u>\$ 1,287,045</u>	<u>\$ 541,814</u>
Average duration of the defined benefit obligation	6.6-12.0 years	7.4-14.1 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	
	2022	2021
Present value of defined benefit obligation	\$ 941,750	\$ 673,225
Fair value of plan assets	<u>-</u>	<u>-</u>
Net defined benefit liabilities	<u>\$ 941,750</u>	<u>\$ 673,225</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, 2021	<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>
Net interest expense (income)	<u>24,983</u>
Recognized in profit or loss	<u>24,983</u>
Remeasurement	
Experience adjustments	137,279
Changes in demographic assumptions	<u>222,573</u>
Recognized in other comprehensive income	<u>359,852</u>
Benefits paid	<u>(116,310)</u>
Balance at December 31, 2022	<u>\$ 941,750</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	
	2022	2021
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 occur and all other assumptions remain constant, the present value of obligations on the post-employment preferential interest deposits will increase (decrease) as follows:

	December 31	
	2022	2021
Discount rates		
0.5% increase	\$ (47,088)	\$ (33,661)
0.5% decrease	\$ 51,796	\$ 37,027
Mortality rates		
Adjusted to 105%	\$ (8,476)	\$ (6,059)
Adjusted to 95%	\$ 8,476	\$ 6,059
Excess interest rates of employee preferential interest deposits		
0.5% increase	\$ 190,234	\$ 178,405
0.5% decrease	\$ (190,234)	\$ (178,405)

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	
	2022	2021
Expected contributions to the plan for the next year	\$ 150,148	\$ 97,278
Average duration of the defined benefit obligation	10.9 years	10.2 years

23. OTHER FINANCIAL ASSETS AND LIABILITIES

	December 31	
	2022	2021
<u>Other financial assets</u>		
Separate account insurance product assets	\$ 655,426,996	\$ 724,210,234
Others	14,405,663	16,896,792
	<u>\$ 669,832,659</u>	<u>\$ 741,107,026</u>

(Continued)

	December 31	
	2022	2021
<u>Other financial liabilities</u>		
Separate account insurance product liabilities	\$ 655,426,996	\$ 724,210,234
Principal received from the sale of structured products	56,044,354	31,603,958
Others	<u>9,177,045</u>	<u>8,094,006</u>
	<u>\$ 720,648,395</u>	<u>\$ 763,908,198</u>
		(Concluded)

a. The related accounts of Cathay Life's separate account insurance products were summarized as follows:

	December 31	
	2022	2021
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 1,635,905	\$ 536,869
Financial assets at FVTPL	649,304,281	716,214,583
Other receivables	<u>4,379,432</u>	<u>7,345,361</u>
	<u>\$ 655,319,618</u>	<u>\$ 724,096,813</u>

<u>Separate account insurance product liabilities</u>		
Other payables	\$ 599,679	\$ 319,598
Reserve for separate accounts - insurance contracts	257,742,323	306,089,604
Reserve for separate accounts - investment contracts	<u>396,977,616</u>	<u>417,687,611</u>
	<u>\$ 655,319,618</u>	<u>\$ 724,096,813</u>

For the Year Ended December 31	
2022	2021

<u>Separate account insurance product income</u>		
Premium income	\$ 27,324,811	\$ 62,250,599
Interest income	8,090	1,453
(Losses) gains from financial assets at FVTPL	(49,923,141)	20,892,861
Foreign exchange gains (losses)	<u>21,663,542</u>	<u>(5,214,085)</u>
	<u>\$ (926,698)</u>	<u>\$ 77,930,828</u>

<u>Separate account insurance product expenses</u>		
Claims and payments	\$ 30,923,295	\$ 13,149,183
Cash surrender value	17,155,544	29,823,154
(Reversal) provision of separate account reserve	(53,344,604)	30,342,120
Administrative expenses	4,496,727	4,763,801
Non-operating income and expenses	<u>(157,660)</u>	<u>(147,430)</u>
	<u>\$ (926,698)</u>	<u>\$ 77,930,828</u>

For the years ended December 31, 2022 and 2021, the rebates earned from counterparties due to the business of separate account insurance products were \$764,747 thousand and \$824,512 thousand, respectively, which were recorded under net gain on service fee and commission fee.

- b. The related accounts of Cathay Lujiazui Life's separate account insurance products were summarized as follows:

	December 31	
	2022	2021
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 4,944	\$ 10,758
Financial assets at FVTPL	102,417	102,651
Others	<u>17</u>	<u>12</u>
	<u>\$ 107,378</u>	<u>\$ 113,421</u>
<u>Separate account insurance product liabilities</u>		
Other payables	\$ -	\$ 7
Reserve for separate accounts - insurance contracts	<u>107,378</u>	<u>113,414</u>
	<u>\$ 107,378</u>	<u>\$ 113,421</u>
	For the Year Ended December 31	
	2022	2021
<u>Separate account insurance product income</u>		
Premium income	\$ 52	\$ 51
Losses from financial assets at FVTPL	(6,586)	(11,418)
Interest income	<u>30</u>	<u>33</u>
	<u>\$ (6,504)</u>	<u>\$ (11,334)</u>
<u>Separate account insurance product expenses</u>		
Cash surrender value	\$ 117	\$ 256
Reversal of separate account reserve	(8,032)	(13,175)
Others	<u>1,411</u>	<u>1,585</u>
	<u>\$ (6,504)</u>	<u>\$ (11,334)</u>

24. EQUITY

a. Share capital

	December 31	
	2022	2021
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>14,669,210</u>	<u>13,169,210</u>
Preference shares	<u>1,533,300</u>	<u>1,533,300</u>
Shares issued	<u>\$ 162,025,102</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.

On October 20, 2022, the board of directors resolved the capital increase through issuance of 1,500,000 thousand ordinary shares and the issue price was \$35 per share. The above transaction was approved by the FSC Jin Guan Zheng Fa No. 1110361791, and the subscription base date was determined by the board of directors to be December 27, 2022.

Issuance of preference shares

- 1) On September 9, 2016, the board of directors resolved to 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, TAFXIRS 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 B 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	
	2022	2021
Additional paid-in capital	\$ 210,405,009	\$ 172,905,009
Treasury share transactions	2,539,377	2,539,377
Additional paid-in capital - employee stock options	1,175,607	497,629
Conversion of convertible bonds	1,144,486	1,144,486
Others	<u>53,568</u>	<u>157,887</u>
	<u>\$ 215,318,047</u>	<u>\$ 177,244,388</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 present the remaining balance after the appropriation of the 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 the current year or actual needs) and reversal of special reserve in accordance with the laws and regulations 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 the 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 20% 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 compensation of employees and remuneration of directors in the Articles, refer to compensation of employees 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 2021 and 2020 which were approved in the shareholders' meetings on June 17, 2022 and July 23, 2021, respectively, were as follows:

	Appropriation of Earnings	
	2021	2020
Legal reserve	\$ 14,275,164	\$ 7,504,207
Special reserve	52,628	1,025,611
Cash dividends of ordinary shares	46,092,235	32,923,025
Cash dividends of preference shares	3,390,924	3,390,924

d. Special reserves

	December 31	
	2022	2021
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 at the first time adoption of IFRSs (3)	2,994,565	2,994,565
Special reserve for appreciation of investment properties (4)	108,931,710	108,879,082
Special reserve transferred from insurance liabilities (5)	<u>34,764,311</u>	<u>34,764,311</u>
	<u>\$ 150,768,651</u>	<u>\$ 150,716,023</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 the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ (18,652,251)	\$ (15,464,009)
Recognized for the year	5,189,699	(2,629,950)
Share of associates accounted for using the equity method	967,543	(925,570)
Tax effects	(532,292)	367,278
Other comprehensive income (loss) recognized for the year	<u>5,624,950</u>	<u>(3,188,242)</u>
Ending balance	<u>\$ (13,027,301)</u>	<u>\$ (18,652,251)</u>

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

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 47,131,473	\$ 106,207,840
Recognized for the year	(138,750,877)	(43,071,268)
Share of associates accounted for using the equity method	(1,281,980)	(202,923)
Reclassification adjustments		
Disposal of debt instruments	6,775,085	(26,532,879)
Tax effects	<u>17,216,553</u>	<u>14,567,114</u>
Other comprehensive loss recognized for the year	<u>(116,041,219)</u>	<u>(55,239,956)</u>
Changes in associates accounted for using the equity method	-	(2,076)
Cumulative unrealized loss (gain) of equity instruments transferred to retained earnings due to disposal	<u>10,376,705</u>	<u>(3,834,335)</u>
Ending balance	<u>\$ (58,533,041)</u>	<u>\$ 47,131,473</u>

3) Gain on hedging instruments

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 335,851	\$ 347,871
Recognized for the year	276,963	(86,019)
Reclassification adjustments		
Hedged item that affects profit or loss	485,095	72,338
Tax effects	(147,644)	1,661
Other comprehensive income (loss) recognized for the year	<u>614,414</u>	<u>(12,020)</u>
Ending balance	<u>\$ 950,265</u>	<u>\$ 335,851</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	
	2022	2021
Beginning balance	\$ (889,397)	\$ (1,478,705)
Recognized for the year	575,753	736,634
Tax effects	(115,151)	(147,326)
Other comprehensive income recognized for the year	<u>460,602</u>	<u>589,308</u>
Ending balance	<u>\$ (428,795)</u>	<u>\$ (889,397)</u>

5) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ (966,130)	\$ (1,966,279)
Recognized for the year	(267,311)	1,208,112
Share of associate accounted for using the equity method	102,095	41,842
Tax effects	34,203	(249,805)
Other comprehensive (loss) income recognized for the year	<u>(131,013)</u>	<u>1,000,149</u>
Ending balance	<u>\$ (1,097,143)</u>	<u>\$ (966,130)</u>

6) Property revaluation surplus

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 11,281,909	\$ 11,097,089
Recognized for the year		
Revaluation on property	1,322,404	332,149
Tax effects	(10,677)	(82,404)
Other comprehensive income recognized for the year	<u>1,311,727</u>	<u>249,745</u>
Transferred to retained earnings	<u>15,364</u>	<u>(64,925)</u>
Ending balance	<u>\$ 12,609,000</u>	<u>\$ 11,281,909</u>

7) Other comprehensive (loss) income on reclassification using the overlay approach

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 64,764,671	\$ 102,511,617
Recognized for the year		
Unrealized (loss) gain	(232,917,090)	75,725,482
Reclassification adjustments		
Disposal of financial instruments	(21,183,974)	(115,202,768)
Tax effects	18,006,453	1,730,340
Other comprehensive loss recognized for the year	<u>(236,094,611)</u>	<u>(37,746,946)</u>
Ending balance	<u>\$ (171,329,940)</u>	<u>\$ 64,764,671</u>

8) Other equity - other

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ (3,224,389)	\$ (3,944,303)
Actual execution of put options on subsidiaries' share	731,063	731,017
Other	<u>-</u>	<u>(11,103)</u>
Ending balance	<u>\$ (2,493,326)</u>	<u>\$ (3,224,389)</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 12,000,581	\$ 11,714,465
Attributed to non-controlling interest		
Net profit for the year	602,754	1,375,228
Exchange differences on translation of the financial statements of foreign operations	590,762	(212,332)
Unrealized (loss) gain on financial assets at FVTOCI	(472,036)	120,291
Other comprehensive (loss) income on reclassification using the overlay approach	(179,950)	164,141
Acquisition of non-controlling interests in subsidiaries (Note 38)	1,505,676	-
Actual acquisition of interests in subsidiaries	(109,072)	(176,506)
Others	<u>(1,071,020)</u>	<u>(984,706)</u>
Ending balance	<u>\$ 12,867,695</u>	<u>\$ 12,000,581</u>

25. NET PROFIT FOR THE YEAR

a. Net gain on service fee and commission fee

	For the Year Ended December 31	
	2022	2021
Service fee revenue	\$ 36,119,129	\$ 35,429,425
Commission fee revenue	<u>9,405,946</u>	<u>9,316,350</u>
	<u>45,525,075</u>	<u>44,745,775</u>
Service fee expense	(10,555,633)	(10,757,706)
Commission fee expense	<u>(19,548,188)</u>	<u>(21,339,406)</u>
	<u>(30,103,821)</u>	<u>(32,097,112)</u>
	<u>\$ 15,421,254</u>	<u>\$ 12,648,663</u>

b. Net income on insurance operations

	For the Year Ended December 31	
	2022	2021
Retained premiums earned	\$ 430,412,946	\$ 517,861,188
Separate account insurance product income	<u>(933,202)</u>	<u>77,919,494</u>
	<u>429,479,744</u>	<u>595,780,682</u>
Claims and payments	(428,187,288)	(298,320,041)
Separate account insurance product expenses	933,202	(77,919,494)
Others	<u>(789,518)</u>	<u>(1,057,529)</u>
	<u>(428,043,604)</u>	<u>(377,297,064)</u>
	<u>\$ 1,436,140</u>	<u>\$ 218,483,618</u>

c. Net changes in insurance liability reserves

	For the Year Ended December 31	
	2022	2021
Net change in loss reserve	\$ (10,304,150)	\$ (310,185)
Net change in policy reserve	(188,414,436)	(379,955,876)
Net change in premium deficiency reserve	685,375	3,867,251
Net change in special reserve	960,661	32,060
Net change in other reserves	20,672	11,000
Net change in reserve for insurance contracts with the nature of financial products	<u>(1,046,127)</u>	<u>(1,052,640)</u>
	<u>\$(198,098,005)</u>	<u>\$(377,408,390)</u>

d. Employee benefit expenses

	For the Year Ended December 31	
	2022	2021
Short-term benefits		
Salaries	\$ 57,316,645	\$ 58,401,769
Labor and health insurance expenses	4,774,249	4,748,926
Post-employment benefits	2,188,547	2,212,130
Remuneration of directors	261,921	280,517
Others	<u>1,263,065</u>	<u>1,418,139</u>
	<u>\$ 65,804,427</u>	<u>\$ 67,061,481</u>
An analysis of employee benefit expenses by function		
Profit from operations	\$ 11,800,020	\$ 13,355,013
Operating expenses	<u>54,004,407</u>	<u>53,706,468</u>
	<u>\$ 65,804,427</u>	<u>\$ 67,061,481</u>

As of December 31, 2022 and 2021, the total number of employees in the Group was 56,031 and 57,100, respectively.

For the years ended December 31, 2022 and 2021, the average number of the Group's employees was 56,388 and 57,612, respectively, including 48 and 44 directors not concurrently serving as employees.

e. Compensation of employees and remuneration of directors

According to the Articles of the Company, 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, in the case of accumulated deficit, the Company's accumulated deficit needs to be offset first.

The compensation of employees and remuneration of directors for 2022 and 2021, 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 9, 2023 and March 11, 2022, respectively, were as follows:

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Compensation of employees	\$ 4,098	\$ 14,057
Remuneration of directors	1,800	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, 2021 and 2020.

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	
	2022	2021
Right-of-use assets	\$ 1,568,024	\$ 1,456,587
Property and equipment	2,904,833	2,654,866
Intangible assets	<u>3,071,207</u>	<u>3,286,342</u>
	<u>\$ 7,544,064</u>	<u>\$ 7,397,795</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 4,472,857</u>	<u>\$ 4,111,453</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 3,071,207</u>	<u>\$ 3,286,342</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	
	2022	2021
Current tax		
In respect of the current year	\$ 2,457,073	\$ 14,419,447
Adjustments for prior years	(349,529)	(539,469)
Additional tax of unappropriated earnings	3,947,034	1,509,915
Others	749,006	5,181,989
Deferred tax		
In respect of the current year	5,177,906	(2,026,429)
Adjustments for prior years	<u>4,188</u>	<u>91,608</u>
Income tax expense recognized in profit or loss	<u>\$ 11,985,678</u>	<u>\$ 18,637,061</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before tax	<u>\$ 49,947,792</u>	<u>\$ 159,526,371</u>
Income tax calculated at the Company's statutory rate	\$ 9,989,558	\$ 31,905,274
Tax-exempt income	(9,156,594)	(20,033,332)
Nondeductible expenses in determining taxable income	(167)	126,306
Effect of tax on investment properties measured at fair value	901,371	414,288
Additional income tax under the Alternative Minimum Tax Act	31,430	5,999,141
Effect of different tax rates of entities in the Group operating in other jurisdictions	106,605	182,586
Adjustments for prior years' tax	(345,341)	(447,860)
Income tax on unappropriated earnings	3,947,034	1,509,915
Others	<u>6,511,782</u>	<u>(1,019,257)</u>
Income tax expense recognized in profit or loss	<u>\$ 11,985,678</u>	<u>\$ 18,637,061</u>

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2022	2021
Current tax		
Derecognition of equity instruments at FVTOCI	\$ 374,761	\$ 370,685
Deferred tax		
Derecognition of equity instruments at FVTOCI	(374,761)	(370,685)
Capital surplus	30,088	2,033
Retained earnings	<u>-</u>	<u>6,726</u>
Income tax recognized directly in equity	<u>\$ 30,088</u>	<u>\$ 8,759</u>

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ (115,151)	\$ (147,326)
Exchange differences on the translation of financial statements of foreign operations	(532,292)	367,278
Unrealized loss on financial assets at FVTOCI	17,126,904	14,551,659
(Gain) loss on hedging instruments	(147,644)	1,661
Remeasurement of defined benefit plans	53,279	(241,544)
Property revaluation surplus	(10,677)	(82,404)
Shares of associates accounted for using the equity method	70,573	7,194
Other comprehensive loss on reclassified using overlay approach	<u>18,006,453</u>	<u>1,730,340</u>
Income tax benefit recognized in other comprehensive income	<u>\$ 34,451,445</u>	<u>\$ 16,186,858</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, 2022

	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	\$ 777,191	\$ (197,101)	\$ -	\$ -	\$ -	\$ 580,090
Investment properties	(26,723,803)	(1,770,671)	(10,677)	-	(3,735)	(28,508,886)
Financial instruments at FVTPL	(2,658,149)	10,970,694	(115,151)	-	(1,936)	8,195,458
Financial assets at FVTPL reclassified using the overlay approach	(12,494,278)	(58,205)	25,438,113	-	1,878,346	14,763,976
Equity instruments at FVTOCI	(764,155)	-	561,615	(388,477)	-	(591,017)
Debt instruments at FVTOCI	(4,652,973)	216,271	16,669,136	-	-	12,232,434
Financial assets at AC	141,079	682,772	-	-	-	823,851
Goodwill and franchises	(788,527)	(94,809)	-	-	-	(883,336)
Defined benefit assets	(853,263)	(68,294)	41,636	-	1	(879,920)
Preferential savings deposits	134,645	(18,265)	11,644	-	-	128,024

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Others	Closing Balance
Investments accounted for using the equity method	\$ 1,259,096	\$ (954,507)	\$ (93,104)	\$ 30,088	\$ (1,888,193)	\$ (1,646,620)
Lease liabilities	150,943	99,545	-	-	-	250,488
Unrealized foreign exchange losses (gains)	55,462,385	(58,977,884)	(7,904,121)	13,716	(8)	(11,405,912)
Allowance for doubtful accounts	2,355,866	293,030	-	-	-	2,648,896
Others	(612,626)	990,336	(147,646)	-	436,888	666,952
Unused benefit of tax loss	<u>36,041</u>	<u>43,704,994</u>	<u>-</u>	<u>-</u>	<u>1,397</u>	<u>43,742,432</u>
Net deferred tax assets (liabilities)	<u>\$ 10,769,472</u>	<u>\$ (5,182,094)</u>	<u>\$ 34,451,445</u>	<u>\$ (344,673)</u>	<u>\$ 422,760</u>	<u>\$ 40,116,910</u>
Deferred tax assets	<u>\$ 63,746,198</u>					<u>\$ 89,895,981</u>
Deferred tax liabilities	<u>\$ (52,976,726)</u>					<u>\$ (49,779,071)</u>
						(Concluded)

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 instruments at FVTPL	(3,505,615)	1,001,654	(154,036)	-	(152)	(2,658,149)
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 AC	470,833	(329,754)	-	-	-	141,079
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	(38,222)	110,922	8,371	-	(693,697)	(612,626)
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>

- e. Deductible temporary difference for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Deductible temporary differences	<u>\$ 2,223,089</u>	<u>\$ 2,067,192</u>

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2022 comprised:

Unused Amount	Expiry Year
\$ 109,758	2024
343	2027
9,863	2029
19,002	2030
122,672	2031
<u>218,516,048</u>	2032
<u>\$ 218,777,686</u>	

g. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$3,362,835 thousand and \$3,154,210 thousand, respectively.

h. Income tax assessments

The income tax returns of the Group and subsidiaries were as follows:

	Year of Assessment	Note
The Company	2017	-
Cathay Life	2017	In the process of administrative remedy for 2015 to 2017.
Cathay United Bank	2017	In the process of administrative remedy for 2015 to 2017.
Cathay Century	2017	-
Cathay Securities	2017	In the process of administrative remedy for 2015.
Cathay Venture	2020	Not yet approved for 2018.
		In the process of administrative remedy for 2016.
Cathay Securities Investment Trust	2017	-

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 tax payer.

27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2022	2021
Basic earnings per share	<u>\$ 2.58</u>	<u>\$ 10.34</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 Year

	For the Year Ended December 31	
	2022	2021
Net income for the year attributable to owners of the Company	\$ 37,359,360	\$ 139,514,082
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>\$ 33,968,436</u>	<u>\$ 136,123,158</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>13,189,758</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 will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. 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 before February 2022
Lin Yuan	Subsidiary
Conning Holdings Limited	Subsidiary
Cathay Woolgate Exchange Holding 1 Limited	Subsidiary
Cathay Woolgate Exchange Holding 2 Limited	Subsidiary

(Continued)

Related Party Name	Related Party Category
Cathay Walbrook Holding 1 Limited	Subsidiary
Cathay Walbrook Holding 2 Limited	Subsidiary
Cathay Industrial R&D Center	Subsidiary
Global Evolution Holding ApS	Subsidiary
Cathay Power Inc.	Subsidiary (Note 1)
SUNRISE PV ONE CO., LTD.	Subsidiary (Note 2)
Cathy Sunrise Two Co., Ltd.	Subsidiary (Note 2)
Cathy Sunrise Electric Power Two Co., Ltd.	Subsidiary (Note 2)
Bai Yang Energy Co., Ltd.	Subsidiary (Note 2)
Hong Cheng Sing Tech. Co., Ltd.	Subsidiary (Note 2)
Shen Lyu Co., Ltd.	Subsidiary (Note 2)
Nan Yang Power., Ltd.	Subsidiary (Note 2)
Neo Cathy Power Corp.	Subsidiary (Note 1)
CM Energy Co., Ltd.	Subsidiary (Note 1)
Shu Guang Energy Co., Ltd.	Subsidiary (Note 2)
Si Yi Co., Ltd.	Subsidiary (Note 2)
Da Li Energy Co., Ltd.	Subsidiary (Note 2)
Yong Han Co., Ltd.	Subsidiary (Note 2)
Hong Tai Energy Co., Ltd.	Subsidiary (Note 2)
Hongtai Power H Co., Ltd.	Subsidiary (Note 2)
Tian Ji Energy Co., Ltd.	Subsidiary (Note 2)
Tian Ji Power Co., Ltd.	Subsidiary (Note 2)
Chen Fong Power Co., Ltd.	Subsidiary since December 2022
Cathay Insurance (Vietnam)	Subsidiary
Indovina Bank	Subsidiary
CUBC Bank	Subsidiary
CUBC-I	Subsidiary
CUBCN Bank	Subsidiary
Cathay Futures	Subsidiary
Cathay Private Equity	Subsidiary
Cathay Securities (Hong Kong) Limited	Subsidiary
Cathay Capital (Asia)	Subsidiary
Taiwan Real-estate Management Corp.	Associate
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate
CMG International One Corp.	Associate
CMG International Two Corp.	Associate
ThrivEnergy Co., Ltd.	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
Cathay Real Estate Management 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

(Continued)

Related Party Name	Related Party Category
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
Tien-Tai energy Co., Ltd.	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
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
Pai Hsing Investment Co., Ltd.	Other related party
Bannan Realty 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
Sanchong Realty Co., Ltd.	Other related party
Ann Fong Co., Ltd.	Other related party
Lung Chuan Water Resources Co., Ltd.	Other related party before December 2022
Srisawad Corporation Public Company Limited	Other related party
Quantifeed Holdings Limited	Other related party
Taiwan Asset Management Corporation	Other related party
Taipei Forex Inc.	Other related party
HanTech Venture Capital Corporation	Other related party
Financial information service Co., Ltd.	Other related party
Cymbal Medical Network Co., Ltd.	Other related party
Liang-Ting Co., Ltd.	Other related party
Others	Other related party

(Concluded)

Note 1: Associate before November 2022

Note 2: Other related party before November 2022

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			
	2022		2021	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party				
Vietinbank	\$ 169,946	\$ 139	\$ 53,977	\$ 372

b) Due to commercial banks

Name	For the Year Ended December 31			
	2022		2021	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party				
Vietinbank	\$ 1,296,629	\$ 4,111	\$ 17,825	\$ 1

c) Investments in financial debentures (financial assets at FVTOCI)

Name	December 31	
	2022	2021
Other related party		
Vietinbank	\$ 386,264	\$ 365,738
Name	Interest Income	
	For the Year Ended December 31	
Name	2022	2021
Other related party		
Vietinbank	\$ 24,266	\$ 24,885

2) Balance of shares issued by related parties

Name	December 31	
	2022	2021
Associate		
PSS Co., Ltd.	\$ 22,400	\$ 14,038
Other related party		
Srisawad Corporation Public Company Limited	5,511,187	6,424,391
CDIB & PARTNERS Investment Holding Corporation	1,389,761	1,761,249
Cathay Real Estate Development Co., Ltd.	1,046,860	1,321,447
Taiwan Asset Management Corporation	1,021,279	1,647,294
Financial information service Co., Ltd.	577,792	866,688
Daiwa - Cathay Capital Markets Co., Ltd.	143,800	144,600
Cathay Healthcare Management Co., Ltd.	106,343	106,920
HanTech Venture Capital Corporation	72,622	102,178
Quantifeed Holdings Limited	62,162	27,720
Taipei Forex Inc.	58,603	58,805
Ann Fong Co., Ltd. Enterprise Co., Ltd.	14,463	19,034
	<u>10,004,872</u>	<u>12,480,326</u>
	<u>\$ 10,027,272</u>	<u>\$ 12,494,364</u>

Refer to Note 13 for the balance of investment in associates.

3) Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Year Ended December 31	
		2022	2021
Associate			
CMG International Two Co., Ltd.	Ordinary shares	\$ 1,125,000	\$ -
CMG International One Co., Ltd.	Ordinary shares	900,000	-
ThrivEnergy Co., Ltd.	Ordinary shares	216,000	-
TaiYang Solar Power Co., Ltd.	Ordinary shares	67,500	279,500
CM Energy	Ordinary shares	-	135,000
		<u>\$ 2,308,500</u>	<u>\$ 414,500</u>

4) Receivable

Name	December 31	
	2022	2021
Associate		
Neo Cathay Power	\$ -	\$ 3,182
Cathay Power Inc.	-	4,316
	-	7,498
Other related party		
Funds managed by Cathay Securities Investment Trust	265,853	255,172
Tian-Ji Power	-	5,121
	<u>265,853</u>	<u>260,293</u>
	<u>\$ 265,853</u>	<u>\$ 267,791</u>

5) Loans

Name	For the Year Ended December 31			
	2022		2021	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Associate				
TaiYang Solar Power Co., Ltd.	\$ 54,647	\$ 1,318	\$ 59,939	\$ 1,258
Taiwan Real-estate Management Corp.	<u>33,000</u>	<u>635</u>	<u>33,000</u>	<u>528</u>
	<u>87,647</u>	<u>1,953</u>	<u>92,939</u>	<u>1,786</u>
Other related party				
Cathay Real Estate Development Co., Ltd.	620,000	11,113	-	-
Tien-Tai energy Co., Ltd.	67,919	1,648	75,465	1,647
Others	<u>3,528,289</u>	<u>53,602</u>	<u>3,112,399</u>	<u>41,092</u>
	<u>4,216,208</u>	<u>66,363</u>	<u>3,187,864</u>	<u>42,739</u>
	<u>\$ 4,303,855</u>	<u>\$ 68,316</u>	<u>\$ 3,280,803</u>	<u>\$ 44,525</u>

6) Deposits

Name	For the Year Ended December 31			
	2022		2021	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary				
Cathay Securities Investment Consulting	<u>\$ 621,212</u>	<u>\$ 1,369</u>	<u>\$ 563,928</u>	<u>\$ 173</u>
Associate				
Lin Yuan Property Management Co., Ltd.	247,327	1,606	267,301	1,178
Symphox Information Co., Ltd.	220,167	217	156,393	132
CMG International One Corp.	43,320	236	120,208	1
CMG International Two Corp.	31,820	271	167,291	2
CM Energy	<u>51</u>	<u>74</u>	<u>116,468</u>	<u>24</u>
	542,685	2,404	827,661	1,337
Other related party				
Cathay Life Insurance Employees' Welfare Committee	2,301,702	24,533	2,381,744	16,982
Cathay United Bank Employees' Welfare Committee	761,220	30,417	760,605	30,847
Cathay United Bank Foundation	556,325	5,623	541,531	4,189
Private equity fund managed by Cathay Private Equity	551,457	683	659,967	36

(Continued)

Name	For the Year Ended December 31			
	2022		2021	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Bannan Realty Co., Ltd.	\$ 544,195	\$ 532	\$ 190,289	\$ 30
Cathay Medical Care Corp.	522,260	570	218,988	48
Sanchong Realty Co., Ltd.	479,732	594	-	-
Cathay Real Estate Development Employees' Welfare Committee	467,213	5,215	438,380	3,506
Cathay Real Estate Development Co., Ltd.	429,818	289	290,378	28
Cathay Hospitality Management, Inc.	410,749	230	99,246	8
Cathay Charity Foundation	311,735	2,862	281,451	1,918
Cathay Hospitality Management Co., Ltd.	263,959	260	163,365	10
Cathay Cultural Foundation	210,841	2,245	210,741	1,598
Yua-Yung Marketing (Taiwan) Co., Ltd.	168,200	238	121,802	211
Cathay Real Estate Management Co., Ltd.	110,936	815	100,559	580
Pai Hsing Investment Co., Ltd.	15,521	83	142,416	129
Others	<u>8,958,361</u>	<u>69,619</u>	<u>8,459,721</u>	<u>47,085</u>
	<u>17,064,224</u>	<u>144,808</u>	<u>15,061,183</u>	<u>107,205</u>
	<u>\$ 18,228,121</u>	<u>\$ 148,581</u>	<u>\$ 16,452,772</u>	<u>\$ 108,715</u>

(Concluded)

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			
	2022		2021	
	Items	Amount	Items	Amount
Associate				
Pss Co., Ltd.	Taoyuan QingPu Information Center, etc.	\$ 8,222	-	\$ -
Lin Yuan Property Management Co., Ltd.	Chu-nan Building, etc.	<u>4,973</u>	International Tower	<u>9,771</u>
		<u>13,195</u>		<u>9,771</u>
Other related party				
Ally Logistic Property Co., Ltd.	Yangmei Erchongxi Warehousing, etc.	832,026	Yangmei Erchongxi Warehousing, etc.	1,694,037
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	<u>1,754,221</u>	Tucheng East Building, etc.	<u>1,213,455</u>
		<u>2,586,247</u>		<u>2,907,492</u>
		<u>\$ 2,599,442</u>		<u>\$ 2,917,263</u>

As of December 31, 2022 and 2021, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and PSS Co., Ltd. were \$7,137 thousand and \$0, respectively.

As of December 31, 2022 and 2021, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Lin Yuan Property Management Co., Ltd. were \$3,447 thousand and \$0 thousand, respectively.

As of December 31, 2022 and 2021, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$4,005,983 thousand and \$2,607,361 thousand, respectively.

As of December 31, 2022 and 2021, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$15,573,524 thousand and \$7,316,509 thousand, respectively.

b) Real-estate rental (Cathay Life and its subsidiaries as lessor)

Name	Rental Income	
	For the Year Ended December 31 2022	2021
Subsidiary		
Cathay Securities Investment Consulting	\$ 10,118	\$ 9,865
Associate		
Symphox Information Co., Ltd.	33,540	32,850
Lin Yuan Property Management Co., Ltd.	20,712	19,463
CMG International Two Co., Ltd.	3,013	2,695
	<u>57,265</u>	<u>55,008</u>
Other related party		
Ally Logistic Property Co., Ltd.	965,619	798,609
Cathay Medical Care Corp.	189,426	191,996
Cathay Hospitality Management Co., Ltd.	187,666	157,748
Cathay Hospitality Consulting Co., Ltd.	178,422	140,144
Cathay Healthcare Management Co., Ltd.	89,117	65,679
Yua-Yung Marketing (Taiwan) Co., Ltd.	44,340	31,546
Hong-Sui Co., Ltd.	28,436	27,467
Cathay Real Estate Development Co., Ltd.	17,696	18,121
Cymlin Co., Ltd.	8,570	-
Hsin Chung Co., Ltd.	7,527	11,619
Cymder Co., Ltd.	7,610	7,280
San Ching Engineering Co., Ltd.	6,159	6,473
Cathay United Bank Foundation	5,249	4,812
Cymbal Medical Network Co., Ltd.	4,111	893
Liang-Ting Co., Ltd.	3,159	3,159
Hong Tai Energy	1,521	3,442
	<u>1,744,628</u>	<u>1,468,988</u>
	<u>\$ 1,812,011</u>	<u>\$ 1,533,861</u>

Name	Guarantee Deposits Received	
	December 31	
	2022	2021
Associate		
Symphox Information Co., Ltd.	\$ 11,708	\$ 8,000
Other related party		
Ally Logistic Property Co., Ltd.	210,782	143,424
Cathay Hospitality Management Co., Ltd.	190,582	188,597
Cathay Hospitality Consulting Co., Ltd.	184,100	182,277
Cathay Medical Care Corp.	61,208	11,447
Cathay Healthcare Management Co., Ltd.	21,113	21,113
Yua-Yung Marketing (Taiwan) Co., Ltd.	5,370	4,552
Hong-Sui Co., Ltd.	4,740	4,740
Cathay Real Estate Development Co., Ltd.	4,086	4,215
Cymlin Co., Ltd.	4,081	4,081
Hsin Chung Co., Ltd.	3,072	3,072
Retail Forest Co., Ltd.	-	5,745
	<u>689,134</u>	<u>573,263</u>
	<u>\$ 700,842</u>	<u>\$ 581,263</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	
	2022	2021
Other related party		
Cathay Real Estate Development Co., Ltd.	\$ 32,744	\$ -
Yi Ru Capital Co., Ltd.	-	8,402
Ally Logistic Property Co., Ltd.	<u>1,004</u>	<u>7,420</u>
	<u>\$ 33,748</u>	<u>\$ 15,822</u>
Name	Lease Liabilities	
	December 31	
	2022	2021
Other related party		
Cathay Real Estate Development Co., Ltd.	\$ 25,561	\$ 13,152
Ally Logistic Property Co., Ltd.	4,381	6,022
Yi Ru Capital Co., Ltd.	<u>1,064</u>	<u>5,271</u>
	<u>\$ 31,006</u>	<u>\$ 24,445</u>

Name	Guarantee Deposits Paid	
	December 31	
	2022	2021
Other related party		
Cathay Real Estate Development Co., Ltd.	\$ 4,482	\$ 4,446

d) Acquisition of computer equipment and software

Name	For the Year Ended December 31	
	2022	2021
Other related party		
ThinkPower Information Co., Ltd.	\$ 33,840	\$ 16,593

- e) Cathay United Bank's service fee for planning the construction projects and designing the maintenance service for Lin Yuan Property Management Co., Ltd. in 2022 and 2021 were \$13,355 thousand and \$8,241 thousand, respectively, and were recorded under property and equipment.

8) Guarantee deposits received

Name	December 31	
	2022	2021
Associate		
Lin Yuan Property Management Co., Ltd.	\$ 5,000	\$ 5,000
Other related party		
San Ching Engineering Co., Ltd.	1,638,378	968,577
Ally Logistic Property Co., Ltd.	1,458,873	1,486,507
	<u>3,097,251</u>	<u>2,455,084</u>
	\$ 3,102,251	\$ 2,460,084

9) Payables

Name	December 31	
	2022	2021
Subsidiary		
Cathay Securities Investment Consulting	\$ 25,883	\$ 30,963
Associate		
Symphox Information Co., Ltd.	57,253	42,332
Other related party		
Seaward Card Co., Ltd.	13,970	30,880
ThinkPower Information Co., Ltd.	5,054	1,905
Funds managed by Cathay Securities Investment Trust	5,617	5,096
	<u>24,641</u>	<u>37,881</u>
	\$ 107,777	\$ 111,176

10) Acquisition of financial assets

For the year ended December 31, 2022

Related Party Category/Name	Name of Securities shares	Number of Shares	Purchase Price
Other related party San Ching Engineering Co., Ltd.	Cathay Power Inc.	78,998,400	<u>\$ 982,162</u>

11) Balances of bonds managed by related parties

Name	December 31	
	2022	2021
Other related party Bonds managed by Octagon Credit Investors, LLC	<u>\$ 5,309,027</u>	<u>\$ 4,888,088</u>

12) Balances of funds managed by related parties

Name	December 31	
	2022	2021
Other related party Funds managed by Cathay Securities Investment Trust	\$ 63,380,239	\$ 72,315,513
Funds managed by Global Evolution Holding ApS	2,657,844	2,782,079
Funds managed by Octagon Credit Investors, LLC	2,218,342	2,075,270
Private Equity Funds managed by Cathay Private Equity	<u>1,414,805</u>	<u>1,251,757</u>
	<u>\$ 69,671,230</u>	<u>\$ 78,424,619</u>

13) Balances of related parties' discretionary management investment

Name	December 31	
	2022	2021
Other related party Cathay Charity Foundation	\$ 108,540	\$ 134,136
Cathay Cultural Foundation	<u>54,935</u>	<u>61,874</u>
	<u>\$ 163,475</u>	<u>\$ 196,010</u>

14) Service fee income

Name	For the Year Ended December 31	
	2022	2021
Subsidiary Cathay Securities Investment Consulting	\$ 38,288	\$ 38,995
Other related party Cathay Real Estate Development Co., Ltd.	<u>7,403</u>	<u>7,706</u>
	<u>\$ 45,691</u>	<u>\$ 46,701</u>

15) Premium income

Name	For the Year Ended December 31	
	2022	2021
Associate		
Cathay Power	\$ 9,658	\$ 9,413
Neo Cathay Power	8,381	6,777
Lin Yuan Property Management Co., Ltd.	<u>3,738</u>	<u>3,466</u>
	<u>21,777</u>	<u>19,656</u>
Other related party		
Cathay Medical Care Corp.	59,810	63,128
ThinkPower Information Co., Ltd.	17,680	21,548
San Ching Engineering Co., Ltd.	16,935	12,096
Cathay Real Estate Development Co., Ltd.	12,127	10,579
Hong-Sui Co., Ltd.	10,086	6,967
Yua-Yung Marketing (Taiwan) Co., Ltd.	5,696	4,300
Cathay Hospitality Management Co., Ltd.	4,993	1,001
Tian-Ji Power	4,839	7,095
Lung Chuan Water Resources Co., Ltd.	4,442	2,677
Ally Logistic Property Co., Ltd.	3,636	1,107
Cathay Healthcare Management Co., Ltd.	3,387	2,374
Cathay Hospitality Consulting Co., Ltd.	3,128	5,410
Others	<u>142,617</u>	<u>313,907</u>
	<u>289,376</u>	<u>452,189</u>
	<u>\$ 311,153</u>	<u>\$ 471,845</u>

16) Net other non-interest income and expense

Name	For the Year Ended December 31	
	2022	2021
<u>Other non-interest income</u>		
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ 3,020,064	\$ 2,792,767
Private Equity Funds managed by Cathay Private Equity	91,773	65,865
Cathay Healthcare Management Co., Ltd.	5,851	5,564
Cathay Medical Care Corp.	6,875	4,010
Cathay Hospitality Consulting Co., Ltd.	<u>3,145</u>	<u>3,528</u>
	<u>\$ 3,127,708</u>	<u>\$ 2,871,734</u>
<u>Other non-interest expense</u>		
Other related party		
Daiwa - Cathay Capital Markets Co., Ltd.	<u>\$ 1,325</u>	<u>\$ 3,802</u>

17) Operating expenses

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay Securities Investment Consulting	\$ 115,398	\$ 123,346
Associate		
Lin Yuan Property Management Co., Ltd.	984,406	879,190
Symphox Information Co., Ltd.	786,821	711,581
	<u>1,771,227</u>	<u>1,590,771</u>
Other related party		
Seaward Card Co., Ltd.	313,008	295,537
ThinkPower Information Co., Ltd.	195,457	90,541
Ann Fong Co., Ltd.	194,897	130,002
Bowl Cut Entertainment Co., Ltd.	42,700	42,300
Cathay Healthcare Management Co., Ltd.	15,827	15,569
FundRich Securities Co., Ltd.	14,788	8,765
Cathay Medical Care Corp.	10,720	33,171
Cathay Real Estate Development Co., Ltd.	8,917	9,497
San Ching Engineering Co., Ltd.	4,833	4,537
	<u>801,147</u>	<u>629,919</u>
	<u>\$ 2,687,772</u>	<u>\$ 2,344,036</u>

18) Guarantees on duties and contracts

December 31, 2022

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>\$ 49,443</u>	<u>\$ 6</u>	0.65%-0.8%	Demand deposits

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

19) Compensation of key management personnel

Name	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 1,402,580	\$ 1,308,285
Post-employment benefits	25,027	24,273
Other long-term employee benefits	<u>64</u>	<u>15</u>
	<u>\$ 1,427,671</u>	<u>\$ 1,332,573</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			
	2022		2021	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary				
Cathay United Bank	<u>\$ 438,003</u>	<u>\$ 4,388</u>	<u>\$ 47,839</u>	<u>\$ 78</u>

2) Receivables

Name	Nature of Transaction	December 31	
		2022	2021
Subsidiary			
Cathay United Bank	Integrated income tax, etc.	\$ 3,162,531	\$ 513,935
Cathay Life	Subordinated corporation bonds interests, etc.	70,989	70,989
Cathay Securities	Integrated income tax	484,896	373,017
Cathay Securities Investment Trust	Integrated income tax	402,738	269,811
Cathay Century	Integrated income tax, etc.	<u>-</u>	<u>238,909</u>
		<u>\$ 4,121,154</u>	<u>\$ 1,466,661</u>

3) Guarantee deposits paid

Name	December 31	
	2022	2021
Subsidiary		
Cathay Life	<u>\$ 33,709</u>	<u>\$ 33,301</u>

4) Financial assets at FVTPL

Name	December 31	
	2022	2021
Subsidiary		
Cathay Life	\$ 35,000,000	\$ 35,000,000

5) Payables

Name	Nature of Transaction	December 31	
		2022	2021
Subsidiary			
Cathay Life	Integrated income tax	\$ 14,465,582	\$ 5,253,915
Cathay Century	Integrated income tax	612,702	-
		<u>\$ 15,078,284</u>	<u>\$ 5,253,915</u>

6) Lease agreements

a) Acquisition of right-of-use assets

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay Life	\$ 279,221	\$ -
Cathay United Bank	<u>3,952</u>	<u>-</u>
	<u>283,173</u>	<u>-</u>
Other related party		
Cathay Real Estate Development Co., Ltd.	3,253	-
Ally Logistic Property Co., Ltd.	<u>1,004</u>	<u>7,420</u>
	<u>4,257</u>	<u>7,420</u>
	<u>\$ 287,430</u>	<u>\$ 7,420</u>

b) Lease liabilities

Name	December 31	
	2022	2021
Subsidiary		
Cathay Life	\$ 267,465	\$ 113,076
Cathay United Bank	<u>3,789</u>	<u>988</u>
	<u>271,254</u>	<u>114,064</u>
Other related party		
Ally Logistic Property Co., Ltd.	<u>4,381</u>	<u>6,022</u>
	<u>\$ 275,635</u>	<u>\$ 120,086</u>

c) Lease expense

	Name	For the Year Ended December 31	
		2022	2021
Subsidiary			
Cathay Life		\$ 21,213	\$ 15,185

7) Interest income

	Name	For the Year Ended December 31	
		2022	2021
Subsidiary			
Cathay Life		\$ 1,260,000	\$ 1,260,000

8) Operating expenses

	Name	For the Year Ended December 31	
		2022	2021
Subsidiary			
Cathay Life		\$ 18,581	\$ 16,843
Cathay United Bank		7,132	6,793
		<u>25,713</u>	<u>23,636</u>
Associate			
Lin Yuan Property Management Co., Ltd.		7,200	4,106
Symphox Information Co., Ltd.		6,365	4,293
		<u>13,565</u>	<u>8,399</u>
Other related party			
ThinkPower Information Co., Ltd.		74,519	34,283
Bowl Cut Entertainment Co., Ltd.		42,700	42,300
Seaward Card Co., Ltd.		8,868	7,919
		<u>126,087</u>	<u>84,502</u>
		<u>\$ 165,365</u>	<u>\$ 116,537</u>

9) Net other non-interest income

	Name	For the Year Ended December 31	
		2022	2021
Subsidiary			
Cathay United Bank		\$ 5,400	\$ 6,088
Cathay Life		5,400	5,400
Cathay Century		-	4,500
		<u>\$ 10,800</u>	<u>\$ 15,988</u>

10) Subscription of shares issued by related parties

Name	Items	For the Year Ended December 31	
		2022	2021
Subsidiary			
Cathay Life	Ordinary shares	\$ 35,000,000	\$ -
Cathay Century	Ordinary shares	<u>20,000,000</u>	<u>-</u>
		<u>\$ 55,000,000</u>	<u>\$ -</u>

11) Acquisition of computer equipment and software by related parties

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay Life	<u>\$ 69,416</u>	<u>\$ -</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. Cathay Life and its subsidiaries significant transactions from undertaking contracted projects with related parties are listed below:

Name	For the Year Ended December 31			
	2022		2021	
	Items	Amount	Items	Amount
Other related party				
San Ching Engineering Co., Ltd.	Tucheng East Building. etc.	\$ 1,754,221	Tucheng East Building. etc.	\$ 1,213,455
Ally Logistic Property Co., Ltd.	Yangmei Erchongxi Warehouse, etc.	<u>832,026</u>	Yangmei Erchongxi Warehouse, etc.	<u>1,694,037</u>
		<u>\$ 2,586,247</u>		<u>\$ 2,907,492</u>

As of December 31, 2022 and 2021, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$4,005,983 thousand and \$2,607,361 thousand, respectively.

As of December 31, 2022 and 2021, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$15,573,524 thousand and \$7,316,509 thousand, respectively.

ii. Real-estate rental

Name	Rental Income	
	For the Year Ended December 31	
	2022	2021
The Company		
Cathay Financial Holdings	\$ 147,136	\$ 140,758
Subsidiary		
Cathay United Bank	738,149	727,756
Cathay Century	128,757	112,768
	<u>866,906</u>	<u>840,524</u>
Other related party		
Ally Logistic Property Co., Ltd.	965,619	798,609
Cathay Medical Care Corp.	189,426	191,996
Cathay Hospitality Management Co., Ltd.	187,666	157,748
Cathay Hospitality Consulting Co., Ltd.	178,422	140,144
	<u>1,521,133</u>	<u>1,288,497</u>
	<u>\$ 2,535,175</u>	<u>\$ 2,269,779</u>
Name	Guarantee Deposits Received	
	December 31	
	2022	2021
Subsidiary		
Cathay United Bank	\$ 191,579	\$ 187,202
Other related party		
Ally Logistic Property Co., Ltd.	210,782	143,424
Cathay Hospitality Management Co., Ltd.	190,582	188,597
Cathay Hospitality Consulting Co., Ltd.	184,100	182,277
	<u>585,464</u>	<u>514,298</u>
	<u>\$ 777,043</u>	<u>\$ 701,500</u>

Lease periods are usually between 2 to 5 years and rentals are collected on a monthly basis.

b) Acquisition of Financial Assets

For the year ended December 31, 2022

Related Party Category/Name	Name of Securities shares	Number of Shares	Purchase Price
Other related party			
San Ching Engineering Co., Ltd.	Cathay Power Inc.	78,998,400	\$ <u>982,162</u>

c) Disposal of financial assets

For the year ended December 31, 2022

Related Party Category/Name	Line Item	Underlying Assets	Proceeds	Gain on Disposal
Subsidiary Cathay Venture	Financial assets at FVOCI	Ordinary shares	\$ 483,478	\$ 42,342
	Financial assets at FVTPL	Private equity fund	<u>479,700</u>	<u>89,700</u>
			<u>\$ 963,178</u>	<u>\$ 132,042</u>

d) Shares transactions

i. Cathay Life increased its capital by cash

Name	Nature of Transaction	For the Year Ended December 31	
		2022	2021
The company Cathay Financial Holdings	Ordinary shares	<u>\$ 35,000,000</u>	<u>\$ -</u>

ii. Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Year Ended December 31	
		2022	2021
Associate CMG International Two Co., Ltd.	Ordinary shares	\$ 1,125,000	\$ -
CMG International One Co., Ltd.	Ordinary shares	900,000	-
ThrivEnergy Co., Ltd.	Ordinary shares	216,000	-
TaiYang Solar Power Co., Ltd.	Ordinary shares	67,500	279,500
CM Energy Co., Ltd.	Ordinary shares	<u>-</u>	<u>135,000</u>
		<u>\$ 2,308,500</u>	<u>\$ 414,500</u>

e) Balance of shares issued by related parties

Name	Nature of Transaction	December 31	
		2022	2021
Other related party			
Srisawad Corporation Public Company Limited	Ordinary shares	\$ 2,718,023	\$ 3,213,864
Cathay Real Estate Development Co., Ltd.	Ordinary shares	1,046,860	\$ 1,321,447
CDIB & PARTNERS Investment Holding Corporation	Ordinary shares	694,980	880,740
Daiwa - Cathay Capital Markets Co., Ltd.	Ordinary shares	<u>143,800</u>	<u>144,600</u>
		<u>\$ 4,603,663</u>	<u>\$ 5,560,651</u>

f) Cash in banks

Name	Nature of Transaction	December 31	
		2022	2021
Subsidiary			
Cathay United Bank	Demand deposits	\$ 43,913,419	\$ 42,819,111
	Time deposits	1,867,186	1,280,477
	Checking deposits	197,778	209,910
	Security deposits	<u>1,409,644</u>	<u>6</u>
		<u>47,388,027</u>	<u>44,309,504</u>
Indovina Bank	Time deposits	3,045,564	1,817,844
	Demand deposits	<u>17,002</u>	<u>12,382</u>
		<u>3,062,566</u>	<u>1,830,226</u>
		<u>\$ 50,450,593</u>	<u>\$ 46,139,730</u>

For the years ended December 31, 2022 and 2021, the interest income earned from above bank deposits in Cathay United Bank were \$179,008 thousand and \$44,271 thousand, respectively.

For the years ended December 31, 2022 and 2021, the interest income earned from above bank deposits in Indovina Bank Limited were \$148,787 thousand and \$131,557 thousand, respectively.

g) Loans

Name	For the Year Ended December 31, 2022		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 929,925</u>	1.25%-5.34%	<u>\$ 859,415</u>
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>

h) Balance of bonds managed by related parties

Name	December 31	
	2022	2021
Other related party		
Bonds managed by Octagon Credit Investors, LLC	<u>\$ 5,309,027</u>	<u>\$ 4,888,088</u>

i) Balance of funds managed by related parties

Name	Item	December 31	
		2022	2021
Other related party			
Funds managed by			
Octagon Credit	Market value	<u>\$ 2,218,342</u>	<u>\$ 2,075,270</u>
Investors, LLC	Cost	<u>\$ 2,336,430</u>	<u>\$ 2,041,381</u>
Funds managed by			
Global Evolution	Market value	<u>\$ 2,657,844</u>	<u>\$ 2,782,079</u>
Holding ApS	Cost	<u>\$ 2,611,516</u>	<u>\$ 2,440,596</u>
Funds managed by			
Cathay Securities	Market value	<u>\$ 62,661,305</u>	<u>\$ 70,780,361</u>
Investment Trust	Cost	<u>\$ 76,547,914</u>	<u>\$ 71,263,962</u>
Private Equity Funds			
managed by	Market value	<u>\$ 1,380,514</u>	<u>\$ 1,215,634</u>
Cathay Private Equity	Cost	<u>\$ 1,389,261</u>	<u>\$ 1,190,055</u>

j) Balance of discretionary management investments

Name	December 31	
	2022	2021
Subsidiary		
Cathay Securities Investment Trust	<u>\$ 202,504,395</u>	<u>\$ 343,737,780</u>

k) Other receivables

Name	December 31	
	2022	2021
The Company		
Cathay Financial Holdings (Note)	<u>\$ 14,465,582</u>	<u>\$ 5,253,915</u>
Subsidiary		
Cathay Venture	961,728	-
Cathay Century	131,089	58,727
Indovina Bank	<u>111,737</u>	<u>83,628</u>
	<u>1,204,554</u>	<u>142,355</u>
	<u>\$ 15,670,136</u>	<u>\$ 5,396,270</u>

Note: The receivables are refundable taxes under the integrated income tax system.

l) Guarantee deposits paid (for future transactions)

Name	December 31	
	2022	2021
Subsidiary		
Cathay Futures	\$ 3,390,281	\$ 2,234,611

m) Guarantee deposits received

Name	December 31	
	2022	2021
Other related party		
San Ching Engineering Co., Ltd.	\$ 1,638,378	\$ 968,577
Ally Logistic Property Co., Ltd.	1,458,873	1,486,507
	<u>\$ 3,097,251</u>	<u>\$ 2,455,084</u>

n) Other payables

Name	December 31	
	2022	2021
Subsidiary		
Cathay United Bank	\$ 303,859	\$ 185,415

o) Bonds payable

Name	December 31	
	2022	2021
The Company		
Cathay Financial Holdings	\$ 35,000,000	\$ 35,000,000

p) Premium income

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay United Bank	\$ 141,978	\$ 112,901
Other related party		
Others	142,617	313,907
	<u>\$ 284,595</u>	<u>\$ 426,808</u>

q) Insurance expense

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay Century	\$ 115,000	\$ 110,131

r) Other operating income

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay Securities Investment Trust	\$ <u>116,085</u>	\$ <u>171,268</u>

s) Other operating costs

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay United Bank	\$ 944,171	\$ 1,100,121
Cathay Securities Investment Trust	<u>421,067</u>	<u>466,712</u>
	\$ <u>1,365,238</u>	\$ <u>1,566,833</u>

t) Finance costs

Name	For the Year Ended December 31	
	2022	2021
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.

u) Operating expenses

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay United Bank	\$ 5,914,610	\$ 6,367,493
Cathay Securities Investment Consulting	<u>115,398</u>	<u>123,346</u>
	<u>6,030,008</u>	<u>6,490,839</u>
Associate		
Lin Yuan Property Management Co., Ltd.	918,299	828,679
Symphox Information Co., Ltd.	<u>180,457</u>	<u>165,198</u>
	<u>1,098,756</u>	<u>993,877</u>
	\$ <u>7,128,764</u>	\$ <u>7,484,716</u>

v) Non-operating income

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay Century	\$ 733,711	\$ 674,904
Cathay United Bank	<u>218,851</u>	<u>189,892</u>
	\$ <u>952,562</u>	\$ <u>864,796</u>

Non-operating income was mainly generated from Cathay Life and its subsidiaries' integrated promotion activities.

w) Others

As of December 31, 2022 and 2021, 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	
	2022	2021
SWAP	US\$ 4,340,000	US\$ 2,885,000
CCS	NT\$ 100,000	NT\$ 100,000

2) Cathay United Bank and its subsidiaries

a) Loans and Deposits

December 31, 2022

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	\$ 259,204	\$ 11,735	V	\$ -	None	None	\$ (233)	\$ 184
Self-used housing mortgage loans	262	2,986,723	2,644,407	V	-	Real estate, stocks and certificates of deposits	None	6,687	33,375
Other loans	Cathay Real Estate Development Co., Ltd.	2,420,000	620,000	V	-	Real estate	None	6,200	6,200

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

Deposits and interest expense

Name	For the Year Ended December 31			
	2022		2021	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
The Company				
Cathay Financial Holdings	\$ 438,003	\$ 4,388	\$ 47,839	\$ 78
Subsidiary				
Cathay Life	44,848,736	135,469	42,128,322	6,003
Cathay Century	3,790,370	7,074	2,432,503	415
Cathay Securities	3,365,442	8,703	14,241,811	1,846
Cathay Life (Vietnam)	3,234,204	148,787	1,830,226	131,557
Cathay Futures	1,722,934	15,206	360,353	643
Lin Yuan	1,626,645	40,546	1,395,380	38,262
Cathay Securities Investment Consulting	621,212	1,369	563,928	173
Cathay Industrial R&D Center	514,600	838	713,251	228
Cathay Venture	410,300	122	55,273	20
Cathay Insurance (Vietnam)	272,684	13,676	243,871	14,584
Cathay Securities Investment Trust	216,349	239	159,611	69
	60,623,476	372,029	64,124,529	193,800

(Continued)

Name	For the Year Ended December 31			
	2022		2021	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Associate				
Lin Yuan Property Management Co., Ltd.	\$ 247,327	\$ 1,606	\$ 267,301	\$ 1,178
Symphox Information Co., Ltd.	220,167	217	156,393	132
CMG International One Corp.	43,320	236	120,208	1
CMG International Two Corp.	31,820	271	167,291	2
CM Energy Co., Ltd.	51	74	116,468	24
	<u>542,685</u>	<u>2,404</u>	<u>827,661</u>	<u>1,337</u>
Other related party				
Cathay Life Insurance Employees' Welfare Committee	2,301,702	24,533	2,381,744	16,982
Cathay United Bank Employees' Welfare Committee	761,220	30,417	760,605	30,847
Cathay United Bank Foundation	556,325	5,623	541,531	4,189
Private equity fund managed by Cathay Private Equity	551,457	683	659,967	36
Bannan Realty Co., Ltd.	544,195	532	190,289	30
Cathay Medical Care Corp.	522,260	570	218,988	48
Sanchong Realty Co., Ltd.	479,732	594	-	-
Cathay Real Estate Development Employees' Welfare Committee	467,213	5,215	438,380	3,506
Cathay Real Estate Development Co., Ltd.	429,818	289	290,378	28
Cathay Hospitality Consulting Co., Ltd.	410,749	230	99,246	8
Cathay Charity Foundation	311,735	2,862	281,451	1,918
Cathay Hospitality Management Co., Ltd.	263,959	260	163,365	10
Cathay Cultural Foundation	210,841	2,245	210,741	1,598
Yua-Yung Marketing (Taiwan) Co., Ltd.	168,200	238	121,802	211
Cathay Real Estate Management Co., Ltd.	110,936	815	100,559	580
Pai Hsing Investment Co., Ltd.	15,521	83	142,416	129
Others	<u>8,958,361</u>	<u>69,619</u>	<u>8,459,721</u>	<u>47,085</u>
	<u>17,064,224</u>	<u>144,808</u>	<u>15,061,183</u>	<u>107,205</u>
	<u>\$ 78,668,388</u>	<u>\$ 523,629</u>	<u>\$ 80,061,212</u>	<u>\$ 302,420</u>

(Concluded)

Name	For the Year Ended December 31			
	2022		2021	
	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)
Due from commercial banks				
Other related party				
Vietinbank	\$ 169,946	\$ 139	\$ 53,977	\$ 372
Due to commercial banks				
Other related party				
Vietinbank	1,296,629	(4,111)	17,825	(1)

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

b) Investments in marketable bonds (financial assets at FVOCI)

Item/Name	For the Year Ended December 31			
	2022		2021	
	Ending Balance	Interest Income	Ending Balance	Interest Income
<u>Bond investment</u>				
Other related party				
Vietinbank	\$ 386,264	\$ 24,266	\$ 365,738	\$ 24,885

Item/Name	Ownership Balance	
	For the Year Ended December 31	
	2022	2021
<u>Stock investment</u>		
Other related party		
Srisawad Corporation Public Company Limited	\$ 2,793,164	\$ 3,210,527
Taiwan Asset Management Corporation	1,021,279	1,647,294
CDIB & PARTNERS Investment Holding Corporation	694,781	880,509
FISC	577,792	866,688
HanTech Venture Capital Corporation	72,622	102,178

c) Derivatives

December 31, 2022

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)	2022.04.08-2023.12.21	\$ 133,272,720	\$ 3,415,063	Valuation adjustment for financial assets at FVTPL	\$ 3,095,742
					Valuation adjustment for FVTPL financial liabilities	(29,541)
	SWAP - exchange between customers (USD)	2021.04.29-2023.05.04	3,070,800	(8,152)	Valuation adjustment for financial assets at FVTPL	126,487
					Valuation adjustment for FVTPL financial liabilities	(142,400)
Cathay Century	SWAP - exchange between customers (USD)	2022.01.11-2023.12.21	2,791,357	65,093	Valuation adjustment for financial assets at FVTPL	78,977
					Valuation adjustment for FVTPL financial liabilities	(26,847)

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)

d) Lease agreements

i. Acquisition of right-to-use assets

Name	Acquisition of Right-of-use Assets For the Year Ended December 31	
	2022	2021
Subsidiary Cathay Life	\$ 690,622	\$ 1,973

ii. Lease liabilities

Name	Lease Liabilities December 31	
	2022	2021
Subsidiary Cathay Life	\$ 1,074,210	\$ 1,114,777

iii. Guarantee deposits paid

Name	Guarantee Deposits Paid December 31	
	2022	2021
Subsidiary Cathay Life	\$ 191,579	\$ 187,202

e) Others

Item/Name	For the Year Ended December 31	
	2022	2021
<u>Service fee revenue</u>		
Subsidiary		
Cathay Life	\$ 6,848,712	\$ 7,460,774
Cathay Century	220,554	215,418
Cathay Securities	211,477	320,255
<u>General expenses</u>		
Subsidiary		
Cathay Life	218,851	189,892
Associate		
Symphox Information Co., Ltd.	521,346	463,970
Other related party		
Seaward Card Co., Ltd.	228,703	213,439
Ann Fong Co., Ltd.	194,897	130,002
<u>Payment of insurance expenses</u>		
Subsidiary		
Cathay Century	169,888	162,782
Cathay Life	141,978	112,901

Item/Name	December 31	
	2022	2021
<u>Receivables for insurance commission</u>		
Subsidiary		
Cathay Life	\$ 303,859	\$ 185,415
<u>Guarantee deposits paid</u>		
Subsidiary		
Cathay Futures	1,496,350	559,180
<u>Payables from integrated tax</u>		
The Company		
Cathay Financial Holdings	3,157,131	507,935

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	
		2022	2021
Premium income	Subsidiary		
	Cathay United Bank	\$ 169,888	\$ 162,782
	Cathay Life	115,000	110,131
Operating costs			
Marketing costs	Subsidiary		
	Cathay Life	719,141	663,151
	Cathay United Bank	116,420	117,777
Service fee expenses	Subsidiary		
	Cathay United Bank	104,134	97,641

b) Receivables from related parties

Item	Name	December 31	
		2022	2021
Other receivables	The Company		
	Cathay Financial Holdings	\$ 612,702	\$ -
	(Note)		

Note: Including income tax receivable under the integrated income tax system.

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for receivables from related parties.

c) Payables to related parties

Item	Name	December 31	
		2022	2021
Other payables	The Company		
	Cathay Financial Holdings	\$ -	\$ 238,909
	(Note)		
	Subsidiary		
	Cathay Life	<u>131,089</u>	<u>58,727</u>
		<u>\$ 131,089</u>	<u>\$ 297,636</u>

Note: Including income tax payable under the integrated income tax system, and remuneration of directors and supervisors.

The outstanding payables from related parties are unsecured.

d) Cash in bank

Item	Name	December 31	
		2022	2021
Checking deposits and demand deposits	Subsidiary		
	Cathay United Bank	\$ 3,770,340	\$ 2,412,487
	Indovina Bank	29,776	10,489
Time deposits	Subsidiary		
	Indovina Bank	242,908	233,382
	Cathay United Bank	<u>20,030</u>	<u>20,016</u>
		<u>\$ 4,063,054</u>	<u>\$ 2,676,374</u>

e) Financial assets at FVTPL (mutual funds)

Name	December 31	
	2022	2021
Other related party		
Funds managed by Cathay Securities Investment Trust	<u>\$ 360,558</u>	<u>\$ 1,112,216</u>

f) Balance of discretionary management investments

Name	December 31	
	2022	2021
Subsidiary		
Cathay Securities Investment Trust	<u>\$ 1,307,709</u>	<u>\$ 1,673,486</u>

g) Lease agreements

i) Acquisition of right-of-use assets

Name	Acquisition of Right-of-use Assets For the Year Ended December 31	
	2022	2021
Subsidiary Cathay Life	\$ 300	\$ 241,114

ii) Lease liabilities

Name	Lease Liabilities December 31	
	2022	2021
Subsidiary Cathay Life	\$ 81,520	\$ 203,745

h) SWAP

The nominal amount of the derivative instruments between Cathay Century and related parties are listed below:

Name	December 31	
	2022	2021
Subsidiary Cathay United Bank	US\$ 90,900 EUR 1,750	US\$ 95,200 EUR 750

i) Shares transactions

Name	Item	December 31	
		2022	2021
The Company Cathay Financial Holdings	Ordinary shares	\$ 20,000,000	\$ -

4) Cathay Securities and its subsidiaries

a) Cash in bank

Name	December 31	
	2022	2021
Subsidiary Cathay United Bank	\$ 3,515,520	\$ 14,336,986

Cash in bank includes cash and cash equivalents, and cash and cash equivalents-receipts under custody from customers security subscription, pending settlement money and restricted assets recorded under other current assets, and operating deposits recorded under other non-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	
	2022	2021
Subsidiary		
Cathay United Bank	<u>\$ 1,573,034</u>	<u>\$ 265,339</u>

c) Futures trader's equity

Name	December 31	
	2022	2021
Subsidiary		
Cathay Life	\$ 3,390,281	\$ 2,234,611
Cathay United Bank	<u>1,496,350</u>	<u>559,180</u>
	<u>4,886,631</u>	<u>2,793,791</u>
Other related party		
Cathay Securities Investment Trust (Note)	<u>2,345,956</u>	<u>1,151,933</u>
	<u>\$ 7,232,587</u>	<u>\$ 3,945,724</u>

Note: The balances include those of investment funds managed by Cathay Securities Investment Trust.

d) Other payables

	December 31	
	2022	2021
The Company		
Cathay Financial Holdings (Note)	<u>\$ 484,896</u>	<u>\$ 373,017</u>

Note: The payables consist of tax payable under the integrated income tax system.

e) Lease agreements

i) Acquisition of right-of-use assets

Name	Acquisition of Right-of-use Assets For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay Life	<u>\$ 27,793</u>	<u>\$ 142,860</u>

ii) Lease liabilities

Name	Lease Liabilities December 31	
	2022	2021
Subsidiary		
Cathay Life	<u>\$ 111,110</u>	<u>\$ 143,275</u>

f) Brokerage service fee income

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay Life	<u>\$ 129,843</u>	<u>\$ 209,283</u>

g) Other operating expense

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay United Bank	\$ 211,477	\$ 320,255
Cathay Life	<u>103,595</u>	<u>94,136</u>
	<u>\$ 315,072</u>	<u>\$ 414,391</u>

5) Cathay Securities Investment Trust

a) Cash and cash equivalents

Name	December 31	
	2022	2021
Subsidiary		
Cathay United Bank	<u>\$ 204,252</u>	<u>\$ 141,266</u>

b) Financial assets at FVTPL

Name	December 31	
	2022	2021
Other related party		
Funds managed by Cathay Securities Investment Trust	<u>\$ 118,908</u>	<u>\$ 71,582</u>

c) Accounts receivable

Name	December 31	
	2022	2021
Other related party		
Funds managed by Cathay Securities Investment Trust	<u>\$ 265,853</u>	<u>\$ 255,172</u>

d) Accounts payable

Name	December 31	
	2022	2021
The Company		
Cathay Financial Holdings (Note)	<u>\$ 402,738</u>	<u>\$ 269,811</u>

Note: The payables consist of tax payable under the integrated income tax system.

e) Balance of discretionary management investments

Name	December 31	
	2022	2021
Subsidiary		
Cathay Life	\$ 202,504,395	\$ 343,737,780
Cathay Century	<u>1,307,709</u>	<u>1,673,486</u>
	<u>203,812,104</u>	<u>345,411,266</u>
Other related party		
Cathay Charity Foundation	<u>108,540</u>	<u>134,136</u>
	<u>\$ 203,920,644</u>	<u>\$ 345,545,402</u>

f) Management fee income

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay Life	\$ 421,067	\$ 466,712
Other related party		
Funds managed by Cathay Securities Investment Trust	<u>3,020,064</u>	<u>2,792,767</u>
	<u>\$ 3,441,131</u>	<u>\$ 3,259,479</u>

g) Operating expense

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay Life	\$ 104,395	\$ 109,541
Conning Asia Pacific Ltd.	<u>100,003</u>	<u>147,739</u>
	<u>\$ 204,398</u>	<u>\$ 257,280</u>

6) Cathay Venture

a) Cash and cash equivalents

Name	December 31	
	2022	2021
Subsidiary		
Cathay United Bank	<u>\$ 410,300</u>	<u>\$ 55,381</u>

b) Financial assets at FVTPL

Name	December 31	
	2022	2021
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ 238,840	\$ 341,394
Cathay Healthcare Management Co., Ltd.	<u>106,343</u>	<u>106,920</u>
	<u>\$ 345,183</u>	<u>\$ 448,314</u>

c) Other payables

Name	For the Year Ended December 31	
	2022	2021
Subsidiary		
Cathay Life	<u>\$ 963,178</u>	<u>\$ -</u>

Cathay Venture acquired financial assets at FVTPL and financial assets at FVTOCI \$479,700 thousand and \$483,478 thousand, respectively, from Cathay Life on December 2022.

29. PLEDGED ASSETS

The Group's assets pledged as collateral or with limited use are summarized below:

Item	Description	December 31	
		2022	2021
Demand deposits, 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, reimbursement account, performance bond, provisions for business and collateral	\$ 15,524,945	\$ 15,654,179
Due from the Central Bank (deposit reserves - general accounts)	(Note)	-	6,000,000
Financial assets at FVTOCI	Provisions for business and collateral	56,800,000	-
Debt instrument at amortized cost	Provisions for business and collateral	995,314	57,689,894
Investment properties	Short-term loans	290,341	291,175
Property and equipment	Pledge of borrowings	<u>7,707,466</u>	<u>-</u>
		<u>\$ 81,318,066</u>	<u>\$ 79,635,248</u>

Note: Due from the Central Bank of Cathay United Banks and its subsidiaries been used as collaterals to apply for financing of project loans to small and medium enterprises affected by the COVID-19 pandemic had expired in June 2022.

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, 2022 and 2021, Cathay United Bank and its subsidiaries had the following material commitments for entrusted items and guarantees:

	December 31	
	2022	2021
Trust and security held for safekeeping	\$ 962,935,721	\$ 912,272,287
Collection and payment on behalf of customers	29,385,182	30,506,950
Book-entry for government bonds and depository for short-term marketable securities under management	498,066,239	388,239,044
Entrusted financial management business	15,904,189	11,589,694
Guarantees on duties and contracts	19,613,957	18,242,569
Unused commercial letters of credit	7,830,013	8,182,407
Irrevocable loan commitments	167,901,940	172,956,246
Unused credit card line commitments	709,649,620	686,356,039
Underwritten securities	500,000	-
Financial guarantee contracts	1,618,136	1,568,438

c. As of December 31, 2022, the remaining capital commitments for the contracted private equity fund of Cathay Life was NT\$555,220 thousand, US\$3,987,901 thousand, EUR433,236 thousand and GBP1,538 thousand.

d. As of December 31, 2022 and 2021, the committed but yet investing amounts under the joint venture agreement of the venture capitals were as follows:

	For the Year Ended December 31	
	2022	2021
NTD	\$ -	\$ 25,000

e. As of December 31, 2022 and 2021, the Cathay Life has entered into irrevocable corporate finance and consumer lending loans with the amounts were as follows:

	For the Year Ended December 31	
	2022	2021
NTD	\$ 11,025,641	\$ 13,506,734

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	
	2022	2021		2022	2021
CASH AND CASH EQUIVALENTS	\$ 7,943,654	\$ 633,233	COMMERCIAL PAPER PAYABLE, NET	\$ 73,880,000	\$ 58,510,000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	33,575,500	36,260,000	PAYABLES	15,901,806	6,024,616
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	195,035	143,491	CURRENT TAX LIABILITIES	3,947,034	7,057,511
RECEIVABLES, NET	4,121,685	1,466,748	BONDS PAYABLE	50,000,000	50,000,000
CURRENT TAX ASSETS	5,131,669	4,102,282	OTHER BORROWING	5,000,000	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	696,821,834	981,855,958	PROVISIONS	753,962	749,874
PROPERTY AND EQUIPMENT, NET	161,431	55,225	LEASE LIABILITIES	290,119	124,980
RIGHT-OF-USE ASSETS	289,676	123,677	DEFERRED TAX LIABILITIES	266,714	266,714
DEFERRED TAX ASSETS	333,745	35,604	OTHER LIABILITIES	<u>270</u>	<u>579</u>
OTHER ASSETS	<u>306,016</u>	<u>96,202</u>	Total liabilities	<u>150,039,905</u>	<u>122,734,274</u>
			EQUITY		
			Share capital		
			Ordinary shares	146,692,102	131,692,102
			Preference shares	15,333,000	15,333,000
			Capital surplus	215,318,047	177,244,388
			Retained earnings		
			Legal reserve	73,747,059	59,471,895
			Special reserve	150,768,651	150,716,023
			Unappropriated earnings	230,331,762	267,799,001
			Other equity	<u>(233,350,281)</u>	<u>99,781,737</u>
			Total equity	<u>598,840,340</u>	<u>902,038,146</u>
TOTAL	<u>\$ 748,880,245</u>	<u>\$ 1,024,772,420</u>	TOTAL	<u>\$ 748,880,245</u>	<u>\$ 1,024,772,420</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	
	2022	2021
REVENUE		
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 45,374,122	\$ 141,760,801
Other operating income	<u>1,301,593</u>	<u>1,298,450</u>
Total revenue	<u>46,675,715</u>	<u>143,059,251</u>
EXPENSES AND LOSSES		
Operating expenses	(1,922,878)	(1,766,470)
Other expenses and losses	<u>(3,778,808)</u>	<u>(736,471)</u>
Total expenses and losses	<u>(5,701,686)</u>	<u>(2,502,941)</u>
INCOME BEFORE TAX	40,974,029	140,556,310
INCOME TAX EXPENSE	<u>(3,614,669)</u>	<u>(1,042,228)</u>
NET INCOME	<u>37,359,360</u>	<u>139,514,082</u>
OTHER COMPREHENSIVE (LOSS) INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	1,234	(10,692)
Gain on equity instruments at fair value through other comprehensive income	51,544	27,291
Share of other comprehensive (loss) 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	(27,416,729)	12,233,990
Income tax relating to items that will not be reclassified subsequently to profit or loss	(247)	2,139
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	<u>(316,890,952)</u>	<u>(106,600,690)</u>
Other comprehensive loss for the period, net of income tax	<u>(344,255,150)</u>	<u>(94,347,962)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (306,895,790)</u>	<u>\$ 45,166,120</u>
EARNINGS PER SHARE		
Basic	<u>\$2.58</u>	<u>\$10.34</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, 2021	\$ 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	131,692,102	15,333,000	177,244,388	59,471,895	150,716,023	267,799,001	(18,652,251)	47,131,473	335,851	(889,397)	(966,130)	11,281,909	64,764,671	(3,224,389)	902,038,146
Appropriation of 2021 earnings															
Legal reserve	-	-	-	14,275,164	-	(14,275,164)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	52,628	(52,628)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(46,092,235)	-	-	-	-	-	-	-	-	(46,092,235)
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	-	-	(104,319)	-	-	-	-	-	-	-	-	-	-	-	(104,319)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(623,579)	-	-	-	-	-	-	-	731,063	107,484
Net income for the year ended December 31, 2022	-	-	-	-	-	37,359,360	-	-	-	-	-	-	-	-	37,359,360
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	5,624,950	(116,041,219)	614,414	460,602	(131,013)	1,311,727	(236,094,611)	-	(344,255,150)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	37,359,360	5,624,950	(116,041,219)	614,414	460,602	(131,013)	1,311,727	(236,094,611)	-	(306,895,790)
Issuance of ordinary shares for cash	15,000,000	-	37,500,000	-	-	-	-	-	-	-	-	-	-	-	52,500,000
Share-based payment transactions	-	-	677,978	-	-	-	-	-	-	-	-	-	-	-	677,978
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(10,376,705)	-	10,376,705	-	-	-	-	-	-	-
Others	-	-	-	-	-	(15,364)	-	-	-	-	-	15,364	-	-	-
BALANCE AT DECEMBER 31, 2022	\$ 146,692,102	\$ 15,333,000	\$ 215,318,047	\$ 73,747,059	\$ 150,768,651	\$ 230,331,762	\$ (13,027,301)	\$ (58,533,041)	\$ 950,265	\$ (428,795)	\$ (1,097,143)	\$ 12,609,000	\$ (171,329,940)	\$ (2,493,326)	\$ 598,840,340

Cathay Financial Holding Co., Ltd.

Statements of Cash Flows
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 40,974,029	\$ 140,556,310
Adjustments for:		
Depreciation expenses	150,518	141,502
Loss on of financial assets at fair value through profit or loss	2,684,500	185,500
Interest income	(1,278,822)	(1,271,181)
Dividend income	(7,594)	(7,265)
Interest expenses	1,025,775	521,517
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(45,374,122)	(141,760,801)
Loss on disposal and retirement of property and equipment	266	338
Compensation cost of share-based payments	10,230	-
Changes in operating assets and liabilities		
Receivables	5,400	-
Other assets	(522)	(300)
Payables	52,821	76,472
Provisions	7,640	635
Other liabilities	(309)	(46)
Cash used in operations	(1,750,190)	(1,557,319)
Interest received	1,278,079	1,271,155
Dividends received	7,594	7,265
Interest paid	(1,141,152)	(535,387)
Income tax paid	(890,462)	(1,960,532)
Net cash used in operating activities	<u>(2,496,131)</u>	<u>(2,774,818)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity the method	(55,000,000)	-
Acquisition of property and equipment	(125,332)	(9,649)
Disposal of property and equipment	-	127
Increase in other assets	(93,915)	(38,846)
Dividends received	<u>41,771,476</u>	<u>18,722,781</u>
Net cash (used in) generated from investing activities	<u>(13,447,771)</u>	<u>18,674,413</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper payable	15,370,000	20,260,000
Increase in other borrowings	5,000,000	-
Repayments of the principal portion of lease liabilities	(132,518)	(127,687)
Issuance of ordinary shares for cash	52,500,000	-
Dividends paid	<u>(49,483,159)</u>	<u>(36,313,949)</u>
Net cash generated from (used in) financing activities	<u>23,254,323</u>	<u>(16,181,636)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,310,421	(282,041)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>633,233</u>	<u>915,274</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,943,654</u>	<u>\$ 633,233</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	
	2022	2021
Cash and cash equivalents	\$ 313,086,345	\$ 447,821,607
Receivables	86,289,754	68,442,213
Financial assets at fair value through profit or loss	1,327,854,240	1,539,516,819
Financial assets at fair value through other comprehensive income	442,469,162	1,308,701,595
Financial assets at amortized cost	3,977,016,772	2,681,488,333
Financial assets for hedging	19,193	500,642
Investments accounted for using the equity method	107,555,001	103,702,207
Investment property	489,570,542	475,726,866
Loans	459,635,719	490,205,575
Reinsurance assets	2,179,423	2,232,832
Property and equipment	29,014,543	28,314,253
Right-of-use assets	443,658	384,896
Intangible assets	25,797,548	27,549,955
Deferred tax assets	80,219,150	58,336,053
Other assets	60,362,449	28,590,504
Separate account insurance product assets	<u>655,319,618</u>	<u>724,096,813</u>
Total	<u>\$ 8,056,833,117</u>	<u>\$ 7,985,611,163</u>
Liabilities		
Payables	\$ 15,810,381	\$ 17,099,854
Current tax liabilities	137,010	160,141
Financial liabilities at fair value through profit or loss	63,669,162	3,050,197
Financial liabilities for hedging	3,716,091	-
Bonds payable	80,000,000	80,000,000
Insurance liabilities	6,658,966,256	6,337,609,905
Reserve for insurance contracts with the nature of financial products	1,196,119	1,165,040
Reserve for foreign exchange valuation	49,503,457	9,053,726
Provisions	56,245	56,245
Lease liabilities	13,302,377	9,160,097
Deferred tax liabilities	51,172,032	52,878,793
Other liabilities	7,167,564	16,837,440
Separate account insurance product liabilities	<u>655,319,618</u>	<u>724,096,813</u>
Total liabilities	<u>7,600,016,312</u>	<u>7,251,168,251</u>
Equity		
Share capital	63,515,274	58,515,274
Capital surplus	90,924,478	60,594,868
Retained earnings	531,546,064	529,717,909
Other equity	<u>(229,169,011)</u>	<u>85,614,861</u>
Total equity	<u>456,816,805</u>	<u>734,442,912</u>
Total	<u>\$ 8,056,833,117</u>	<u>\$ 7,985,611,163</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	
	2022	2021
Operating revenue	\$ 667,000,217	\$ 914,869,993
Operating costs	(606,441,236)	(769,618,791)
Operating expenses	<u>(21,886,748)</u>	<u>(22,215,769)</u>
Operating income	38,672,233	123,035,433
Non-operating income and expenses	<u>1,844,189</u>	<u>1,563,640</u>
Profit before income tax	40,516,422	124,599,073
Income tax expense	<u>(6,849,254)</u>	<u>(12,368,278)</u>
Net income	33,667,168	112,230,795
Other comprehensive loss	<u>(324,284,636)</u>	<u>(91,640,006)</u>
Total comprehensive (loss) income	<u><u>\$(290,617,468)</u></u>	<u><u>\$ 20,590,789</u></u>
Basic earnings per share	<u><u>\$5.75</u></u>	<u><u>\$19.18</u></u>

Cathay Lujiazui Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2022	2021
Cash and cash equivalents	\$ 1,835,530	\$ 1,852,041
Receivables	1,301,882	1,201,703
Financial assets at fair value through profit or loss	78,887,871	61,882,646
Financial assets at amortized cost	927,675	1,598,444
Loans	2,716,492	1,881,390
Reinsurance assets	130,024	146,165
Property and equipment	108,383	124,619
Right-of-use assets	392,137	482,014
Intangible assets	30,635	36,614
Other assets	2,718,729	2,652,013
Separate account insurance product assets	<u>107,378</u>	<u>113,421</u>
Total	<u>\$ 89,156,736</u>	<u>\$ 71,971,070</u>
 Liabilities		
Payables	\$ 1,826,664	\$ 1,930,185
Insurance liabilities	55,809,781	42,119,906
Reserve for insurance contracts with the nature of financial instruments	17,299,351	14,023,748
Lease liabilities	396,652	476,031
Deferred tax liabilities	-	51,473
Other liabilities	262,479	168,016
Separate account insurance product liabilities	<u>107,378</u>	<u>113,421</u>
Total liabilities	<u>75,702,305</u>	<u>58,882,780</u>
 Equity		
Capital	13,497,155	13,497,155
Retained earnings	(126,603)	(621,075)
Other equity	<u>83,879</u>	<u>212,210</u>
Total equity	<u>13,454,431</u>	<u>13,088,290</u>
Total	<u>\$ 89,156,736</u>	<u>\$ 71,971,070</u>

Cathay Lujiazui Life Insurance Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
Operating revenue	\$ 20,888,363	\$ 18,345,788
Operating costs	(18,334,386)	(15,643,108)
Operating expenses	<u>(1,995,335)</u>	<u>(1,998,723)</u>
Operating income	558,642	703,957
Non-operating income and expenses	<u>3,293</u>	<u>(7,629)</u>
Profit before income tax	561,935	696,328
Income tax (expense) benefit	<u>(67,463)</u>	<u>83,420</u>
Net income	494,472	779,748
Other comprehensive (loss) income	<u>(128,331)</u>	<u>276,253</u>
Total comprehensive income	<u>\$ 366,141</u>	<u>\$ 1,056,001</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)

Assets	December 31	
	2022	2021
Cash and cash equivalents	\$ 6,782,736	\$ 7,542,688
Receivables	1,194,013	845,623
Financial assets at fair value through profit or loss	17,937,985	19,132,941
Financial assets at amortized cost	6,980,041	4,505,033
Loans	222,670	125,084
Property and equipment	14,917	14,213
Right-of-use assets	118,200	143,836
Intangible assets	1,838	2,840
Other assets	<u>104,790</u>	<u>99,376</u>
Total	<u>\$ 33,357,190</u>	<u>\$ 32,411,634</u>
Liabilities		
Payables	\$ 270,681	\$ 246,485
Insurance liabilities	11,786,830	9,248,547
Lease liabilities	<u>112,695</u>	<u>140,702</u>
Total liabilities	<u>12,170,206</u>	<u>9,635,734</u>
Equity		
Capital	20,370,930	20,370,930
Retained earnings	799,613	(849,469)
Other equity	<u>16,441</u>	<u>3,254,439</u>
Total equity	<u>21,186,984</u>	<u>22,775,900</u>
Total	<u>\$ 33,357,190</u>	<u>\$ 32,411,634</u>

Cathay Life Insurance Company (Vietnam)

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
Operating revenue	\$ 5,554,183	\$ 4,409,627
Operating costs	(2,700,752)	(3,266,336)
Operating expenses	<u>(1,217,376)</u>	<u>(1,062,407)</u>
Operating income	1,636,055	80,884
Non-operating income and expenses	<u>13,027</u>	<u>7,126</u>
Profit before income tax	<u>1,649,082</u>	<u>88,010</u>
Net income	1,649,082	88,010
Other comprehensive (loss) income	<u>(3,237,998)</u>	<u>426,153</u>
Total comprehensive (loss) income	<u>\$ (1,588,916)</u>	<u>\$ 514,163</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	
	2022	2021
Assets		
Current assets	\$ 320,956	\$ 359,984
Financial assets at amortized cost	1,656,563	1,410,695
Investment property	7,165,185	7,050,213
Property and equipment	<u>2</u>	<u>2</u>
Total	<u>\$ 9,142,706</u>	<u>\$ 8,820,894</u>
Liabilities		
Current liabilities	\$ 10,048	\$ 12,783
Deferred tax liabilities	623,793	571,471
Other non-current liabilities	<u>75,167</u>	<u>88,627</u>
Total liabilities	<u>709,008</u>	<u>672,881</u>
Equity		
Capital	7,223,435	7,223,435
Retained earnings	1,683,414	1,541,757
Other equity	<u>(473,151)</u>	<u>(617,179)</u>
Total equity	<u>8,433,698</u>	<u>8,148,013</u>
Total	<u>\$ 9,142,706</u>	<u>\$ 8,820,894</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	
	2022	2021
Operating revenue	\$ 229,929	\$ 329,311
Operating expenses	<u>(41,053)</u>	<u>(41,639)</u>
Profit before income tax	188,876	287,672
Income tax expense	<u>(47,219)</u>	<u>(71,918)</u>
Net income	141,657	215,754
Other comprehensive income (loss)	<u>144,028</u>	<u>(34,125)</u>
Total comprehensive income	<u>\$ 285,685</u>	<u>\$ 181,629</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	
	2022	2021
Assets		
Current assets	\$ 1,114,523	\$ 3,215,377
Investment property	<u>11,480,810</u>	<u>9,927,363</u>
Total	<u>\$ 12,595,333</u>	<u>\$ 13,142,740</u>
Liabilities		
Current liabilities	\$ <u>315</u>	\$ <u>151</u>
Total liabilities	<u>315</u>	<u>151</u>
Equity		
Capital	16,654,013	16,654,013
Retained earnings	772,897	1,229,459
Other equity	<u>(4,831,892)</u>	<u>(4,740,883)</u>
Total equity	<u>12,595,018</u>	<u>13,142,589</u>
Total	<u>\$ 12,595,333</u>	<u>\$ 13,142,740</u>

Cathay Woolgate Exchange Holding 1 Limited

**Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)**

	For the Year Ended December 31	
	2022	2021
Operating (loss) revenue	\$ (300,002)	\$ 479,060
Operating expenses	<u>(156,560)</u>	<u>(108,213)</u>
Net (loss) profit before income tax	(456,562)	370,847
Income tax expense	<u>-</u>	<u>(32,379)</u>
Net (loss) income	(456,562)	338,468
Other comprehensive loss	<u>(91,009)</u>	<u>(567,573)</u>
Total comprehensive loss	<u>\$ (547,571)</u>	<u>\$ (229,105)</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	
	2022	2021
Assets		
Current assets	\$ 8,026	\$ 30,319
Investment property	<u>115,968</u>	<u>100,276</u>
Total	<u>\$ 123,994</u>	<u>\$ 130,595</u>
Liabilities		
Current liabilities	\$ 315	\$ 151
Total liabilities	<u>315</u>	<u>151</u>
Equity		
Capital	168,222	168,222
Retained earnings	4,195	10,050
Other equity	<u>(48,738)</u>	<u>(47,828)</u>
Total equity	<u>123,679</u>	<u>130,444</u>
Total	<u>\$ 123,994</u>	<u>\$ 130,595</u>

Cathay Woolgate Exchange Holding 2 Limited

**Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)**

	For the Year Ended December 31	
	2022	2021
Operating (loss) revenue	\$ (3,133)	\$ 4,829
Operating expenses	<u>(2,722)</u>	<u>(1,780)</u>
Net (loss) profit before income tax	(5,855)	3,049
Income tax expense	<u>-</u>	<u>(165)</u>
Net (loss) income	(5,855)	2,884
Other comprehensive loss	<u>(910)</u>	<u>(5,639)</u>
Total comprehensive loss	<u>\$ (6,765)</u>	<u>\$ (2,755)</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)

	<u>December 31</u>	
	2022	2021
Assets		
Current assets	\$ 1,281,867	\$ 1,096,093
Investment property	17,900,456	19,233,996
Other non-current assets	<u>155</u>	<u>155</u>
Total	<u>\$ 19,182,478</u>	<u>\$ 20,330,244</u>
Liabilities		
Current liabilities	\$ 19,104	\$ 11,769
Non-current liabilities	<u>11,655,757</u>	<u>11,734,835</u>
Total liabilities	<u>11,674,861</u>	<u>11,746,604</u>
Equity		
Capital	10,189,090	10,189,090
Retained earnings	(330,504)	682,254
Other equity	<u>(2,350,969)</u>	<u>(2,287,704)</u>
Total equity	<u>7,507,617</u>	<u>8,583,640</u>
Total	<u>\$ 19,182,478</u>	<u>\$ 20,330,244</u>

Cathay Walbrook Holding 1 Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	<u>For the Year Ended December 31</u>	
	2022	2021
Operating (loss) revenue	\$ (416,942)	\$ 578,970
Operating costs	(486,023)	(373,332)
Operating expenses	<u>47,551</u>	<u>(103,175)</u>
Net (loss) profit before income tax	(855,414)	102,463
Income tax expense	<u>(157,344)</u>	<u>(14,813)</u>
Net (loss) income	(1,012,758)	87,650
Other comprehensive loss	<u>(63,265)</u>	<u>(372,053)</u>
Total comprehensive loss	<u>\$ (1,076,023)</u>	<u>\$ (284,403)</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>	
	2022	2021
Assets		
Current assets	\$ 68,378	\$ 60,002
Investment property	942,129	1,012,316
Other non-current assets	<u>154</u>	<u>155</u>
Total	<u>\$ 1,010,661</u>	<u>\$ 1,072,473</u>
Liabilities		
Current liabilities	\$ 1,348	\$ 765
Non-current liabilities	<u>620,677</u>	<u>624,888</u>
Total liabilities	<u>622,025</u>	<u>625,653</u>
Equity		
Capital	536,268	536,268
Retained earnings	(24,382)	30,497
Other equity	<u>(123,250)</u>	<u>(119,945)</u>
Total equity	<u>388,636</u>	<u>446,820</u>
Total	<u>\$ 1,010,661</u>	<u>\$ 1,072,473</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>	
	2022	2021
Operating (loss) revenue	\$ (21,953)	\$ 30,470
Operating costs	(25,901)	(19,654)
Operating expenses	<u>962</u>	<u>(6,412)</u>
Net (loss) profit before income tax	(46,892)	4,404
Income tax expense	<u>(7,987)</u>	<u>(262)</u>
Net (loss) income	(54,879)	4,142
Other comprehensive loss	<u>(3,305)</u>	<u>(19,372)</u>
Total comprehensive loss	<u>\$ (58,184)</u>	<u>\$ (15,230)</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	
	2022	2021
Current assets	\$ 7,690,318	\$ 7,034,087
Financial assets at fair value through profit or loss	1,324,895	1,307,534
Financial assets for hedging	10,697	-
Financial assets at fair value through other comprehensive income	3,233	5,869
Property and equipment	1,001,347	1,021,594
Right-of-use assets	682,225	730,368
Intangible assets	15,027,072	13,903,052
Deferred tax assets	245,430	279,750
Other non-current assets	<u>416,118</u>	<u>573,359</u>
Total	<u>\$ 26,401,335</u>	<u>\$ 24,855,613</u>
Liabilities		
Current liabilities	\$ 3,838,679	\$ 4,104,453
Financial liabilities for hedging	-	20,956
Lease liabilities	797,130	833,975
Deferred tax liabilities	892,015	874,900
Other non-current liabilities	<u>2,893,005</u>	<u>3,770,745</u>
Total liabilities	<u>8,420,829</u>	<u>9,605,029</u>
Equity		
Capital	99,343	99,343
Capital surplus	15,624,196	15,624,196
Retained earnings	4,944,688	4,091,681
Other equity	(3,417,918)	(5,701,220)
Non-controlling interests	<u>730,197</u>	<u>1,136,584</u>
Total equity	<u>17,980,506</u>	<u>15,250,584</u>
Total	<u>\$ 26,401,335</u>	<u>\$ 24,855,613</u>

Conning Holdings Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
Operating revenue	\$ 10,302,677	\$ 10,453,473
Operating costs	(1,153,404)	(952,363)
Operating expenses	<u>(7,006,627)</u>	<u>(6,873,983)</u>
Operating income	2,142,646	2,627,127
Non-operating income and expenses	<u>(1,475)</u>	<u>-</u>
Profit before income tax	2,141,171	2,627,127
Income tax expense	<u>(410,996)</u>	<u>(541,300)</u>
Net income	1,730,175	2,085,827
Other comprehensive income (loss)	<u>1,652,942</u>	<u>(416,618)</u>
Total comprehensive income	<u>\$ 3,383,117</u>	<u>\$ 1,669,209</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	
	2022	2021
Assets		
Current assets	\$ 387,849	\$ 577,941
Investment property	1,665,758	1,649,664
Deferred tax assets	36,938	12,366
Other non-current assets	<u>148,726</u>	<u>148,726</u>
Total	<u>\$ 2,239,271</u>	<u>\$ 2,388,697</u>
Liabilities		
Current liabilities	\$ 364	\$ 288
Leased liabilities	<u>1,386,676</u>	<u>1,471,391</u>
Total liabilities	<u>1,387,040</u>	<u>1,471,679</u>
Equity		
Share capital	1,000,000	1,000,000
Retained earnings	<u>(147,769)</u>	<u>(82,982)</u>
Total equity	<u>852,231</u>	<u>917,018</u>
Total	<u>\$ 2,239,271</u>	<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 1 to December 31, 2022	From January 8 to December 31, 2021
Operating loss	\$ (32,921)	\$ (33,281)
Operating costs	(54,284)	(57,600)
Operating expenses	<u>(1,635)</u>	<u>(4,467)</u>
Operating loss	(88,840)	(95,348)
Non-operating income and expenses	<u>(519)</u>	<u>-</u>
Loss before income tax	(89,359)	(95,348)
Income tax benefit	<u>24,572</u>	<u>12,366</u>
Net loss	<u>(64,787)</u>	<u>(82,982)</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>\$ (64,787)</u>	<u>\$ (82,982)</u>
Basic loss per share	<u>\$(0.65)</u>	<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 Power Inc.
Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	<u>December 31</u> 2022
Assets	
Current assets	\$ 822,652
Equity investments accounted for using the equity method	18,519
Property and equipment	10,225,745
Right-of-use assets	632,753
Intangible assets	98,995
Deferred tax assets	104
Other non-current assets	<u>1,114,328</u>
Total	<u>\$ 12,913,096</u>
Liabilities	
Current liabilities	\$ 1,989,934
Lease liabilities	650,255
Other non-current liabilities	<u>5,967,817</u>
Total liabilities	<u>8,608,006</u>
Equity	
Share capital	3,703,770
Capital surplus	152,479
Retained earnings	101,849
Non-controlling interests	<u>346,992</u>
Total equity	<u>4,305,090</u>
Total	<u>\$ 12,913,096</u>

Cathay Power Inc.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	From November 25 to December 31, 2022
Operating revenue	\$ 158,389
Operating costs	(124,897)
Operating expenses	<u>(31,901)</u>
Profit before income tax	1,591
Income tax expense	<u>(1,412)</u>
Net income	179
Other comprehensive income	<u>-</u>
Total comprehensive income	<u>\$ 179</u>
Basic earnings per share	<u>\$ 0.0005</u>

Note: Cathay Power Inc. has been included in the consolidated financial statements as a subsidiary since November 25, 2022. EPS was calculated from November 25, 2022 to December 31, 2022.

Cathay Century Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2022	2021
Cash and cash equivalents	\$ 17,469,850	\$ 11,717,250
Receivables	3,008,730	3,149,045
Financial assets at fair value through profit or loss	7,556,797	12,870,139
Financial assets at fair value through other comprehensive income	685,847	728,828
Financial assets at amortized cost	8,188,609	6,473,589
Investments accounted for using the equity method	3,071,528	2,931,407
Loans	137,944	186,463
Reinsurance assets	13,184,889	9,663,893
Property and equipment	342,422	215,061
Right-of-use assets	107,795	223,944
Intangible assets	103,698	89,962
Deferred tax assets	4,581,004	240,062
Other assets	<u>1,295,764</u>	<u>822,759</u>
Total	<u>\$ 59,734,877</u>	<u>\$ 49,312,402</u>
 Liabilities		
Payables	\$ 3,055,725	\$ 3,714,215
Financial liabilities at fair value through profit or loss	178,805	72
Lease liabilities	107,196	223,979
Insurance liabilities	41,669,416	29,371,916
Provisions	429,975	464,271
Deferred tax liabilities	307,135	270,948
Other liabilities	<u>1,186,899</u>	<u>819,688</u>
Total liabilities	<u>46,935,151</u>	<u>34,865,089</u>
 Equity		
Share capital	7,057,052	3,057,052
Capital surplus	16,557,271	518,326
Retained earnings	(9,785,540)	10,437,359
Other equity	<u>(1,029,057)</u>	<u>434,576</u>
Total equity	<u>12,799,726</u>	<u>14,447,313</u>
Total	<u>\$ 59,734,877</u>	<u>\$ 49,312,402</u>

Cathay Century Insurance Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	For the Year Ended December 31	
	2022	2021
Operating revenue	\$ 22,971,386	\$ 21,836,128
Operating costs	(43,184,072)	(14,791,152)
Operating expenses	<u>(4,327,783)</u>	<u>(4,530,579)</u>
Operating (loss) profit	(24,540,469)	2,514,397
Non-operating income and expenses	<u>7,913</u>	<u>42,366</u>
(Loss) Profit before income tax	(24,532,556)	2,556,763
Income tax benefit (expense)	<u>4,911,025</u>	<u>(381,465)</u>
Net (loss) income	(19,621,531)	2,175,298
Other comprehensive (loss) income	<u>(1,463,633)</u>	<u>525,611</u>
Total comprehensive (loss) income	<u>\$ (21,085,164)</u>	<u>\$ 2,700,909</u>
Basic (loss) earnings per share	<u>\$(47.56)</u>	<u>\$7.12</u>

Cathay Insurance Co., Ltd. (Vietnam)

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2022	2021
Cash and cash equivalents	\$ 288,862	\$ 256,037
Receivables	144,437	59,907
Financial assets at amortized cost	664,676	588,882
Reinsurance assets	385,847	217,594
Property and equipment	3,989	6,094
Right-of-use assets	7,236	13,102
Intangible assets	34,729	18,853
Other assets	<u>60,429</u>	<u>54,378</u>
Total	<u>\$ 1,590,205</u>	<u>\$ 1,214,847</u>
 Liabilities		
Payables	\$ 281,185	\$ 198,718
Insurance liabilities	576,547	358,981
Lease liabilities	7,520	13,504
Deferred tax liabilities	135	93
Other liabilities	<u>24,012</u>	<u>16,488</u>
Total liabilities	<u>889,399</u>	<u>587,784</u>
 Equity		
Capital	845,585	845,585
Retained earnings	(3,712)	(30,185)
Other equity	<u>(141,067)</u>	<u>(188,337)</u>
Total equity	<u>700,806</u>	<u>627,063</u>
Total	<u>\$ 1,590,205</u>	<u>\$ 1,214,847</u>

Cathay Insurance Co., Ltd. (Vietnam)

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
Operating revenue	\$ 459,601	\$ 360,019
Operating costs	(118,253)	(80,504)
Operating expenses	<u>(307,874)</u>	<u>(241,497)</u>
Operating income	33,474	38,018
Non-operating income and expenses	<u>134</u>	<u>(841)</u>
Profit before income tax	33,608	37,177
Income tax expense	<u>(7,136)</u>	<u>(10,112)</u>
Net income	26,472	27,065
Other comprehensive income (loss)	<u>47,271</u>	<u>(10,502)</u>
Total comprehensive income	<u>\$ 73,743</u>	<u>\$ 16,563</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	
	2022	2021
Cash and cash equivalents	\$ 106,863,137	\$ 61,282,356
Due from the Central Bank and call loans to banks	259,255,611	212,890,343
Financial assets at fair value through profit or loss	230,116,229	281,821,324
Financial assets at fair value through other comprehensive income	445,571,701	281,577,371
Debt instruments at amortized cost	513,909,296	570,526,304
Notes and bonds purchased under resale agreements	17,613,991	34,175,439
Receivables	118,560,892	103,077,662
Assets held for sale	-	283,087
Loans	1,960,898,333	1,732,854,284
Investments accounted for using the equity method	26,210,448	26,111,194
Other financial assets	4,407,889	8,693,946
Property and equipment	23,065,875	23,360,033
Right-of-use assets	3,094,570	3,116,075
Investment property	2,220,443	657,440
Intangible assets	7,851,363	7,771,516
Deferred tax assets	3,891,662	4,612,273
Other assets	<u>37,564,033</u>	<u>27,266,908</u>
Total	<u>\$ 3,761,095,473</u>	<u>\$ 3,380,077,555</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 80,353,346	\$ 62,610,289
Due to the Central Bank and banks	-	1,076,000
Financial liabilities at fair value through profit or loss	118,438,521	74,475,373
Notes and bonds under repurchase agreements	27,425,356	31,297,585
Payables	32,031,854	24,704,942
Current tax liabilities	213,942	21,690
Deposits and remittances	3,152,915,221	2,846,473,269
Financial debentures payable	37,147,398	46,800,000
Other financial liabilities	53,934,322	28,655,043
Provisions	3,920,792	3,780,862
Lease liabilities	3,108,736	3,134,128
Deferred tax liabilities	1,613,297	2,554,019
Other liabilities	<u>12,258,460</u>	<u>8,143,243</u>
Total liabilities	<u>3,523,361,245</u>	<u>3,133,726,443</u>
Equity		
Share capital	108,598,655	106,985,830
Capital surplus	38,858,661	38,687,276
Retained earnings	104,851,907	98,502,438
Other equity	<u>(14,574,995)</u>	<u>2,175,568</u>
Total equity	<u>237,734,228</u>	<u>246,351,112</u>
Total	<u>\$ 3,761,095,473</u>	<u>\$ 3,380,077,555</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	
	2022	2021
Interest income	\$ 63,225,297	\$ 43,142,092
Interest expense	<u>(18,151,219)</u>	<u>(7,410,699)</u>
Net interest income	45,074,078	35,731,393
Net income and gains other than interest income	<u>26,203,204</u>	<u>25,478,800</u>
Profit from operations	71,277,282	61,210,193
Provision for bad debt, commitments and guarantee reserve	(4,407,253)	(2,568,304)
Operating expenses	<u>(36,089,834)</u>	<u>(31,925,693)</u>
Profit before income tax	30,780,195	26,716,196
Income tax expense	<u>(5,190,000)</u>	<u>(3,372,000)</u>
Net income	25,590,195	23,344,196
Other comprehensive loss	<u>(18,330,589)</u>	<u>(3,757,956)</u>
Total comprehensive income	<u>\$ 7,259,606</u>	<u>\$ 19,586,240</u>
Basic earnings per share	<u>\$2.36</u>	<u>\$2.15</u>

Indovina Bank Limited
Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2022	2021
Cash and cash equivalents	\$ 11,726,117	\$ 2,494,098
Due from the Central Bank and call loans to banks	6,160,133	3,811,523
Financial assets at fair value through profit or loss	1,741,394	1,859,334
Financial assets at fair value through other comprehensive income	9,013,045	11,057,387
Notes and bonds purchased under resale agreements	5,152,217	7,853,676
Receivables	739,096	523,166
Current tax assets	9,243	-
Loans	39,451,591	40,041,334
Property and equipment	701,477	658,932
Right-of-use assets	135,118	150,666
Intangible assets	31,593	33,834
Deferred tax assets	200,063	-
Other assets	<u>70,250</u>	<u>44,559</u>
Total	<u>\$ 75,131,337</u>	<u>\$ 68,528,509</u>
 Liabilities		
Due to the Central Bank and banks	\$ 16,402,025	\$ 8,970,476
Financial liabilities at fair value through profit or loss	238,963	-
Payables	1,348,714	1,340,803
Current tax liabilities	-	28,618
Deposits and remittances	49,003,715	49,034,608
Provisions	5,082	10,510
Lease liabilities	110,381	119,898
Deferred tax liabilities	20,693	248,672
Other liabilities	<u>22,049</u>	<u>22,744</u>
Total liabilities	<u>67,151,622</u>	<u>59,776,329</u>
 Equity		
Capital	6,094,911	6,094,911
Retained earnings	1,627,815	2,220,811
Other equity	<u>256,989</u>	<u>436,458</u>
Total equity	<u>7,979,715</u>	<u>8,752,180</u>
Total	<u>\$ 75,131,337</u>	<u>\$ 68,528,509</u>

Indovina Bank Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
Interest income	\$ 4,276,573	\$ 3,650,325
Interest expense	<u>(2,211,393)</u>	<u>(2,134,125)</u>
Net interest income	2,065,180	1,516,200
Net income and gains other than interest income	<u>45,966</u>	<u>659,130</u>
Profit from operations	2,111,146	2,175,330
Provision for bad debt, commitments and guarantee reserve	<u>(1,094,173)</u>	<u>(336,582)</u>
Operating expenses	<u>(718,044)</u>	<u>(700,466)</u>
Profit before income tax	298,929	1,138,282
Income tax expense	<u>(55,913)</u>	<u>(210,046)</u>
Net income	243,016	928,236
Other comprehensive (loss) income	<u>(179,469)</u>	<u>48,662</u>
Total comprehensive income	<u>\$ 63,547</u>	<u>\$ 976,898</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	2022	2021
Cash and cash equivalents	\$ 1,499,607	\$ 1,040,261
Due from the Central Bank and call loans to banks	2,071,557	1,971,574
Financial assets at fair value through other comprehensive income	786	709
Debt instruments at amortized cost	150,523	-
Receivables	145,177	89,283
Current tax assets	-	11,499
Loans	13,218,727	8,655,553
Property and equipment	196,749	161,193
Right-of-use assets	59,547	72,804
Intangible assets	28,549	27,674
Deferred tax assets	19,238	-
Other assets	<u>75,737</u>	<u>53,371</u>
Total	<u>\$ 17,466,197</u>	<u>\$ 12,083,921</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 6,120,991	\$ 1,901,982
Payables	358,303	290,151
Current tax liabilities	107,384	33,186
Deposits and remittances	7,421,413	6,820,455
Provisions	1,959	791
Lease liabilities	66,423	78,264
Deferred tax liabilities	-	951
Other liabilities	<u>7,400</u>	<u>9,452</u>
Total liabilities	<u>14,083,873</u>	<u>9,135,232</u>
Equity		
Share capital	3,020,769	3,020,769
Retained earnings	310,305	204,547
Other equity	<u>51,250</u>	<u>(276,627)</u>
Total equity	<u>3,382,324</u>	<u>2,948,689</u>
Total	<u>\$ 17,466,197</u>	<u>\$ 12,083,921</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	
	2022	2021
Interest income	\$ 923,209	\$ 651,624
Interest expense	<u>(257,339)</u>	<u>(156,262)</u>
Net interest income	665,870	495,362
Net income and gains other than interest income	<u>34,964</u>	<u>37,753</u>
Profit from operations	700,834	533,115
Provision for bad debt, commitments and guarantee reserve	(17,651)	(38,475)
Operating expenses	<u>(519,710)</u>	<u>(376,833)</u>
Profit before income tax	163,473	117,807
Income tax expense	<u>(57,715)</u>	<u>(15,685)</u>
Net income	105,758	102,122
Other comprehensive income (loss)	<u>327,877</u>	<u>(86,349)</u>
Total comprehensive income	<u>\$ 433,635</u>	<u>\$ 15,773</u>
Basic earnings per share	<u>\$1.06</u>	<u>\$1.02</u>

Cathay United Bank (China) Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2022	2021
Cash and cash equivalents	\$ 541,650	\$ 1,615,702
Due from the Central Bank and call loans to banks	8,145,207	22,393,494
Financial assets at fair value through profit or loss	2,442,420	1,673,876
Financial assets at fair value through other comprehensive income	25,594,789	20,733,071
Debt instruments at amortized cost	2,803,163	1,375,438
Receivables	18,388,786	7,541,894
Current tax assets	-	2,740
Loans	31,513,806	25,525,489
Property and equipment	212,199	246,740
Right-of-use assets	323,770	320,821
Intangible assets	142,248	124,881
Deferred tax assets	28,268	-
Other assets	<u>307,237</u>	<u>247,577</u>
Total	<u>\$ 90,443,543</u>	<u>\$ 81,801,723</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 9,165,034	\$ 13,033,185
Financial liabilities at fair value through profit or loss	2,375,394	1,409,559
Notes and bonds sold under repurchase agreements	3,306,450	5,864,067
Payables	18,853,960	8,057,273
Current tax liabilities	3,111	-
Deposits and remittances	36,821,499	33,365,635
Other financial liabilities	2,084,874	2,847,686
Provisions	14,827	18,004
Lease liabilities	351,120	346,824
Deferred tax liabilities	-	68,479
Other liabilities	<u>661,333</u>	<u>206,747</u>
Total liabilities	<u>73,637,602</u>	<u>65,217,459</u>
Equity		
Capital	14,377,562	14,377,562
Capital surplus	2,522,670	2,522,670
Retained earnings	1,033,905	774,025
Other equity	<u>(1,128,196)</u>	<u>(1,089,993)</u>
Total equity	<u>16,805,941</u>	<u>16,584,264</u>
Total	<u>\$ 90,443,543</u>	<u>\$ 81,801,723</u>

Cathay United Bank (China) Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
Interest income	\$ 2,079,255	\$ 1,986,063
Interest expense	<u>(1,179,893)</u>	<u>(1,189,963)</u>
Net interest income	899,362	796,100
Net income and gains other than interest income	<u>349,118</u>	<u>441,574</u>
Profit from operations	1,248,480	1,237,674
Provision for bad debt, commitment and guarantee reserve	(4,917)	(42,773)
Operating expenses	<u>(988,694)</u>	<u>(882,933)</u>
Profit before income tax	254,869	311,968
Income tax benefit (expense)	<u>5,011</u>	<u>(73,452)</u>
Net income	259,880	238,516
Other comprehensive (loss) income	<u>(38,202)</u>	<u>105,415</u>
Total comprehensive income	<u>\$ 221,678</u>	<u>\$ 343,931</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	2022	2021
Current assets	\$ 32,104,696	\$ 53,111,858
Financial assets at fair value through other comprehensive income - non-current	286	394
Investments accounted for using the equity method	2,439,948	2,666,452
Property and equipment	257,337	256,768
Right-of-use assets	117,555	151,406
Intangible assets	64,968	60,232
Deferred tax assets	128,637	13,579
Other non-current assets	<u>603,267</u>	<u>608,744</u>
Total	<u>\$ 35,716,694</u>	<u>\$ 56,869,433</u>
 Liabilities		
Current liabilities	\$ 22,578,609	\$ 43,654,414
Lease liabilities - non-current	58,129	94,740
Deferred tax liabilities	5,235	38,424
Other non-current liabilities	<u>31,808</u>	<u>36,821</u>
Total liabilities	<u>22,673,781</u>	<u>43,824,399</u>
 Equity		
Share capital	7,700,000	7,300,000
Capital surplus	914,787	898,167
Retained earnings	3,643,095	3,773,744
Other equity	<u>785,031</u>	<u>1,073,123</u>
Total equity	<u>13,042,913</u>	<u>13,045,034</u>
Total	<u>\$ 35,716,694</u>	<u>\$ 56,869,433</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	
	2022	2021
Revenues	\$ 5,439,609	\$ 6,840,727
Service fee expenses	(319,656)	(459,721)
Employee benefit expenses	(1,618,923)	(1,824,072)
Operating expenses	(1,817,299)	(1,890,293)
Share of (loss) profit of subsidiaries, associates and joint venture accounted for using the equity method	(40,542)	8,534
Non-operating income and expenses	<u>39,892</u>	<u>45,201</u>
Profit before income tax	1,683,081	2,720,376
Income tax expense	<u>(273,666)</u>	<u>(519,834)</u>
Net income	1,409,415	2,200,542
Other comprehensive (loss) income	<u>(288,092)</u>	<u>527,591</u>
Total comprehensive income	<u>\$ 1,121,323</u>	<u>\$ 2,728,133</u>
Basic earnings per share	<u>\$1.83</u>	<u>\$2.86</u>

Cathay Futures Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2022	2021
Current assets	\$ 15,572,868	\$ 12,718,888
Financial assets at fair value through other comprehensive income - non-current	1,000,374	1,206,888
Property and equipment	66,280	67,702
Investment property	290,341	291,175
Right-of-use assets	11,024	18,145
Intangible assets	24,185	11,771
Deferred tax assets	252	252
Other non-current assets	<u>159,513</u>	<u>156,160</u>
Total	<u>\$ 17,124,837</u>	<u>\$ 14,470,981</u>
 Liabilities		
Current liabilities	\$ 15,126,609	\$ 12,316,935
Deferred tax liabilities	6,399	6,554
Other non-current liabilities	<u>6,400</u>	<u>14,074</u>
Total liabilities	<u>15,139,408</u>	<u>12,337,563</u>
 Equity		
Share capital	667,000	667,000
Capital surplus	2,455	680
Retained earnings	347,249	289,585
Other equity	<u>968,725</u>	<u>1,176,153</u>
Total equity	<u>1,985,429</u>	<u>2,133,418</u>
Total	<u>\$ 17,124,837</u>	<u>\$ 14,470,981</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	
	2022	2021
Revenues	\$ 460,650	\$ 373,013
Operating expenses	<u>(488,010)</u>	<u>(385,544)</u>
Operating loss	(27,360)	(12,531)
Non-operating income and expenses	<u>136,706</u>	<u>69,146</u>
Profit before income tax	109,346	56,615
Income tax expense	<u>(17,506)</u>	<u>(7,341)</u>
Net income	91,840	49,274
Other comprehensive (loss) income	<u>(207,428)</u>	<u>563,511</u>
Total comprehensive (loss) income	<u>\$ (115,588)</u>	<u>\$ 612,785</u>
Basic earnings per share	<u>\$1.38</u>	<u>\$0.74</u>

Cathay Securities (Hong Kong) Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
	2022	2021
Assets		
Current assets	\$ 1,134,276	\$ 1,079,351
Investments accounted for using the equity method	(74,392)	-
Property and equipment	919	2,472
Right-of-use assets	19,862	-
Intangible assets	1,960	1,768
Other non-current assets	<u>31,290</u>	<u>67,398</u>
Total	<u>\$ 1,113,915</u>	<u>\$ 1,150,989</u>
Liabilities		
Current liabilities	\$ 653,138	\$ 600,552
Non-current liabilities	<u>6,072</u>	<u>17,202</u>
Total liabilities	<u>659,210</u>	<u>617,754</u>
Equity		
Capital	1,108,244	1,108,244
Retained earnings	(616,678)	(484,305)
Other equity	<u>(36,861)</u>	<u>(90,704)</u>
Total equity	<u>454,705</u>	<u>533,235</u>
Total	<u>\$ 1,113,915</u>	<u>\$ 1,150,989</u>

Cathay Securities (Hong Kong) Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
Revenues	\$ 70,005	\$ 95,696
Service fee expenses	(2,923)	(3,156)
Employee benefit expenses	(46,848)	(51,515)
Operating expenses	(74,921)	(85,143)
Non-operating income and expenses	<u>(77,686)</u>	<u>3,383</u>
Net loss	(132,373)	(40,735)
Other comprehensive income (loss)	<u>53,843</u>	<u>(19,892)</u>
Total comprehensive loss	<u>\$ (78,530)</u>	<u>\$ (60,627)</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	
	2022	2021
Assets		
Current assets	\$ 693,607	\$ 1,405,235
Other non-current assets	<u>3,386</u>	<u>-</u>
Total	<u>\$ 696,993</u>	<u>\$ 1,405,235</u>
Liabilities		
Current liabilities	<u>\$ 771,387</u>	<u>\$ 1,398,834</u>
Total liabilities	<u>771,387</u>	<u>1,398,834</u>
Equity		
Capital	3,875	3,875
Retained earnings	(76,012)	2,869
Other equity	<u>(2,257)</u>	<u>(343)</u>
Total equity	<u>(74,394)</u>	<u>6,401</u>
Total	<u>\$ 696,993</u>	<u>\$ 1,405,235</u>

Cathay Capital (Asia) Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
Operating (loss) revenue	\$ (36,727)	\$ 24,688
Operating costs	(24,621)	(10,712)
Operating expenses	(17,634)	(7,644)
Non-operating income and expenses	<u>101</u>	<u>5</u>
Net (loss) profit before income tax	(78,881)	6,337
Income tax expense	<u>-</u>	<u>(3,029)</u>
Net (loss) income	(78,881)	3,308
Other comprehensive loss	<u>(1,914)</u>	<u>(161)</u>
Total comprehensive (loss) income	<u>\$ (80,795)</u>	<u>\$ 3,147</u>
Basic earnings per share	Note	Note

Note: Cathay Capital (Asia) is a limited company, and no information is disclosed accordingly.

Cathay Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2022	2021
Current assets	\$ 4,007,540	\$ 3,624,088
Financial assets at fair value through other comprehensive income - non-current	13,685	11,749
Investments accounted for using the equity method	390,709	431,922
Property and equipment	91,173	49,274
Right-of-use assets	53,917	19,547
Intangible assets	58,390	27,613
Deferred tax assets	19,782	36,873
Guarantee deposits paid	325,565	321,700
Other non-current assets	<u>10,397</u>	<u>17,339</u>
Total	<u>\$ 4,971,158</u>	<u>\$ 4,540,105</u>
 Liabilities		
Current liabilities	\$ 941,549	\$ 798,127
Non-current liabilities	<u>101,137</u>	<u>190,010</u>
Total liabilities	<u>1,042,686</u>	<u>988,137</u>
 Equity		
Share capital	1,500,000	1,500,000
Capital surplus	23,108	16,453
Retained earnings	2,481,215	2,162,703
Other equity	<u>(75,851)</u>	<u>(127,188)</u>
Total equity	<u>3,928,472</u>	<u>3,551,968</u>
Total	<u>\$ 4,971,158</u>	<u>\$ 4,540,105</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	
	2022	2021
Operating revenue	\$ 4,008,491	\$ 3,855,397
Operating expenses	<u>(1,981,724)</u>	<u>(1,977,713)</u>
Operating profit	2,026,767	1,877,684
Non-operating income and expenses	<u>(55,989)</u>	<u>(99,113)</u>
Profit before income tax	1,970,778	1,778,571
Income tax expense	<u>(409,881)</u>	<u>(376,153)</u>
Net income	1,560,897	1,402,418
Other comprehensive income (loss)	<u>51,337</u>	<u>(20,293)</u>
Total comprehensive income	<u>\$ 1,612,234</u>	<u>\$ 1,382,125</u>
Basic earnings per share	<u>\$10.41</u>	<u>\$9.35</u>

Cathay Private Equity Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
	2022	2021
Assets		
Current assets	\$ 71,608	\$ 65,196
Other non-current assets	<u>48,067</u>	<u>53,142</u>
Total	<u>\$ 119,675</u>	<u>\$ 118,338</u>
Liabilities		
Current liabilities	\$ 13,700	\$ 11,563
Other non-current liabilities	<u>606</u>	<u>2,633</u>
Total liabilities	<u>14,306</u>	<u>14,196</u>
Equity		
Share capital	150,000	150,000
Capital surplus	323	63
Retained earnings	<u>(44,954)</u>	<u>(45,921)</u>
Total equity	<u>105,369</u>	<u>104,142</u>
Total	<u>\$ 119,675</u>	<u>\$ 118,338</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	
	2022	2021
Operating revenue	\$ 53,302	\$ 17,504
Operating expenses	<u>(48,117)</u>	<u>(42,448)</u>
Operating profit (loss)	5,185	(24,944)
Non-operating income and expenses	<u>(3,151)</u>	<u>(3,266)</u>
Net profit (loss) before income tax	2,034	(28,210)
Income tax (expense) benefit	<u>(1,067)</u>	<u>4,946</u>
Net income (loss)	967	(23,264)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	<u>\$ 967</u>	<u>\$ (23,264)</u>
Basic earnings (loss) per share	<u>\$ 0.06</u>	<u>\$ (2.19)</u>

Cathay Venture Inc.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2022	2021
Current assets	\$ 1,203,116	\$ 1,300,360
Financial assets at fair value through profit or loss - non-current	5,171,319	4,788,751
Financial assets at fair value through other comprehensive income - non-current	483,483	-
Investments accounted for using the equity method	272,975	310,568
Property and equipment	3,545	2,766
Right-of-use assets	25,029	5,371
Deferred tax assets	68,454	68,007
Other non-current assets	<u>1,944</u>	<u>1,267</u>
Total	<u>\$ 7,229,865</u>	<u>\$ 6,477,090</u>
Liabilities		
Current liabilities	\$ 1,014,773	\$ 43,735
Non-current liabilities	<u>25,209</u>	<u>8,785</u>
Total liabilities	<u>1,039,982</u>	<u>52,520</u>
Equity		
Share capital	5,181,730	5,181,730
Capital surplus	576,952	576,667
Retained earnings	430,638	665,695
Other equity	<u>563</u>	<u>478</u>
Total equity	<u>6,189,883</u>	<u>6,424,570</u>
Total	<u>\$ 7,229,865</u>	<u>\$ 6,477,090</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	
	2022	2021
Operating revenue	\$ 242,736	\$ 518,051
Operating costs	(43,671)	(35,210)
Operating expenses	(17,149)	(16,604)
Non-operating income and expenses	<u>2,776</u>	<u>(1,232)</u>
Profit before income tax	184,692	465,005
Income tax expense	<u>(27,677)</u>	<u>(29,369)</u>
Net income	157,015	435,636
Other comprehensive income	<u>85</u>	<u>334</u>
Total comprehensive income	<u>\$ 157,100</u>	<u>\$ 435,970</u>
Basic earnings per share	<u>\$0.30</u>	<u>\$0.84</u>

- b. The profitability of the Company, the Group and its insurance subsidiaries, banking subsidiaries and securities subsidiaries.

For the year ended December 31, 2022

Unit: %

	Return on Assets		Return on Equity		Net Income Ratio
	Before Tax	After Tax	Before Tax	After Tax	
The Group	0.42	0.32	6.55	4.98	11.12
The Company	4.62	4.21	5.46	4.98	87.09
Cathay Life	0.51	0.42	6.80	5.65	5.05
Cathay Century	(44.99)	(35.99)	(180.08)	(144.03)	(85.42)
Cathay United Bank	0.86	0.72	12.72	10.57	35.90
Cathay Securities	3.64	3.04	12.90	10.81	25.91

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

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 691 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 (37 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, financial 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, 2022

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 49,085,147	\$ 176,976,148	\$ 613,894	\$ 525,929	\$ (1,038,592)	\$ 226,162,526
Net income and gains other than interest income (loss)	15,264,393	95,518,731	(10,927,230)	4,318,542	11,096,696	115,271,132
Profit (loss) from operations	64,349,540	272,494,879	(10,313,336)	4,844,471	10,058,104	341,433,658
Provision for bad debt, commitments and guarantee reserve	(5,523,994)	748,103	-	(1,689)	-	(4,777,580)
Net changes in insurance liability reserve	-	(188,388,841)	(9,709,164)	-	-	(198,098,005)
Operating expenses	(37,024,405)	(34,286,631)	(3,607,391)	(2,774,029)	(10,917,825)	(88,610,281)
Profit (loss) from continuing operations before taxes	21,801,141	50,567,510	(23,629,891)	2,068,753	(859,721)	49,947,792
Income tax (expense) profit	(5,300,262)	(6,648,258)	4,903,828	(273,844)	(4,667,142)	(11,985,678)
Net income (loss) from continuing operations	16,500,879	43,919,252	(18,726,063)	1,794,909	(5,526,863)	37,962,114

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

Note: All intercompany transactions among the operating segments have been eliminated.

c. Geographical information

	For the Year Ended December 31	
	2022	2021
Taiwan	\$ 308,687,169	\$ 594,259,105
Asia	25,780,047	22,667,272
Other countries	<u>6,966,442</u>	<u>9,036,228</u>
	<u>\$ 341,433,658</u>	<u>\$ 625,962,605</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 assist in the review of the risk limit development process.
- v) The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.
- vi) 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, completeness 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 in the changes of 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 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, 2022					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 3,428,897	Decrease (increase)	\$ 2,743,118
Expense	×1.05 (×0.95)	Decrease (increase)	2,842,645	Decrease (increase)	2,274,116
Surrender rate	×1.05 (×0.95)	Increase (decrease)	366,668	Increase (decrease)	293,334
Rate of return	+0.1%	Increase	6,861,159	Increase	5,488,927
Rate of return	-0.1%	Decrease	6,867,897	Decrease	5,494,318

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

ii. Cathay Lujiazui Life

For the Year Ended December 31, 2022					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 161,540	Decrease (increase)	\$ 121,155
Expense	×1.05 (×0.95)	Decrease (increase)	98,422	Decrease (increase)	73,816
Surrender rate	×1.10 (×0.90)	Increase (decrease)	78,049	Increase (decrease)	58,537
Rate of return	+0.25%	Increase	193,953	Increase	145,465
Rate of return	-0.25%	Decrease	194,427	Decrease	145,820

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

iii. Cathay Life (Vietnam)

For the Year Ended December 31, 2022					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 7,370	Decrease (increase)	\$ 5,896
Expense	×1.05 (×0.95)	Decrease (increase)	81,141	Decrease (increase)	64,913
Surrender rate	×1.10 (×0.95)	Increase (decrease)	20,443	Increase (decrease)	16,354
Rate of return	+0.1%	Increase	30,904	Increase	24,723
Rate of return	-0.1%	Decrease	30,934	Decrease	24,747

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

- i) Changes in income before tax listed above referred to the effects of income before tax for the years ended December 31, 2022 and 2021. 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		
2016	15,940,308	19,566,897	19,885,388	19,971,081	20,016,631	20,045,358	20,062,518	-	-
2017	17,297,974	21,370,269	21,769,245	21,867,634	21,919,891	21,957,105	21,975,701	18,596	18,633
2018	19,438,330	23,925,964	24,359,320	24,481,181	24,564,887	24,604,192	24,624,309	59,422	59,541
2019	21,412,454	26,422,361	26,916,862	27,046,614	27,126,599	27,170,142	27,191,768	145,154	145,445
2020	21,393,621	26,257,168	26,769,937	26,895,187	26,970,526	27,013,294	27,035,532	265,595	266,125
2021	19,959,588	24,896,544	25,339,669	25,450,789	25,515,629	25,555,151	25,577,408	680,864	682,226
2022	21,550,633	26,492,411	26,967,223	27,082,875	27,149,796	27,201,477	27,225,308	5,674,675	5,686,025
Expected future payments								\$	6,857,995
Add: Assumed reserve for claims not yet filed									63,078
Reserve for claims not yet filed									6,921,073
Add: Unreported claims reserve for epidemic prevention insurance									53,383
Add: Claims filed but not yet paid									5,212,064
Loss reserve balance									<u>\$ 12,186,520</u>

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		
2016	16,051,766	19,702,389	20,024,753	20,110,678	20,156,445	20,185,309	20,202,660	-	-
2017	17,425,760	21,529,927	21,929,989	22,028,646	22,081,062	22,118,623	22,137,522	18,899	18,937
2018	19,559,154	24,057,586	24,492,262	24,614,499	24,698,757	24,738,854	24,759,784	61,027	61,149
2019	21,440,110	26,462,299	26,958,377	27,088,787	27,169,087	27,213,064	27,235,138	146,351	146,645
2020	21,422,045	26,299,912	26,816,422	26,942,136	27,017,853	27,061,139	27,083,910	267,488	268,023
2021	19,997,051	24,959,116	25,405,188	25,516,940	25,582,295	25,622,524	25,645,508	686,392	687,764
2022	21,642,350	26,625,009	27,105,983	27,222,954	27,290,948	27,344,103	27,369,451	5,727,101	5,738,555
Expected future payments								\$	6,921,073
Add: Unreported claims reserve for epidemic prevention insurance									53,383
Add: Claims filed but not yet paid									5,097,796
Retained loss reserve balance									<u>\$ 12,072,252</u>

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. Regarding the reserve for products of statutory infectious disease monthly loss triangle estimation were used, and the reserve for claims filed but not yet paid was 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	
2016	259,979	486,208	531,880	568,660	568,660	568,660	568,660	-
2017	267,466	484,308	528,960	528,960	528,960	528,960	528,960	-
2018	286,250	325,835	458,925	458,925	458,925	458,925	458,925	-
2019	365,424	517,687	699,577	699,577	699,577	699,577	699,577	-
2020	382,290	541,577	784,894	797,901	797,901	797,901	797,901	13,007
2021	428,087	606,456	773,445	786,263	786,263	786,263	786,263	179,807
2022	413,553	615,720	785,259	798,273	798,273	798,273	798,273	384,720
Expected future payments								\$ 577,534
Less: Assumed reserve for claims not yet filed								(71,011)
Reserve for claims not yet filed								506,523
Add: Claims filed but not yet paid								10,836
Loss reserve balance								<u>\$ 517,359</u>

ii) Retained business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2016	246,046	473,048	507,712	507,712	507,712	507,712	507,712	-
2017	281,518	452,034	480,067	485,616	485,616	485,616	485,616	-
2018	337,669	363,308	440,063	440,063	440,063	440,063	440,063	-
2019	403,304	744,256	1,048,246	1,048,246	1,048,246	1,048,246	1,048,246	-
2020	395,013	559,604	822,948	824,792	824,792	824,792	824,792	1,844
2021	445,412	601,306	765,254	766,969	766,969	766,969	766,969	165,663
2022	432,375	654,736	833,252	835,119	835,119	835,119	835,119	402,744
Expected future payments								\$ 570,251
Less: Expected claims filed but not yet paid								(71,011)
Add: Claims filed but not yet paid								9,491
Retained loss reserve balance								<u>\$ 508,731</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
2018	85,042	97,666	97,716	97,716	97,716
2019	102,418	124,171	124,171	124,171	124,171
2020	307,172	349,437	349,437	349,532	349,532
2021	457,047	541,416	541,462	541,609	541,609
2022	787,565	921,581	921,658	921,909	921,909

ii) Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2018	85,042	97,666	97,716	97,716	97,716
2019	102,418	124,171	124,171	124,171	124,171
2020	307,172	349,437	349,437	349,532	349,532
2021	457,047	541,416	541,462	541,609	541,609
2022	787,565	921,581	921,658	921,909	921,909

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 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.

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, 2022	\$ 329	\$ 4,805	\$ 182,307
December 31, 2021	622	4,829	175,742

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, 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 assist in deliberating related procedures for formulating risk limits.
- 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

- 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.
- 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	
	2022	2021
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 risk-based capital 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 risk-based capital.

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	
	2022	2021
Fire insurance	\$ 63,991	\$ 22,238
Marine insurance	13,770	97,105
Land and air insurance	43,477	39,700
Liability insurance	162,195	55,275
Guarantee insurance	268	1,272
Other property insurance	20,619	25,750
Accident insurance	24,291	16,683
Health insurance	146,651	7,718
Policy-oriented residential earthquake insurance	-	-
Compulsory automobile liability insurance	<u>202,982</u>	<u>200,809</u>
	678,244	466,550
Less: Loss allowance	<u>(6,782)</u>	<u>(4,665)</u>
Net amount	<u>\$ 671,462</u>	<u>\$ 461,885</u>

3) Receivables and payables of insurance contracts

a) Receivables

Insurance Type	Premiums Receivable	
	December 31	
	2022	2021
Fire insurance	\$ 759,964	\$ 840,311
Marine insurance	333,658	335,547
Land and air insurance	151,422	182,914
Liability insurance	387,820	338,638
Guarantee insurance	36,401	31,417
Other property insurance	203,528	218,867
Accident insurance	137,203	128,059
Health insurance	2,554	4,160
Policy-oriented residential earthquake insurance	34,303	27,665
Compulsory automobile liability insurance	<u>16,865</u>	<u>21,068</u>
	2,063,718	2,128,646
Less: Loss allowance	<u>(66,707)</u>	<u>(31,309)</u>
Net amount	<u>\$ 1,997,011</u>	<u>\$ 2,097,337</u>

Aging analysis of premiums receivable:

	December 31	
	2022	2021
Up to 90 days	\$ 1,416,701	\$ 1,839,532
Over 90 days	<u>647,017</u>	<u>289,114</u>
	<u>\$ 2,063,718</u>	<u>\$ 2,128,646</u>

The overdue amounts as of December 31, 2022 and 2021 in the above premiums receivable were \$647,017 thousand and \$289,114 thousand, respectively, and loss allowance of \$51,915 thousand and \$11,894 thousand were provided, respectively.

b) Accounts payables

	December 31, 2022		
Insurance Type	Commission Payable	Others	Total
Fire insurance	\$ 35,093	\$ 17,968	\$ 53,061
Marine insurance	16,012	13,468	29,480
Land and air insurance	211,671	171,261	382,932
Liability insurance	36,985	38,931	75,916
Guarantee insurance	3,869	974	4,843
Other property insurance	9,852	8,823	18,675
Accident insurance	10,709	44,745	55,454
Health insurance	1,154	1,386	2,540
Policy-oriented residential earthquake insurance	296	3,795	4,091
Compulsory automobile liability insurance	<u>20,447</u>	<u>-</u>	<u>20,447</u>
	<u>\$ 346,088</u>	<u>\$ 301,351</u>	<u>\$ 647,439</u>

	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>

c) Due from (to) reinsurers and ceding companies - reinsurance

Items	December 31, 2022	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Central Re	\$ 44,525	\$ 248,652
Hannover Re Shanghai	200,869	62,337
Marsh	1,105,438	206,638
Non-Life Insurance Association of the R.O.C.	133,226	348,927
Others (individually below 5%)	<u>538,477</u>	<u>1,217,615</u>
	2,022,535	2,084,169
Less: Loss allowance	<u>(24,515)</u>	<u>-</u>
Net amount	<u>\$ 1,998,020</u>	<u>\$ 2,084,169</u>

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>

The overdue amounts as of December 31, 2022 and 2021 in the above due from reinsurers and ceding companies were \$13,877 thousand and \$14,731 thousand, respectively, and loss allowances of \$4,163 thousand and \$14,731 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) Reserve required for specific assets

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

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

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

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

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

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

- a) Treasury bills.
- b) Negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution.
- c) Government bonds under repurchase agreement.

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

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

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

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

5) Acquisition cost of insurance contracts

Insurance Type	For the Year Ended December 31, 2022				
	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 212,202	\$ 9,970	\$ 80,934	\$ 40,130	\$ 343,236
Marine insurance	93,746	185	2,027	3,174	99,132
Land and air insurance	1,386,902	123	3,276	591,304	1,981,605
Liability insurance	261,183	102	(185)	49,954	311,054
Guarantee insurance	11,955	112	1,462	762	14,291
Other property insurance	143,459	1,158	16,843	6,761	168,221
Accident insurance	367,739	75	(759)	130,132	497,187
Health insurance	104,312	221	886	3,179	108,598
Policy-oriented residential earthquake insurance	11,431	139	-	13,646	25,216
Compulsory automobile liability insurance	-	322,298	-	-	322,298
	<u>\$ 2,592,929</u>	<u>\$ 334,383</u>	<u>\$ 104,484</u>	<u>\$ 839,042</u>	<u>\$ 3,870,838</u>
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>

Acquisition costs of the insurance contracts were not deferred.

6) Profit and loss analysis of the insurance business

Direct underwriting business

For the Year Ended December 31, 2022						
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	\$ 4,089,674	\$ (8,498)	\$ 262,303	\$ 1,308,054	\$ 823,917	\$ 1,703,898
Marine insurance	1,003,546	6,975	97,104	587,891	291,854	19,722
Land and air insurance	12,615,687	719,530	1,978,329	6,280,450	699,885	2,937,493
Liability insurance	2,304,146	205,326	311,239	971,171	148,387	668,023
Guarantee insurance	115,950	2,291	12,829	(2,982)	1,703	102,109
Other property insurance	1,499,231	(70,580)	151,377	2,044,136	786,977	(1,412,679)
Accident insurance	3,277,569	4,203	497,946	1,107,753	143,962	1,523,705
Health insurance	581,266	(251,692)	107,712	20,225,827	8,679,925	(28,180,506)
Policy-oriented residential earthquake insurance	468,290	7,444	25,217	-	-	435,629
Compulsory automobile liability insurance	2,942,130	12,933	322,298	2,075,979	(12,303)	543,223
	<u>\$ 28,897,489</u>	<u>\$ 627,932</u>	<u>\$ 3,766,354</u>	<u>\$ 34,598,279</u>	<u>\$ 11,564,307</u>	<u>\$ (21,659,383)</u>
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>

Reinsurance inward business

For the Year Ended December 31, 2022						
Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 408,623	\$ (113,777)	\$ 80,934	\$ 416,312	\$ 122,633	\$ (97,479)
Marine insurance	28,920	(9,600)	2,027	46,786	11,860	(22,153)
Land and air insurance	13,802	(16,212)	3,276	41,993	4,229	(19,484)
Liability insurance	1,592	(2,907)	(184)	1,151	139	3,393
Guarantee insurance	5,932	(3,122)	1,462	12,353	(5,472)	711
Other property insurance	78,507	(11,731)	16,842	63,913	(34,610)	44,093
Accident insurance	5,399	(6,470)	(759)	7,638	(2,081)	7,071
Health insurance	8,856	(220)	886	11,578	(3,000)	(388)
Policy-oriented residential earthquake insurance	59,219	276	-	311	-	58,632
Compulsory automobile liability insurance	758,002	11,940	-	708,812	32,171	5,079
	<u>\$ 1,368,852</u>	<u>\$ (151,823)</u>	<u>\$ 104,484</u>	<u>\$ 1,310,847</u>	<u>\$ 125,869</u>	<u>\$ (20,525)</u>
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>

Ceded reinsurance business

For the Year Ended December 31, 2022						
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	\$ 2,877,190	\$ 101,439	\$ 237,667	\$ 635,006	\$ 712,822	\$ 1,190,256
Marine insurance	775,712	9,770	81,247	398,332	240,508	45,855
Land and air insurance	471,942	6,270	114,497	205,785	41,949	103,441
Liability insurance	735,045	107,503	155,322	360,576	(31,383)	143,027
Guarantee insurance	71,850	3,169	13,243	(2,394)	3,037	54,795
Other property insurance	1,107,631	(26,800)	182,263	189,537	322,095	440,536
Accident insurance	339,596	50,869	78,332	111,717	27,416	71,262
Health insurance	100,867	(172,778)	37,860	3,110,355	957,030	(3,831,600)
Policy-oriented residential earthquake insurance	468,289	7,443	-	-	-	460,846
Compulsory automobile liability insurance	1,233,778	7,760	-	1,223,516	(13,463)	15,965
	<u>\$ 8,181,900</u>	<u>\$ 94,645</u>	<u>\$ 900,431</u>	<u>\$ 6,232,430</u>	<u>\$ 2,260,011</u>	<u>\$ (1,305,617)</u>
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	\$ 695,429	\$ 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>

7) Sensitivity to insurance risk

a) Cathay Century

For the year ended December 31, 2022

Insurance Type	Premium Income	Expected Loss Rate 14	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 3,760,441	41.68%	\$ (188,022)	\$ (74,985)
Marine insurance	994,461	50.43%	(49,723)	(19,330)
Land and air insurance	12,364,988	61.01%	(618,249)	(600,534)
Liability insurance	2,300,538	50.45%	(115,027)	(80,958)
Guarantee insurance	115,950	26.79%	(5,797)	(2,899)
Other property insurance	1,492,370	47.46%	(74,619)	(41,390)
Accident insurance	3,234,700	44.22%	(161,735)	(148,630)
Health insurance	581,266	35.14%	(29,063)	(21,803)
Policy-oriented residential earthquake insurance	468,290	4.10%	(23,415)	(18,732)
Compulsory automobile liability insurance	2,942,130	Not applicable	Not applicable	Not applicable
	<u>\$ 28,255,134</u>		<u>\$ (1,265,650)</u>	<u>\$ (1,009,261)</u>

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>

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, 2022

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	\$ 250,699	16.85%	\$ (12,535)	\$ (12,474)
Marine insurance	9,085	19.80%	(454)	(163)
Fire insurance	329,233	40.48%	(16,462)	(1,324)
Engineering insurance	6,861	53.45%	(337)	(64)
Accident insurance	42,869	36.42%	(2,143)	(2,124)
Liability insurance	<u>3,608</u>	8.27%	<u>(186)</u>	<u>(73)</u>
	<u>\$ 642,355</u>		<u>\$ (32,117)</u>	<u>\$ (16,222)</u>

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>

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.

8) 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, 2022, 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, 2022, the loss rates of pandemic 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 process of insurance claim lawsuits. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of December 31, 2022, 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 execute 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, 2022, 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 the 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, 2022				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 3,760,441	\$ 435,562	\$ 2,605,982	\$ 1,590,021	7.31
Marine insurance	994,461	26,617	767,682	253,396	1.17
Land and air insurance	12,364,988	12,942	471,909	11,906,021	54.74
Liability insurance	2,300,538	774	733,488	1,567,824	7.21
Guarantee insurance	115,950	5,932	71,850	50,032	0.23
Other property insurance	1,492,370	71,692	1,098,209	465,853	2.14
Accident insurance	3,234,700	5,204	339,596	2,900,308	13.34
Health insurance	581,266	8,856	100,867	489,255	2.25
Policy-oriented residential earthquake insurance	468,290	59,219	468,289	59,220	0.27
Compulsory automobile liability insurance	2,942,130	758,002	1,233,778	2,466,354	11.34
Total	\$ 28,255,134	\$ 1,384,800	\$ 7,891,650	\$ 21,748,284	100.00

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

- iii. Disclosure of the past management of property insurance business regarding the management risks with low frequency of occurrence but enormous impact, to 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, 2022, 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, 2022, the premium revenues of comprehensive travel insurance of Cathay Insurance (Vietnam) have increased year-on-year resulting from the increased demand for traveling since Vietnam has returned life to normal. Cathay Insurance (Vietnam) will keep on observing the changes of risk exposure.

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

“The Procedure for Subrogation” and “The Proceedings of the Court” are set up to safeguard the rights of Cathay Insurance (Vietnam) 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, 2022, 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 Co., Ltd. (Vietnam) established the Points for Handling Major Events of Cathay Insurance Co., Ltd. (Vietnam) under which emergency response team is set up in reaction to the event and execute 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, 2022, there is no interaction among risks resulting from a catastrophe.

- v) Concentration of geographical 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, 2022				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 250,699	\$ 860	\$ 33	\$ 251,526	74.82
Flood insurance	9,085	2,303	8,030	3,358	1.00
Fire insurance	329,233	23,181	321,328	31,086	9.25
Engineering insurance	6,861	6,815	9,422	4,254	1.27
Accident insurance	42,869	195	-	43,064	12.81
Liability insurance	3,608	818	1,557	2,869	0.85
Total	\$ 642,355	\$ 34,172	\$ 340,370	\$ 336,157	100.00

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

- 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, will bring tremendous insurance risk 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.

9) Development trends of claims

a) Cathay Century

December 31, 2022

Accident Year	≤ 2015	2016	2017	2018	2019	2020	2021	2022	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	\$ 10,259,775	\$ 43,545,821	
After the first year	-	11,455,620	8,025,062	8,574,948	10,063,196	11,023,615	10,637,168	-	
After the second year	-	10,970,548	7,965,701	8,479,083	9,915,122	11,009,236	-	-	
After the third year	-	11,133,431	8,000,179	8,447,631	9,900,713	-	-	-	
After the fourth year	-	11,177,663	7,977,104	8,413,409	-	-	-	-	
After the fifth year	-	11,102,224	7,993,176	-	-	-	-	-	
After the sixth year	-	11,106,898	-	-	-	-	-	-	
Final estimated claim payments	-	11,106,898	7,993,176	8,413,409	9,900,713	11,009,236	10,637,168	43,545,821	
Accumulated claims disbursed	-	11,077,996	7,938,428	8,361,416	9,573,719	9,589,714	8,670,464	27,852,950	
	236,539	28,902	54,748	51,993	326,994	1,419,522	1,966,704	15,692,871	\$ 19,778,273
Adjustment	-	-	-	-	-	-	-	174,073	174,073
Amount recognized in balance sheet	\$ 236,539	\$ 28,902	\$ 54,748	\$ 51,993	\$ 326,994	\$ 1,419,522	\$ 1,966,704	\$ 15,866,944	\$ 19,952,346

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	\$ 5,000,369	\$ 8,482,849

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 \$1,624,445 thousand and \$1,705,926 thousand as of December 31, 2022, \$1,636,748 thousand and \$1,580,057 thousand as of December 31, 2021.

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	
	2022	2021
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 1,675,024,629	\$ 1,929,395,229
Financial assets at FVTOCI	929,052,914	1,626,821,625
Financial assets for hedging	29,891	500,642
Financial assets at amortized cost		
Cash and cash equivalents	412,013,900	467,635,057
Due from the Central Bank and call loans to banks	266,322,216	234,546,475
Debt instruments at amortized cost	4,510,776,595	3,266,686,240
Notes and bonds purchased under resale agreements	38,076,491	77,243,060
Discounts and loans, net	2,495,516,810	2,287,115,449
Receivables, net	217,153,186	205,480,862
Other financial assets, net	669,832,659	741,107,026
Guarantee deposits paid	76,325,669	36,253,079
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	182,999,244	79,934,187
Financial liabilities for hedging	3,716,091	20,956
Financial liabilities at amortized cost		
Deposits from the Central Bank and banks	97,309,239	74,605,174
Due to the Central Bank and banks	-	1,076,000
Notes and bonds sold under repurchase agreements	34,723,428	39,827,873
Commercial paper payable, net	73,880,000	63,469,166
Payables	73,787,470	76,870,285
Deposits and remittances	3,185,436,089	2,871,960,053
Bonds payable	132,147,398	141,800,000
Other borrowings	12,763,713	1,670,185
Other financial liabilities	720,648,395	763,908,198
Lease liabilities	19,240,853	14,721,170
Guarantee deposits received	12,004,348	14,457,919

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, 2022				December 31, 2021			
	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	\$ 416,247,404	\$ 408,945,237	\$ 568,290	\$ 6,733,877	\$ 556,703,945	\$ 538,060,770	\$ 12,026,990	\$ 6,616,185
Bonds	339,757,260	43,181,978	293,931,134	2,644,148	384,289,144	13,933,074	367,464,550	2,891,520
Other	815,745,994	497,446,455	115,564,993	202,734,546	935,660,571	557,774,762	192,388,208	185,497,601
Financial assets at FVTOCI								
Stocks	116,432,806	105,173,539	-	11,259,267	176,155,083	162,871,952	-	13,283,131
Bonds (Note)	579,711,806	107,142,057	472,569,749	-	1,426,163,420	151,032,840	1,275,130,580	-
Other	246,261,699	-	246,261,699	-	25,599,336	-	25,599,336	-
Liabilities								
Financial liabilities at FVTPL								
Financial liabilities designated as at FVTPL	39,076,751	-	39,076,751	-	40,587,123	-	40,587,123	-
Held for trading	972,190	972,190	-	-	1,045,405	1,045,405	-	-
<u>Derivative instruments</u>								
Assets								
Financial assets at FVTPL	103,273,971	399,573	97,915,434	4,958,964	52,741,569	342,275	48,033,674	4,365,620
Financial assets for hedging	29,891	-	29,891	-	500,642	-	500,642	-
Liabilities								
Financial liabilities at FVTPL	142,950,303	236,563	137,754,776	4,958,964	38,301,659	660,426	33,275,613	4,365,620
Financial liabilities for hedging	3,716,091	-	3,716,091	-	20,956	-	20,956	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

As of December 31, 2022, due to the availability of market quotes, Cathay Life transferred its investment of \$43,424 thousand in fair value stocks from Level 2 to Level 1.

For the year ended December 31, 2021, 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, 2022		
	Financial Assets		Financial Liabilities
	At FVTPL	At FVTOCI	At FVTPL
Beginning balance	\$ 199,370,926	\$ 13,283,131	\$ 4,365,620
Recognized in profit or loss			
Gain on financial assets and liabilities at FVTPL	21,780,477	-	1,899,979
Loss on reclassification using the overlay approach	(5,573,263)	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	224,764	52,100	-
Other comprehensive income reclassified using the overlay approach	5,573,263	-	-
Gain on financial assets at FVTOCI	-	(2,056,010)	-
Acquisitions or issuances	44,412,823	705,191	68,922
Disposals or settlements	(48,218,891)	(725,145)	(1,375,557)
Transfers in of Level 3	280,635	-	-
Transfers out of Level 3	(779,199)	-	-
Ending balance	<u>\$ 217,071,535</u>	<u>\$ 11,259,267</u>	<u>\$ 4,958,964</u>
	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	(1,436,580)	-	-
Ending balance	<u>\$ 199,370,926</u>	<u>\$ 13,283,131</u>	<u>\$ 4,365,620</u>

Regarding the above amounts recognized in profit or loss for the years ended December 31, 2022 and 2021, unrealized gains of \$673,204 thousand and unrealized gains of \$1,189,618 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 years ended December 31, 2022 and 2021, unrealized losses of \$646,714 thousand and unrealized gains of \$747,974 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, 2022				
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
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	10%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(113%)-281%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	57%-140%	The higher the dividend payout ratio, the higher the fair value estimates
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
	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

Cathay United Bank and its subsidiaries

December 31, 2022				
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, 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

Cathay Securities and its subsidiaries

December 31, 2022					
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, 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%)

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, 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, 2022

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 4,524,789,081	\$ 51,391,454	\$ 3,642,906,760	\$ 484,104	\$ 3,694,782,318

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

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, 2022					Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
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	
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 19,193	\$ -	Financial assets for hedging	\$ (31,937)
IRS	729,315	10,698	-	Financial liabilities for hedging	24,519

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

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, 2022</u>						
IRS						
Nominal principal	\$ -	\$ -	\$ 1,729,315	\$ 3,000,000	\$ -	
Average fixed rate	-	-	1.7%-2.5%	1.7%	-	

		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%	-

c) Hedged items

For the Year Ended December 31, 2022								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Year	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	\$ 31,937	\$ 19,193	N/A	\$ (31,937)	\$ -	\$ -	\$ (39,176)	Net interest gain
Payables	(24,519)	10,698	N/A	24,519	-	-	-	Net interest gain
Discontinued hedge - bond investments	N/A	N/A	-	N/A	N/A	N/A	260	Net interest gain
For the Year Ended December 31, 2021								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Year	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 interest gain
Payables	(28,177)	(20,956)	N/A	28,177	-	-	-	Net interest gain
Discontinued hedge - bond investments	N/A	N/A	(236)	N/A	N/A	N/A	9	Net 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	
	2022	2021
Beginning balance	\$ 51,118	\$ 74,960
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	(7,442)	19,687
Amount reclassified from the cash flow hedge reserve to profit or loss	(38,916)	(48,146)
Tax effects	<u>14,039</u>	<u>4,617</u>
Ending balance	<u>\$ 18,799</u>	<u>\$ 51,118</u>

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, 2022					
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		
Forward	\$ 49,153,550	\$ -	\$ 3,716,091	Financial liabilities for hedging	\$ (4,208,300)

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

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, 2022</u>						
Forward						
Nominal principal	\$	-	\$ -	\$ -	\$ 49,153,550	\$ -
Exchange rate (USD/TWD)		-	-	-	27.2701	-

	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	-

c) Hedged items

For the Year Ended December 31, 2022								
	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	\$ 49,153,550	\$ -	\$ 4,208,300	\$ -	Investment in debt instruments at amortized cost	\$ 4,208,300	\$ -	\$ -
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)	\$ -	Investment in debt instruments at amortized cost	\$ (418,611)	\$ -	\$ -
Overseas bonds	21,550,450	-	(188,400)	-	Investment in debt instruments at amortized cost	(188,400)	-	-

d) Reconciliation of equity component that applied hedge accounting and related other comprehensive income were summarized below:

For the Year Ended December 31		
	2022	2021
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 284,733	\$ 272,911
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	284,405	(105,706)
Amount reclassified to profit or loss	524,011	120,484
Tax effects	(161,683)	(2,956)
Ending balance	<u>\$ 931,466</u>	<u>\$ 284,733</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, 2022

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	\$ 21,481,797	\$ -	\$ 21,481,797	\$ 17,230,342	\$ 2,081,387	\$ 2,170,068

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	\$ 67,385,253	\$ -	\$ 67,385,253	\$ 17,230,342	\$ 31,313,555	\$ 18,841,356

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)

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, if not the financial instruments could be settled at gross amount. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

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

December 31, 2022

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	\$ 84,633,679	\$ -	\$ 84,633,679	\$ 81,976,127	\$ 2,657,552	\$ -

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	\$ 81,976,127	\$ -	\$ 81,976,127	\$ 81,976,127	\$ -	\$ -
Repurchase bonds	30,731,806	-	30,731,806	26,843,862	3,887,944	-

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	-

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, 2022

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	\$ 3,991,622	\$ -	\$ 3,991,622	\$ 4,021,487	\$ -	\$ (29,865)

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

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

g. Reclassification information

Section 4.4 of IFRS 9 “Financial Instruments” provides the principles and regulations for reclassification of financial assets. For practical application, the Accounting Research and Development Foundation of the Republic of China (ARDF) provided a reference guideline on October 7, 2022 on the “Financial Asset Reclassification Concerns of an insurer arising from Changes in the Business Model for Managing Financial Assets due to Drastic Changes in the International Economic Situation”. According to the press release of the FSC, if an insurer intends to reclassify financial assets, it should follow IFRS 9 regulations and the reference guideline of the ARDF.

In 2022, the global financial situation has been in full turmoil, especially from late August 2022 to late September 2022, the stock, bond and foreign exchange markets have experienced drastic changes that are rare in history. Changes are not for single market risk or specific financial asset price fluctuations, but interest rates have risen to the extreme level as defined by the International Insurance Capital Standards (ICS). Cathay Life’s senior management adjusted its investment strategy, performance evaluation and risk management activities in relation to financial assets by September 30, 2022, in order to ensure Cathay Life’s solvency and stable operation. The aforementioned adjustments indicate that Cathay Life’s business model, which was to generate cash flows by both collecting contractual cash flows and selling financial assets, has been changed to a model whose objective is to hold financial assets in order to collect contractual cash flows. Therefore, on October 1, 2022, Cathay Life reclassified its financial assets in accordance with IFRS 9, paragraphs B4.1.2B and B4.4.1 of IFRS 9.

Due to the change in business model, Cathay Life reclassified part of the financial assets at FVTOCI to financial assets measured at amortized cost on October 1, 2022. After the reclassification, other equity increased by \$242,647,172 thousand, financial assets measured at amortized cost increased by \$1,054,624,855 thousand, financial assets at FVTOCI decreased by \$755,311,088 thousand and deferred income tax assets decreased by \$56,666,595 thousand as of October 1, 2022.

As of December 31, 2022, the fair value of the above reclassified financial assets that have not been derecognized amounted to \$759,417,410 thousand. If the financial assets had not been reclassified as of October 1, 2022, other equity would decrease by \$205,982,811 thousand as of December 31, 2022. Fair value gain, after tax, recognized in other comprehensive income amounted to \$36,664,361 thousand from October 1, 2022 to December 31, 2022.

h. 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, 2022					
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	\$ 18,473,749	\$ 18,969,910	\$ 18,473,749	\$ 18,969,910	\$ (496,161)
Debt instruments at amortized cost					
Repurchase agreements	15,297,777	11,761,896	13,290,096	11,761,896	1,528,200

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)

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, 2022					
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
Financial assets at FVTOCI Repurchase bonds	\$ 4,021,487	\$ 3,991,622	\$ 4,021,487	\$ 3,991,622	\$ 29,865

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
Financial assets at FVTOCI Repurchase bonds	\$ 2,654,273	\$ 2,666,221	\$ 2,654,273	\$ 2,666,221	\$ (11,948)

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 utilizes 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 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	
		2022	2021
Equity risk (stock price index)	-10%	\$ (71,112,360)	\$ (83,500,822)
Interest rate risk (yield curve)	+100bps	(102,696,275)	(221,598,455)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(18,142,326)	(12,532,342)

Note 1: Impact of credit spread changes was not included.

Note 2: Effects of hedging were considered.

Note 3: Provision or reversal of reserve for foreign exchange fluctuations was not considered in the change in profit or loss due to foreign currency risk.

Note 4: Change in equity was included in the impact on the change in profit or loss.

Note 5: Data of subsidiaries was not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

Note 6: Since the second quarter of 2022, Cathay Life's equity risk is calculated by including other financial instruments, such as unlisted stocks, hedge funds, private equity funds and infrastructure funds, and the disclosure for comparable period was revised accordingly.

iii. Sensitivity analysis

Summary of Sensitivity Analysis

For the Year Ended December 31, 2022			
Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 9,761,235	\$ 5,143,889
	Appreciation of CNY/USD by 1%	449,528	329,859
	Appreciation of HKD/USD by 1%	(1,266)	283,170
	Appreciation of EUR/USD by 1%	14,018	294,607
	Appreciation of GBP/USD by 1%	290	213,638
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	(385)	(940,470)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(1,639)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(3,654)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,028)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(67,856)
Equity price risk	Increase in equity price by 1%	107,336	7,003,900
For the Year Ended December 31, 2021			
Risk Factor	Variable (+/-)	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	-	(2,007,320)
	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	-	(92,818)
Equity price risk	Increase in equity price by 1%	67,094	8,553,468

- Note 1: Impact of credit spread changes was not considered.
- 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 the change 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.
- Note 6: Since the second quarter of 2022, Cathay Life's equity risk is calculated by including other financial instruments, such as unlisted stocks, hedge funds, private equity funds and infrastructure funds, and the disclosure for comparable period was revised accordingly.
- Note 7: Since the fourth quarter of the major investment of New Taiwan dollar Bond-linked ETF are foreign bonds, and Cathay Life adjusted the sensitivity disclosure of interest rate, and its disclosure for comparable period accordingly.

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 LIBORs, 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 has expired on the original termination date of December 31, 2021, and it is recommended that relevant measures be taken as soon as possible to reduce the risks arising 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 the 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 transitioned 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 for the cessation of USD LIBOR to the board of the directors semi-annually as required by authority.

As at December 31, 2022, 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	\$ 277,668,705	\$ -
Loans	892,433	-

2) Credit risk

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:

- 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.
- 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.
- 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, 2022

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 222,557,044	\$ 8,118,563	\$ 152,250	\$ 67,519,659	\$ 14,713,280	\$ 313,060,796
Financial assets at FVTPL	53,064,453	11,994,548	96,520,732	88,419,141	11,507,321	261,506,195
Financial assets at FVTOCI	12,849,696	20,985,346	44,478,922	162,192,932	104,411,118	344,918,014
Financial assets for hedging	10,544	-	-	8,649	-	19,193
Financial assets at amortized cost	<u>129,720,872</u>	<u>229,815,612</u>	<u>607,127,824</u>	<u>1,999,938,066</u>	<u>1,010,414,398</u>	<u>3,977,016,772</u>
	<u>\$ 418,202,609</u>	<u>\$ 270,914,069</u>	<u>\$ 748,279,728</u>	<u>\$ 2,318,078,447</u>	<u>\$ 1,141,046,117</u>	<u>\$ 4,896,520,970</u>
Proportion	8.5%	5.5%	15.3%	47.4%	23.3%	100%

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	<u>133,223,615</u>	<u>186,812,778</u>	<u>446,310,424</u>	<u>1,306,524,756</u>	<u>608,616,760</u>	<u>2,681,488,333</u>
	<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%

ii. Regional distribution of maximum risk exposure for Cathay Life's secured loans:

December 31, 2022

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 183,312,721	\$ 42,186,493	\$ 55,912,566	\$ 1,259,825	\$ 282,671,605
Non-accrual receivables	<u>520,568</u>	<u>12,562</u>	<u>18,155</u>	<u>1,379,494</u>	<u>1,930,779</u>
	<u>\$ 183,833,289</u>	<u>\$ 42,199,055</u>	<u>\$ 55,930,721</u>	<u>\$ 2,639,319</u>	<u>\$ 284,602,384</u>
Proportion	64.6%	14.8%	19.7%	0.9%	100%

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	<u>606,067</u>	<u>25,133</u>	<u>37,039</u>	<u>1,976,800</u>	<u>2,645,039</u>
	<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%

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 collateral of the borrowers had been 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 Corp. 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, 2022					
	Stage 1		Stage 2		Stage 3	
	12-month Expected Credit Losses		Lifetime Expected Credit Losses		Purchased or Originated Credit-impaired Financial Assets	Gross Carrying Amount
Investment grade						
Debt instruments at FVTOCI	\$ 334,627,073	\$ -	\$ -	\$ -	\$ -	\$ 334,627,073
Financial assets at amortized cost	3,947,124,047	-	-	-	(1,466,690)	3,945,657,357
Non-investment grade						
Debt instruments at FVTOCI	6,389,795	186,515	3,714,631	-	-	10,290,941
Financial assets at amortized cost	12,233,358	2,330,571	18,792,809	-	(1,997,323)	31,359,415
December 31, 2021						
	Stage 1		Stage 2		Stage 3	
	12-month Expected Credit Losses		Lifetime Expected Credit Losses		Purchased or Originated Credit-impaired Financial Assets	Gross Carrying Amount
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)	2,667,215,132
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

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, 2022							
	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	\$ 277,691,739	\$ 1,306,065	\$ 5,604,580	\$ -	\$ (1,200,475)	\$ (3,147,892)	\$ 280,254,017
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

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, 2022	\$ 345,894	\$ -	\$ -	\$ -	\$ 345,894
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(1,066)	1,066	-	-	-
Transferred to credit-impaired financial assets	(2,270)	-	2,270	-	-
New financial assets originated or purchased	80,837	-	95	-	80,932
Financial assets that have been derecognized during the year	(594,037)	(95,454)	-	-	(689,491)
Changes in models/risk parameters	244,664	123,266	841,804	-	1,209,734
Foreign exchange and other movements	70,246	4,122	72,885	-	147,253
December 31, 2022	<u>\$ 144,268</u>	<u>\$ 33,000</u>	<u>\$ 917,054</u>	<u>\$ -</u>	<u>\$ 1,094,322</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, 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 year	(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>

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, 2022	\$ 627,027	\$ 117,199	\$ -	\$ -	\$ 744,226
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses during the duration of the period	(288)	288	-	-	-
Transferred to credit-impaired financial assets	(4,064)	-	4,064	-	-
Transferred to 12-month expected credit losses	24,139	(24,139)	-	-	-
New financial assets originated or purchased	314,453	-	49	-	314,502
Financial assets that have been derecognized during the year	(132,759)	(71,281)	-	-	(204,040)
Changes in models/risk parameters	601,034	190,922	1,557,613	-	2,349,569
Foreign exchange and other movements	<u>60,208</u>	<u>2,420</u>	<u>197,128</u>	<u>-</u>	<u>259,756</u>
December 31, 2022	<u>\$ 1,489,750</u>	<u>\$ 215,409</u>	<u>\$ 1,758,854</u>	<u>\$ -</u>	<u>\$ 3,464,013</u>

	Lifetime Expected Credit Losses				Total of Impairment Charged in Accordance with IFRS 9
	12-month Expected Credit Losses	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 year	(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>

For debt instruments at FVTOCI and financial assets measured at amortized cost in foreign bonds, Cathay Life transferred the 12-month expected credit losses to lifetime expected credit losses when assessing the loss allowance as the Russian-Ukrainian War broke out in February 2022, international economic sanctions were imposed on Russia and its credit ratings were largely downgraded, which was evaluated as a credit-impairment event.

iii. Secured loans and non-accrual receivables

	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, 2022	\$ 27,181	\$ 3,679	\$ 694,683	\$ -	\$ 725,543	\$ 4,423,948	\$ 5,149,491
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(3)	71,310	(71,307)	-	-	-	-
Transferred to credit-impaired financial assets	(28)	(3)	31	-	-	-	-
Transferred to 12-month expected credit losses	193	(21)	(172)	-	-	-	-
New financial assets originated or purchased	11,520	-	14,782	-	26,302	-	26,302
Financial assets that have been derecognized during the year	(4,284)	(2,029)	(71,967)	-	(78,280)	-	(78,280)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(1,276,056)	(1,276,056)
Changes in models/risk parameters	91,244	(67,928)	503,594	-	526,910	-	526,910
December 31, 2022	<u>\$ 125,823</u>	<u>\$ 5,008</u>	<u>\$ 1,069,644</u>	<u>\$ -</u>	<u>\$ 1,200,475</u>	<u>\$ 3,147,892</u>	<u>\$ 4,348,367</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, 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 year	(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>

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 Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2022</u>					
Gross carrying amount (Note)	\$ 24,167,420	\$ 63,738	\$ 175	\$ -	\$ 24,231,333
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,275	17	-	1,292

Note: Notes receivable of \$84,290 thousand and other receivables of \$24,147,043 thousand were included.

	Aging of Receivables Recognized				
	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.

The movement of loss allowance were as follows:

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 1,031	\$ 1,611
Provision (reversal) for the current year	<u>261</u>	<u>(580)</u>
Ending balance	<u>\$ 1,292</u>	<u>\$ 1,031</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 its 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, 2022				
	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	\$ 21,112,481	\$ 773,900	\$ 257,959	\$ 194,121	\$ -
Other financial liabilities	684,274	508,721	3,111,951	2,130,410	1,086,821
Bonds payable (Note 1)	559,620	1,194,411	2,715,000	6,885,000	80,600,000
Lease liabilities (Note 2)	365,854	603,735	693,767	2,362,748	34,174,095
<u>Derivative financial liabilities</u>					
SWAP	40,838,254	5,746,330	-	-	-
Forward	22,292,640	4,562,550	3,104,900	-	-
CCS	1,644,997	5,797,653	845,644	-	-
	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 1)	559,620	1,194,411	2,715,000	8,145,000	82,055,000
Lease liabilities (Note 2)	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	-	-	-	-

Note 1: 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 2: For lease liabilities, the remaining periods used to calculate the contractual cash flows were from 1 to 70 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 Cathay United Bank and its subsidiaries 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.

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

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 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 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 credit risk has increased significantly since 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 Baa3 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 loan with 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 are the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, CUBCN Bank determines the financial assets to be subject to default and credit impairment.

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 forward-looking 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 and interbank loans	Grouped by product category and internal/external credit rating
Billing factoring receivables business	Grouped by product category and internal/external credit rating
Off-balance sheet credit business	Grouped by product category and internal/external credit rating
Bond business	Grouped by product category and internal/external credit rating
Due from banks, interbank lending market and reverse repurchase	Grouped by product category and internal/external credit rating
Other receivables	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 based on the historical data, 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 as a reference for the evaluation.
- 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, credit rating and payment ranks
Cash equivalents, due from and call loans to banks	Grouped by product category and internal/external credit rating

i) Loan portfolio

The measurement of expected credit loss of Indovina Bank's loan portfolio is based on its product category, counterparty type and enterprise size, 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 Indovina 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.

iii) Cash equivalents, deposits and interbank lending

The measurement of expected credit loss of Indovina Bank's cash equivalents, due from banks and call loans to banks is based on its counterparty type. The probabilities of default were built by Vietnam's sovereign credit ratings, and loss given default were built by the method based on Basel II and 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 increase 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 type 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 amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

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 do peruse 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 uses the regression model to estimate the impairment parameter after the prospective adjustment. The significant economic factors and their impact on PD differ depending on the type of financial instruments.

The significant economic factors identified by Cathay United Bank in 2022 are as follows:

Credit Category	Probability of Default (PD)
Enterprise loan	Proportion of revenue less expenditures from government to GDP % Nominal GDP %
Consumer loan	GDP per capita Unemployment rate % Price index
Credit card	Price index

CUBCN Bank

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

The relevant economic factors identified by CUBCN Bank in 2022 include but are not limited to gross domestic product (GDP) published by the National Bureau of Statistics of China and other government authorities, consumer price index (CPI), producer price index (PPI) and supply of currency, 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 2022 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 2022 are as follows:

Segment	Selected Factors
Loans	Change of GDP (%) Change of volume of imports (%) Total external debt as percent of GDP (%) Change in reserves
Credit card	Total investment as percent of GDP (%) Change of inflation (%) Portfolio investment, net Change of volume of exports (%)

The valuation techniques or significant assumptions used by the Cathay United Bank and its subsidiaries for assessing the expected credit losses have no significant change for the year ended December 31, 2022.

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

ii. Grade of credit quality

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

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

With respect to consumer credit assets such as housing mortgages, credit cards, and small-scale credit loans, the Bank also evaluates default risk of clients by using the credit rating scores developed by the 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-based 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, the 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, 2022	December 31, 2021
Irrevocable loan commitments	\$ 167,371,093	\$ 171,600,838
Credit card commitments	805,391,737	770,929,935
Unused commercial letters of credit	6,869,348	6,566,178
Guarantees on duties and contracts	19,613,957	18,242,569

ii) Indovina Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2022	December 31, 2021
Financial guarantee contracts	\$ 1,308,628	\$ 1,292,761
Unused commercial letters of credit	387,030	994,336

iii) CUBC Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2022	December 31, 2021
Financial guarantee contracts	\$ 19,684	\$ 20,528
Credit card commitments	330,599	269,953
Irrevocable loan commitments	268,441	338,751

iv) CUBCN Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2022	December 31, 2021
Financial guarantee contracts	\$ 289,824	\$ 255,149
Unused commercial letters of credit	573,635	621,893
Irrevocable loan commitments	262,406	1,016,657

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, the Bank has set Guidelines Governing Collateral to ensure that collateral meets the specific criteria and has the effect of reducing the business risk.

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

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

December 31, 2022

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	\$ 1,996,179,020	\$ 66,527,131	\$ 17,394,606	\$ -
Less: Allowance impairment	(3,408,785)	(2,480,491)	(6,433,892)	-
Less: Difference from impairment charged in accordance with regulations	-	-	-	(22,695,132)
	<u>\$ 1,992,770,235</u>	<u>\$ 64,046,640</u>	<u>\$ 10,960,714</u>	<u>\$ (22,695,132)</u>
				<u>\$ 2,045,082,457</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	\$ 118,271,889	\$ 1,880,551	\$ 2,003,379	\$ -
Less: Allowance impairment	(506,839)	(360,011)	(1,591,166)	-
Less: Difference from impairment charged in accordance with regulations	-	-	-	(58,994)
	<u>\$ 117,765,050</u>	<u>\$ 1,520,540</u>	<u>\$ 412,213</u>	<u>\$ (58,994)</u>
				<u>\$ 119,638,809</u>

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	\$ -
Less: Allowance impairment	(3,442,880)	(1,990,988)	(5,005,473)	-
Less: Difference from impairment charged in accordance with regulations	-	-	-	(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	\$ -
Less: Allowance impairment	(418,248)	(288,704)	(1,658,913)	-
Less: Difference from impairment charged in accordance with regulations	-	-	-	(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>

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-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			
	2022		2021	
	Amount	%	Amount	%
Manufacturing	\$ 180,834,137	8.60	\$ 157,020,976	8.45
Financial institutions and insurance	88,601,202	4.21	85,199,467	4.58
Leasing and real estate	206,214,278	9.80	177,239,865	9.53
Individuals	1,326,538,540	63.07	1,169,015,836	62.89
Others	<u>301,179,305</u>	<u>14.32</u>	<u>270,414,254</u>	<u>14.55</u>
	<u>\$ 2,103,367,462</u>	<u>100.00</u>	<u>\$ 1,858,890,398</u>	<u>100.00</u>

Geographic Region	December 31			
	2022		2021	
	Amount	%	Amount	%
Domestic	\$ 1,824,223,790	86.73	\$ 1,603,854,334	86.28
Asia	225,080,654	10.70	197,945,764	10.65
America	39,009,043	1.85	41,734,650	2.25
Others	<u>15,053,975</u>	<u>0.72</u>	<u>15,355,650</u>	<u>0.82</u>
	<u>\$ 2,103,367,462</u>	<u>100.00</u>	<u>\$ 1,858,890,398</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 Cathay United 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 principle of liquidity risk management strategy of Cathay United Bank and its subsidiaries is to stabilize the liquidity of funds. The first priority of 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. If necessary, the Asset and Liability Management Committee may be convened to discuss solutions.

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 holds 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 other banks, financial assets at FVTPL, financial assets at FVTOCI, investments in debt instruments at amortized cost, discounts and loans, and securities purchased under resell 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, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 26,294,815	\$ 24,698,838	\$ 29,836,399	\$ 33,136	\$ 80,863,188
Central Bank and interbank lending					
Non-derivative financial liabilities at FVTPL	93,455	-	516,815	39,613,320	40,223,590
Notes and Bonds sold under repurchase agreements	19,238,256	8,399,398	-	-	27,637,654
Payables	23,033,030	3,674,958	58,834	496,028	27,262,850
Deposits and remittances	509,020,050	1,238,894,551	1,259,165,792	149,088,303	3,156,168,696
Financial debentures payable	-	10,493,264	-	27,100,000	37,593,264
Lease liabilities	129,360	547,937	675,597	1,783,493	3,136,387
Other capital outflow at maturity	20,809,680	27,951,203	4,986,616	534,345	54,281,844

	December 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and 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
Notes and Bonds 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

Additional information about the maturity analysis for lease liabilities:

	December 31	
	2022	2021
Less than 1 year	\$ 1,352,894	\$ 1,137,025
1-5 years	1,537,290	1,714,563
5-10 years	<u>246,203</u>	<u>314,618</u>
	<u>\$ 3,136,387</u>	<u>\$ 3,166,206</u>

iii. Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by Cathay United Bank include:

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

The table below shows the net settled derivative financial instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. The analysis of contractual maturity dates illustrates all derivative financial instruments listed on the 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, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 141,905	\$ 10,164	\$ 6,939	\$ 145	\$ 159,153
Interest rate derivative instruments	<u>123,831</u>	<u>1,014,294</u>	<u>656,157</u>	<u>28,009,413</u>	<u>29,803,695</u>
	<u>\$ 265,736</u>	<u>\$ 1,024,458</u>	<u>\$ 663,096</u>	<u>\$ 28,009,558</u>	<u>\$ 29,962,848</u>
	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>

Gross settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: Foreign exchange SWAP;
- ii) Interest rate derivative instruments: Cross currency CCS;
- 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, 2022				
	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	\$ (8,726,496)	\$ (12,860,888)	\$ (1,873,183)	\$ (748,879)	\$ (24,209,446)
Cash inflow	1,799	17,705	2,131	-	21,635
Interest rate derivative instruments					
Cash outflow	(262,286)	(468,125)	(1,062,239)	(351,193)	(2,143,843)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(8,988,782)	(13,329,013)	(2,935,422)	(1,100,072)	(26,353,289)
Cash inflow subtotal	1,799	17,705	2,131	-	21,635
Net cash flow	<u>\$ (8,986,983)</u>	<u>\$ (13,311,308)</u>	<u>\$ (2,933,291)</u>	<u>\$ (1,100,072)</u>	<u>\$ (26,331,654)</u>

	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	4,813	7,496	2,222	-	14,531
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>

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 is shown as follows:

December 31, 2022

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 134,435,530	\$ 23,859,560	\$ 9,076,003	\$ 167,371,093
Credit card commitments	50,692,716	205,458,267	549,240,754	805,391,737
Financial guarantee contracts	21,216,584	5,225,513	41,208	26,483,305

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

3) Market risk

a) Source and definition of market risk

Market risk is the potential gain or 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 the 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 market risk factors.

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 test, 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, the relevant measures will be implemented immediately. If it meets special circumstance, the transaction department should document the responding 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 150bp, changes in domestic and foreign equity securities price at 15% and 20% respectively, foreign exchange rate at 5%, 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 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 DV01 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 and its subsidiaries 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 exchange 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 5% 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 market risk in addition to the country, industries and companies. The above limitations are approved by the board of directors. Once the transaction reaches its stop-loss limitation, a response will be implemented immediately. In special circumstances, the transaction department should document the reason plan, report to the executive management for approval and report to the board of directors regularly.

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.

h) Value-at-risk of the trading books

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

December 31, 2022				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 252,904	\$ 292,247	\$ 215,547	\$ 267,725
Foreign exchange	154,112	227,124	84,253	149,695
Equity securities price	159,701	365,415	61,215	69,494

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

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

i) Market risk 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 Testing			
Market/Product	Scenarios	December 31, 2022	December 31, 2021
Stock market	Major stock exchanges +15%	\$ 524,137	\$ 2,542,569
	Major stock exchanges -15%	(524,137)	(2,542,569)
	Abroad stock exchanges +20%	39,238	296,279
	Abroad stock exchanges -20%	(39,238)	(296,279)
Interest rate/bond market	Major interest rate +150bp	(2,596,593)	(627,223)
	Major interest rate -150bp	1,408,178	1,472,050
Foreign exchange market	Major currencies +5%	277,947	498,076
	Major currencies -5 %	(277,947)	(498,076)

The information of stress testing is defined by risk market policy of the trading book.

j) Market risk 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% in the underlying stock prices fluctuation. Cathay United Bank’s equity portfolios include stocks and equity index options.

Risk Factors	Changes (+/-)	December 31, 2022	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	\$ 55,589	\$ -
	Exchange rate of each currency - 1%	(55,589)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(17,311)	-
	Yield curves parallel shift - 1bp	9,388	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	1,564	35,340
	Equity securities price - 1%	(1,564)	(35,340)

Risk Factors	Changes (+/-)	December 31, 2021	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	\$ 99,615	\$ -
	Exchange rate of each currency - 1%	(99,615)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(4,181)	-
	Yield curves parallel shift - 1bp	9,814	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	35,274	149,044
	Equity securities price - 1%	(35,274)	(149,044)

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

k) 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 risk management policies changes, 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, 2022, 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, 2022 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 at FVTOCI	
Financial assets linked to USD LIBOR	\$ <u>1,998,906</u>
Investments in debt instruments at amortised cost	
Financial assets linked to USD LIBOR	\$ <u>1,195,787</u>
Discounts and loans	
Financial assets linked to USD LIBOR	\$ 52,539,575
Financial assets linked to SGD SOR	<u>3,830,164</u>
	<u>\$ 56,369,739</u>

The following table contains details of derivative financial instruments held by Cathay United Bank at December 31, 2022 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
Interest rate swaps			
Financial assets linked to USD LIBOR	\$ <u>36,184,430</u>	\$ <u>4,830,161</u>	\$ <u>1,082,628</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 resulting from changes in market risk factors, such as exchange rate, product price, interest rate, credit spread, and stock price, which 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 whether the event would result in losses to the current investment portfolio in the event.

ii) Hypothetical scenario

Cathay Century and its subsidiaries make reasonable assumptions for extreme market changes that may occur in the future, put related changes in related risk factors to the current investment portfolio and consider the correlation between the investment targets and 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, 2022	December 31, 2021
Equity price risk (index)	-10%	\$ (682,146)	\$ (1,097,510)
Interest rate risk (yield curve)	+20bps	(152,371)	(127,128)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(137,826)	(156,646)

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 to the consolidated financial statements.

- 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.

- Sensitivity analysis

For the Year Ended December 31, 2022			
Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates %	\$ 30,462	\$ 4,978
	CNY appreciates %	667	-
	HKD appreciates %	912	545
	EUR appreciates %	492	117
	VND appreciates %	-	7,008
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by bp	(4,511)	-
	Yield curve (CNY): Upward parallel shift by bp	(28)	-
	Yield curve (NTD): Upward parallel shift by bp	(2,128)	(897)
	Increases % in equity price	-	68,215

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

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 to the consolidated financial statements.

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 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 the 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. Regional distribution of maximum risk exposure for Cathay Century and its subsidiaries' financial assets:

December 31, 2022

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 17,436,617	\$ -	\$ -	\$ -	\$ 288,862	\$ 17,725,479
Financial assets at FVTPL	304,838	-	-	-	-	304,838
Financial assets at FVTOCI	685,847	-	-	-	-	685,847
Financial assets at amortized cost	3,071,874	-	1,434,559	3,647,593	1,798,725	9,952,751
Total	\$ 21,499,176	\$ -	\$ 1,434,559	\$ 3,647,593	\$ 2,087,587	\$ 28,668,915
Proportion	74.99%	-	5.01%	12.72%	7.28%	100.00%

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%

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 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 Corp. 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, 2022					
	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	\$ 685,847	\$ -	\$ -	\$ -	\$ -	\$ 685,847
Financial assets measured at amortized cost	9,956,466	-	-	-	(3,715)	9,952,751

	December 31, 2021					
	Stage 1		Stage 2		Stage 3	
	12-month Expected Credit Losses		Lifetime Expected Credit Losses		Purchased or Originated Credit-impaired Financial Assets	Loss Allowance
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 728,828		\$ -		\$ -	\$ -
Financial assets measured at amortized cost	7,764,815		-		-	(2,280)
						7,762,535

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, 2022					
	Stage 1		Stage 2		Stage 3	
	12-month Expected Credit Losses		Lifetime Expected Credit Losses		Purchased or Originated Credit-impaired Financial Assets	Loss Allowance
Secured loans	\$ 139,828		\$ -		\$ -	\$ (1,884)
						\$ 137,944

	December 31, 2021					
	Stage 1		Stage 2		Stage 3	
	12-month Expected Credit Losses		Lifetime Expected Credit Losses		Purchased or Originated Credit-impaired Financial Assets	Loss Allowance
Secured loans	\$ 188,921		\$ -		\$ -	\$ (2,458)
						\$ 186,463

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, 2022	\$ 19	\$ -	\$ -	\$ -	\$ 19
Changes in models/risk parameters	15	-	-	-	15
December 31, 2022	<u>\$ 34</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34</u>
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>

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, 2022	\$ 2,280	\$ -	\$ -	\$ -	\$ 2,280
Changes in models/risk parameters	<u>1,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,435</u>
December 31, 2022	<u>\$ 3,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,715</u>
January 1, 2021	\$ 6,120	\$ -	\$ 10,311	\$ -	\$ 16,431
Changes in models/risk parameters	<u>(3,840)</u>	<u>-</u>	<u>(10,311)</u>	<u>-</u>	<u>(14,151)</u>
December 31, 2021	<u>\$ 2,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,280</u>

iii. Secured loans

		Lifetime Expected Credit Losses					Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	
	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			Total
January 1, 2022	\$ 43	\$ -	\$ -	\$ -	\$ 43	\$ 2,415		\$ 2,458
Changes in model/risk parameters	27	-	-	-	27	-		27
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(601)		(601)
December 31, 2022	<u>\$ 70</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70</u>	<u>\$ 1,814</u>		<u>\$ 1,884</u>
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>

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, 2022	Due	Overdue	Total
Carrying amount	\$ 1,595,293	\$ 647,179	\$ 2,242,472
Expected credit loss rate	1.04%	8.05%	
Lifetime expected credit losses	\$ 16,578	\$ 52,077	\$ 68,655

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

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 default risk that Cathay Century and its subsidiaries is unable to turn assets into cash or obtain sufficient funds to meet matured obligations. Market liquidity risk represents the risk of significant changes in fair value that Cathay Century faces when it sells or offsets its assets during market 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 uses cash flow model and stress testing to assess cash flow risk. Moreover, Cathay Century and its subsidiaries has drawn up a plan for capital requirements with respect to abnormal and emergency conditions to deal with significant liquidity risk.

The analysis of cash outflows to Cathay Century and its subsidiaries are 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, 2022

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,239,952	\$ 45,023	\$ 8,319	\$ 9,002	\$ 5,997
Lease liabilities	77,773	30,880	5,306	1,552	-
<u>Derivative financial liabilities</u>					
Swap	178,805	-	-	-	-

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	-	-	-	-

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 and its subsidiaries compile 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 compile 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, 2022			
	Average	Highest	Lowest	End of Period
VaR	\$ 26,328	\$ 39,680	\$ 14,383	\$ 37,440

	For the Year Ended December 31, 2021			
	Average	Highest	Lowest	End of Period
VaR	\$ 35,508	\$ 79,243	\$ 20,425	\$ 26,051

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, 2022
Stress Test Table

(In Thousands of New Taiwan Dollars)

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (188,484)
Interest rate risk (yield curve)	+50bps	(105,313)
Exchange rate risk (exchange rate)	3%	108
Product risk (price)	-10%	-

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%	-

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, 2022	\$ 342	\$ 378	\$ 18	\$ 3,747	\$ 646	\$ 81	\$ 74	\$ 5,286
Increase (decrease)	2,442	(188)	5	2,226	(352)	(1)	-	4,132
Recoveries of credits written off	-	-	-	185	-	-	-	185
Written off	-	-	-	(374)	-	-	-	(374)
Balance at								
December 31, 2022	<u>\$ 2,784</u>	<u>\$ 190</u>	<u>\$ 23</u>	<u>\$ 5,784</u>	<u>\$ 294</u>	<u>\$ 80</u>	<u>\$ 74</u>	<u>\$ 9,229</u>
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>

4) Capital liquidity risk analysis:

Bank loans are important liquidity resource for Cathay Securities and its subsidiaries. As of December 31, 2022 and 2021, the unused credits of short-term bank loans of Cathay Securities and its subsidiaries amounted to \$9,173,021 thousand and \$8,918,105 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, 2022					
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	\$ 733,178	\$ -	\$ -	\$ -	\$ 733,178
Financial liabilities at FVTPL	1,202,232	647	-	-	1,202,879
Liabilities for bonds with repurchase agreements	3,991,622	-	-	-	3,991,622
Short sale margins and payables for short sale collateral received	236,338	472,676	709,014	2,836,062	4,254,090
Securities lending margin - deposit received	566	1,132	1,698	6,800	10,196
Futures trader's equity	14,121,660	-	-	-	14,121,660
Accounts payable	11,777,015	-	196,410	571,367	12,544,792
Other financial liabilities	25,157	-	-	-	25,157
Lease liabilities	7,509	15,241	20,926	37,875	81,551
Others	<u>1,036,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,036,595</u>
Total	<u>\$ 33,131,872</u>	<u>\$ 489,696</u>	<u>\$ 928,048</u>	<u>\$ 3,452,104</u>	<u>\$ 38,001,720</u>
% to the total	87.19%	1.29%	2.44%	9.08%	100%

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, 2022					
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	\$ 3,207,478	\$ -	\$ -	\$ -	\$ 3,207,478
Financial assets at FVTPL					
Securities lending	14,250	-	-	-	14,250
Operation securities	2,323,599	-	-	-	2,323,599
Open-end funds and beneficiary certificates	1,653,645	-	-	-	1,653,645
Futures trading margin	159,636	-	-	-	159,636
Structured products	159	-	-	-	159
Financial assets at FVTOCI - current	4,021,487	-	-	-	4,021,487
Securities financing receivables	376,847	740,404	1,110,606	4,442,419	6,670,276
Refinancing margin and refinancing deposits receivable	2,873	5,746	8,619	34,480	51,718
Security lending receivable	132,946	265,892	398,836	-	797,674
Customer's margin accounts	14,143,696	-	-	-	14,143,696
Security lending deposits price and security lending margin deposits paid	85,267	170,534	255,801	1,023,198	1,534,800
Receivables	11,054,636	-	-	44,491	11,099,127
Others	<u>1,455,722</u>	<u>1,463</u>	<u>2,195</u>	<u>1,255,491</u>	<u>2,714,871</u>
	<u>38,632,241</u>	<u>1,184,039</u>	<u>1,776,057</u>	<u>6,800,079</u>	<u>48,392,416</u>
Residual cash	\$ 5,500,369	\$ 694,343	\$ 848,009	\$ 3,347,975	\$ 10,390,696

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	<u>11,915,461</u>	<u>265</u>	<u>397</u>	<u>1,600,000</u>	<u>13,516,123</u>
	<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

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, 2022 and 2021, Cathay Life and its subsidiaries both provided loans amounting to GBP331,300 thousand in both years, as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

Cathay Life and its subsidiaries

- 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:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
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, 2022 and 2021, the carrying amounts of Cathay Life and its subsidiaries' assets related to its interests in unconsolidated structured entities are disclosed as follows:

	<u>December 31, 2022</u>	
	<u>Private Equity Funds</u>	<u>Asset-backed Securities</u>
Financial assets at FVTPL	\$ 202,700,255	\$ 30,603,875
Financial assets at FVTOCI	-	36,131,806
Debt instruments at amortized cost	-	160,118,682
	<u>\$ 202,700,255</u>	<u>\$ 226,854,363</u>

	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>

Cathay United Bank and its subsidiaries

- a) Cathay United Bank and its subsidiaries do not provide financial support or other support to the unconsolidated structured entities. Cathay United Bank and its subsidiaries' maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets Cathay United Bank and its subsidiaries recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

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

- b) As of December 31, 2022 and 2021, 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	
	2022	2021
Financial assets at FVTOCI	\$ 7,052,947	\$ 10,163,330
Investments in debt instruments measured at amortised cost	<u>64,589,746</u>	<u>40,400,178</u>
	<u>\$ 71,642,693</u>	<u>\$ 50,563,508</u>

Cathay Century and its subsidiaries

- a) Cathay Century and its subsidiaries does not provide financial support or other support to the unconsolidated structured entities. Cathay Century and its subsidiaries' maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets recognized by Cathay Century and its subsidiaries. The information of the recognized unconsolidated structured entities is disclosed as follows:

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

- b) As of December 31, 2022 and 2021, the carrying amounts of assets recognized by Cathay Century relating to its interests in unconsolidated structured entities are disclosed as follows:

	December 31	
	2022	2021
Financial assets at FVTPL	\$ 343,499	\$ 254,142
Debt instruments measured at amortized cost	<u>324,346</u>	<u>318,445</u>
	<u>\$ 667,845</u>	<u>\$ 572,587</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, 2022		
Item	Shareholding Proportion of the Company	Eligible Capital	Statutory Capital Requirements
The Company	100%	\$ 598,506,595	\$ 735,471,177
Cathay United Bank	100%	289,995,650	198,045,076
Cathay Securities	100%	10,337,606	2,437,299
Cathay Life	100%	636,354,819	402,166,250
Cathay Century	100%	12,305,548	6,674,084
Cathay Venture	75%	4,642,412	2,711,141
Cathay Securities Investment Trust	100%	3,928,472	2,485,579
Less: Deduction items		<u>(768,502,076)</u>	<u>(730,397,334)</u>
		<u>\$ 787,569,026</u>	<u>\$ 619,593,272</u>
Capital adequacy ratio of the Group			127.11%

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%

b. Eligible capital

Item	December 31, 2022 Amount
Ordinary shares	\$ 146,692,102
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	215,318,047
Legal reserve	73,747,059
Special reserve	150,768,651
Retained earnings	230,331,762
Equity adjustments	(233,350,281)
Less: Goodwill	-
Less: Deferred assets	(333,745)
Less: Treasury stock	-
Total eligible capital	<u>\$ 598,506,595</u>

Item	December 31, 2021 <u>Amount</u>
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	<u>-</u>
Total eligible capital	<u>\$ 902,002,542</u>

38. BUSINESS COMBINATIONS-SUBSIDIARIES ACQUIRED

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Cathay Power Inc. and its subsidiaries	Energy technical services	November 25, 2022	70	<u>\$ 982,162</u>
Chen Fong Power Co., Ltd.	Energy technical services and power of machinery manufacturing generation, transmission, and distribution	December 28, 2022	100	<u>\$ 31,000</u>

Cathay Life held 45% equity shares of Cathay Power, which were recognized as investments accounted for using the equity method. On November 25, 2022, Cathay Life acquired a further part of equity shares, which increased its ownership interest from 45% to 70%, and obtained the controls of Cathay Power and its subsidiaries.

On December 28, 2022, CM Energy acquired 100% of Chen Fong Power shares for \$31,000 thousand in cash.

b. Assets acquired and liabilities assumed at the date of acquisition

	Cathay Power Inc. and its subsidiaries	Chen Fong Power Co., Ltd.
Assets		
Cash and cash equivalents	\$ 583,406	\$ 13,798
Receivables	172,852	-
Property and equipment	9,860,540	-
Right-of-use assets	639,514	-
Intangible assets	3,799	-
Investments accounted for using the equity method	18,790	-
Other	1,578,044	16,536
Liabilities		
Payables	(372,242)	(295)
Notes payable	(187,190)	-
Lease liabilities	(655,651)	-
Other financial liabilities	(7,348,409)	-
Other	<u>(83,534)</u>	<u>-</u>
	<u>\$ 4,209,919</u>	<u>\$ 30,039</u>

c. Non-controlling interests

The non-controlling interest recognized at the acquisition date was measured by reference to the proportionate share of the identifiable net assets.

d. Goodwill recognized on acquisitions

	Cathay Power Inc. and its subsidiaries	Chen Fong Power Co., Ltd.
Consideration Transferred	\$ 982,162	\$ 31,000
Plus: Non-controlling interests	1,505,676	-
Plus: Fair value of Cathay Life original equity interest at the date of acquisition	<u>2,240,700</u>	<u>-</u>
	4,728,538	31,000
Less: Fair value of identifiable net assets acquired	<u>(4,209,919)</u>	<u>(30,039)</u>
Goodwill recognized on acquisitions	<u>\$ 518,619</u>	<u>\$ 961</u>

The goodwill recognized in the acquisition of Cathay Power and Chen Feng Power mainly represents the control premium. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on the acquisition of subsidiaries

	Cathay Power Inc. and Its Subsidiaries	Chen Fong Power Co., Ltd.
Consideration paid in cash	\$ 982,162	\$ 31,000
Less: Cash and cash equivalent balances acquired	<u>(583,406)</u>	<u>(13,798)</u>
	<u>\$ 398,756</u>	<u>\$ 17,202</u>

f. Impact of acquisitions on the results of the Group

Since the acquisition dates the financial performances acquirees', which are included in the consolidated financial statement, do not have significant impact to the Group.

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, except for the following paragraph, there was no significant impact on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

Cathay Century and its subsidiaries

Written premiums of the insurance products the Cathay Century and its subsidiaries issued for COVID-19 amounted to \$567,332 thousand and \$954,750 thousand, respectively, and the claims and payments were \$21,681,650 thousand and \$92,697 thousand, respectively, for the years ended December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the loss reserves for those insurance products amounted to \$9,201,923 thousand and \$43,458 thousand, respectively, and the premium deficiency reserves amounted to \$1,200,000 thousand and \$0, respectively. Moreover, the claims and payments for those insurance products from January 1, 2023 to March 8, 2023 amounted to \$8,075,053 thousand.

The Cathay Century and its subsidiaries evaluated the economic impact resulting from COVID-19. As of the approval date of the consolidated financial statements, the Cathay Century and its subsidiaries performed the stress tests to evaluate the losses resulting from issuing insurance products for COVID-19 by stimulations of epidemic developments. Since the capital adequacy ratio under certain scenarios of stress tests was lower than the required level, the Cathay Century and its subsidiaries was approved by the FSC to increase its capital in cash by \$10,000,000 thousand and \$10,000,000 thousand on June 10, 2022 and December 13, 2022, respectively, with the record date of June 24, 2022 and December 28, 2022, and completed the change of registration on July 5, 2022 and February 3, 2023. Except for the capital increase, the Cathay Century and its subsidiaries will observe and evaluate the impact of COVID-19 epidemic continuously.

b. 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, 2022			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 164,574,415	30.7080	\$ 5,053,751,136
AUD	8,386,171	20.8262	174,652,074
Non-monetary items			
USD	11,462,813	30.7080	352,000,062
<u>Financial liabilities</u>			
Monetary items			
USD	24,142,488	30.7080	741,367,522

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

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 years ended December 31, 2022 and 2021 were gain on \$301,166,569 thousand and loss on \$74,946,785 thousand, respectively.

c. Information on discretionary investments

1) Cathay Life and its subsidiaries

- a) As of December 31, 2022 and 2021, Cathay Life entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

	December 31	
	2022	2021
Domestic shares	\$ 142,343,483	\$ 194,785,199
Overseas shares	39,134,811	63,875,230
Notes and bonds purchased under resale agreements	2,260,000	22,665,650
Cash in banks	18,202,638	61,954,809
Beneficiary certificates	346,459	240,069
Futures and options	<u>217,004</u>	<u>216,823</u>
	<u>\$ 202,504,395</u>	<u>\$ 343,737,780</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, 2022 and 2021, the discretionary investments limits are as follows (in thousands of each currency):

	December 31	
	2022	2021
NTD	\$ 43,079,839	\$ 99,779,839
USD	396,300	1,002,600
HKD	-	2,084

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	
	2022	2021
Domestic shares	\$ 1,345,603	\$ 2,303,141
Short-term transactions instruments	-	-
Cash in banks	794,743	488,817
Future margins	<u>38,272</u>	<u>2,012</u>
	<u>\$ 2,178,618</u>	<u>\$ 2,793,970</u>

The fair values of Cathay Century and its subsidiaries' financial assets of discretionary account management contracts are as the same as their carrying amounts.

As of December 31, 2022 and 2021, Cathay Century and its subsidiaries entered into discretionary management contracts with investment limits of \$1,200,000 thousand.

d. 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, 2022				December 31, 2021					
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		\$ 202,628	\$ 362,477,214	0.06%	\$ 2,066,060	1019.63%	\$ 268,035	\$ 308,097,214	0.09%	\$ 1,578,217	588.81%
	Unsecured		213,726	321,503,794	0.07%	9,536,652	4462.09%	195,016	305,333,308	0.06%	8,292,953	4252.44%
Consumer banking	Housing mortgage (Note 4)		261,954	537,259,813	0.05%	8,362,419	3192.32%	223,762	473,052,647	0.05%	7,393,776	3304.31%
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		332,382	135,356,408	0.25%	5,074,001	1526.56%	198,632	117,528,033	0.17%	4,645,483	2338.74%
	Other (Note 6)	Secured	472,542	612,557,071	0.08%	7,069,223	1496.00%	643,569	536,764,676	0.12%	5,862,853	910.99%
		Unsecured	26,712	25,180,026	0.11%	350,285	1311.35%	49,119	20,748,561	0.24%	291,005	592.45%
Total Loan			\$ 1,509,944	\$ 1,994,334,326	0.08%	\$ 32,458,640	2149.66%	1,578,133	1,761,524,439	0.09%	28,064,287	1778.32%
			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			\$ 110,659	\$ 98,759,035	0.11%	\$ 2,194,012	1982.68%	\$ 72,266	\$ 88,553,074	0.08%	\$ 2,019,742	2794.88%
Accounts receivable factored without recourse (Note 7)			-	4,523,885	-	45,687		-	4,081,459	-	108,365	-

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

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

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

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

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

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

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

Not reported as nonperforming loans or nonperforming receivables

Type \ Items	December 31, 2022		December 31, 2021	
	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)	\$ 672	\$ 24,228	\$ 1,012	\$ 35,320
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	117,647	1,101,341	101,553	1,167,911
Total	\$ 118,319	\$ 1,125,569	\$ 102,565	\$ 1,203,231

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, 2022			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service activities not elsewhere classified	24,871,373	10.46
2	Group B - other financial service activities not elsewhere classified	11,951,585	5.03
3	Group C - real estate lease activities	6,688,000	2.81
4	Group D - manufacture of computers	6,682,966	2.81
5	Group E - real estate development activities	6,678,900	2.81
6	Group F - aluminum casting industry	6,000,000	2.52
7	Group G - wired telecommunications industry	5,832,124	2.45
8	Group H - real estate development activities	5,380,257	2.26
9	Group I - manufacture of computers	5,030,605	2.12
10	Group J - other holdings	4,250,693	1.79

December 31, 2021			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service activities not elsewhere classified	\$ 27,991,470	11.36
2	Group B - packaging and testing of semi-conductors	12,966,546	5.26
3	Group C - other financial service activities not elsewhere classified	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 service activities not elsewhere classified	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

3) Information on interest rate sensitivity

Interest Rate Sensitivity (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars, %)

December 31, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,317,133,829	\$ 48,638,662	\$ 146,349,593	\$ 149,035,769	\$ 2,661,157,853
Interest rate-sensitive liabilities	184,758,528	1,850,755,542	281,073,767	67,059,704	2,383,647,541
Interest rate-sensitive gap	2,132,375,301	(1,802,116,880)	(134,724,174)	81,976,065	277,510,312
Net worth					237,734,228
Ratio of interest rate-sensitive assets to liabilities					111.64 %
Ratio of interest rate sensitivity gap to net worth					116.73 %

December 31, 2021

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%

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)

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

December 31, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 12,410,651	\$ 1,728,541	\$ 912,236	\$ 8,776,882	\$ 23,828,310
Interest rate-sensitive liabilities	15,504,653	4,287,079	5,490,219	5,533,033	30,814,984
Interest rate-sensitive gap	(3,094,002)	(2,558,538)	(4,577,983)	3,243,849	(6,986,674)
Net worth					7,741,769
Ratio of interest rate-sensitive assets to liabilities					77.33 %
Ratio of interest rate sensitivity gap to net worth					(90.25 %)

December 31, 2021

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%)

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)

(In Thousands of New Taiwan Dollars)

December 31, 2022

	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	\$ 3,427,100,716	\$ 493,947,489	\$ 357,472,895	\$ 399,922,375	\$ 290,172,438	\$ 459,769,160	\$ 1,425,816,359
Main capital outflow on maturity	4,126,929,540	274,755,910	227,848,929	620,704,006	604,177,127	753,511,191	1,645,932,377
Gap	(699,828,824)	219,191,579	129,623,966	(220,781,631)	(314,004,689)	(293,742,031)	(220,116,018)

December 31, 2021

	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)

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)

(In Thousands of U.S. Dollars)

December 31, 2022

	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	\$ 90,902,217	\$ 30,135,120	\$ 23,226,426	\$ 15,171,143	\$ 11,018,366	\$ 11,351,162
Main capital outflow on maturity	94,818,479	26,469,765	23,748,428	15,681,219	19,004,002	9,915,065
Gap	(3,916,262)	3,665,355	(522,002)	(510,076)	(7,985,636)	1,436,097

December 31, 2021

	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

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

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, 2022

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)	\$ 562,730,028	93.97
Fannie Mae	105,966,740	17.70
Treasury bond/treasury bills	96,618,945	16.13
Freddie Mac	90,757,601	15.16
Taiwan Semiconductor Manufacturing Company Limited	83,648,557	13.97
Fubon Asset Management Co., Ltd.	78,752,529	13.15
Capital Investment Trust Corporation	69,317,134	11.58
Ctbc Securities Co., Ltd.	68,756,631	11.48
Macquarie Investment Management Advisers	68,220,189	11.39
Indonesia Government International Bond	59,467,893	9.93
Israel Government International Bond	57,947,990	9.68
United States Treasury Note/Bond	55,339,533	9.24
Yuanta Securities Investment Trust Co., Ltd.	53,032,921	8.86
Qatar Government International Bond	48,496,071	8.10
Mexico Government International Bond	44,825,973	7.49
Barclays PLC	40,348,718	6.74
AT&T Inc	39,983,920	6.68
BNP Paribas	39,398,780	6.58
Wells Fargo & Co	39,007,360	6.51
Fidelity Worldwide Investment	38,233,015	6.38
Goldman Sachs Group Inc	37,725,362	6.30
KGI Securities Investment Trust Co., Ltd.	36,030,664	6.02
JPMorgan Chase & Co	31,659,588	5.29
Verizon Communications Inc	31,308,010	5.23
Bank of America, N.A.	31,117,758	5.20
Panama Government International Bond	29,007,445	4.84
Citigroup Inc	28,711,167	4.79
Goldman Sachs Finance Corp International Ltd	27,117,980	4.53
Chunghwa Telecom Co., Ltd.	26,280,260	4.39
Petronas Capital Ltd	25,735,501	4.30
Societe Generale	25,246,918	4.22
Qatar Petroleum	24,818,730	4.14
Sinopec Group Overseas Development Ltd	24,372,651	4.07
Commonwealth Bank of Australia	24,066,814	4.02

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
London Clearing House	\$ 23,785,922	3.97
Fubon Financial Holding Co., Ltd.	23,072,735	3.85
China Steel Corporation	22,966,562	3.84
Pertamina Pt	22,351,117	3.73
Comcast Corp	22,173,967	3.70
Tencent Holdings Ltd	21,554,583	3.60
Taiwan Mobile Co., Ltd.	21,444,332	3.58
Citigroup Global Markets Holdings Inc	21,117,931	3.53
Alibaba Group Holding Ltd	21,103,020	3.52
Elevance Health Inc.	21,083,338	3.52
SG Issuer	20,730,160	3.46
Saudi Arabian Oil Co	20,312,955	3.39
Russian Foreign Bond - Eurobond	19,872,671	3.32
Credit Agricole Sa	19,807,377	3.31
Saudi Government International Bond	19,747,634	3.30
UnitedHealth Group Inc	19,674,429	3.29
Bank of China Ltd	19,666,241	3.28
QNB Finance Ltd	19,576,822	3.27
PT Perusahaan Listrik Negara (Persero)	19,433,606	3.25
Merrill Lynch B.V.	19,217,151	3.21
Government National Mortgage Association	18,908,212	3.16
Anheuser-Busch InBev Worldwide Inc	18,776,081	3.14
America Movil SAB De CV	18,602,284	3.11
Uni-President Enterprises Corporation	18,339,965	3.06
Far Eastone Telecommunications Co., Ltd.	18,333,412	3.06
Abu Dhabi Government International Bond	17,677,935	2.95
Bank of Montreal	17,368,693	2.90
Mediatek Inc.	17,339,726	2.90
Republica Orient Uruguay	17,160,184	2.87
Quanta Computer Inc.	17,092,373	2.85
E.Sun Commercial Bank, Ltd.	17,034,732	2.84
China Bills Finance Corporation	16,501,659	2.76
European Investment Bank	16,216,343	2.71
Finance Bureau, Kaohsiung City Government	16,114,424	2.69
Fomento Economico Mexicano SAB De CV	16,105,496	2.69
Mega Financial Holding Co., Ltd.	16,064,967	2.68
Standard Chartered Bank	15,985,221	2.67
AbbVie Inc	15,941,026	2.66
MDC-GMTN B.V.	15,895,860	2.65
Hon Hai Precision Industry Co., Ltd.	15,613,130	2.61
Reliance Industries Ltd	15,596,658	2.60
Raytheon Technologies Corp	15,517,868	2.59
China Development Bank Corp	15,421,448	2.58
Land Bank of Taiwan Co., Ltd.	15,150,623	2.53

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
State of California	\$ 15,117,239	2.52
UBS Ag	15,054,790	2.51
Southern Copper Corp	14,966,827	2.50
Colombia Government International Bond	14,812,753	2.47
IBM Corp	14,808,614	2.47
Industrial & Commercial Bank of China	14,779,446	2.47
CNOOC Ltd	14,493,391	2.42
Dragon Steel Corporation	14,484,308	2.42
Cooperatieve Centrale Raiffeisen-Boerenleenbank Ba/Netherlands	14,268,320	2.38
Mega International Commercial Bank Co., Ltd	14,260,843	2.38
Bank of Taiwan	14,240,972	2.38
CTBC Bank Co., Ltd.	14,159,284	2.36
Bristol-Myers Squibb Co	14,104,854	2.36
Morgan Stanley	14,086,681	2.35
Cigna Corp	13,958,770	2.33
Ginnie Mae II Pool	13,893,134	2.32
Westpac Banking Corp	13,770,783	2.30
Lloyds Bank Plc	13,501,721	2.25
T-Mobile Usa Inc	13,390,534	2.24
AIA Group Ltd	13,303,303	2.22
Amgen Inc	13,275,729	2.22
Citic Limited	12,950,051	2.16
Intercontinental Exchange Inc	12,948,853	2.16
BlackRock Inc	12,826,124	2.14
Sinopec Group Overseas Development 2018 Ltd	12,646,815	2.11
Vodafone Group Plc	12,571,115	2.10
Cnooc Petroleum Na Ulc	12,380,862	2.07
Agricultural Bank of Taiwan Co., Ltd.	12,175,510	2.03
Berkshire Hathaway Energy Co	12,146,461	2.03
Chile Government International Bond	12,097,239	2.02
Apple Inc	12,096,796	2.02
Prudential Financial Inc	12,047,721	2.01
Abbott Laboratories	11,937,449	1.99
Hamilton Lane Advisors, L.L.C	11,922,396	1.99
National Australia Bank Ltd	11,907,540	1.99
Taishin International Bank Co., Ltd.	11,818,717	1.97
Australia And New Zealand Banking Group Ltd	11,707,978	1.96
Lexington Partners L.P.	11,579,447	1.93
Grand Bills Finance Corporation	11,527,517	1.92
Vietnam Government Bond	11,478,675	1.92
CVS Health Corp	11,458,810	1.91
Telefonica Emisiones Sau	11,265,651	1.88
BPCE Sa	11,063,789	1.85

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Phillips 66	\$ 10,943,817	1.83
Union Pacific Corp	10,942,762	1.83
TransCanada PipeLines Ltd	10,898,824	1.82
Shinhan Bank	10,730,082	1.79
Catcher Technology Co., Ltd	10,681,469	1.78
Compal Electronics, Inc.	10,653,456	1.78
Standard Chartered Bank Taiwan	10,573,068	1.77
BP Capital Markets America Inc	10,511,778	1.76
CTBC Financial Holding Co., Ltd.	10,508,278	1.75
Amazon.com Inc	10,362,481	1.73
Gilead Sciences Inc	10,339,148	1.73
Enterprise Products Operating Llc	10,225,864	1.71
National Bank of Canada	10,155,205	1.70
Credit Suisse Ag	10,149,084	1.69
Walt Disney Co/The	9,983,083	1.67
Oracle Corp	9,958,163	1.66
Brookfield Asset Management Inc	9,907,178	1.65
Shell International Finance Bv	9,819,533	1.64
Grupo Televisa Sa	9,784,410	1.63
Enel Finance International Nv	9,586,537	1.60
Consolidated Edison Co of New York Inc	9,567,900	1.60
Hong Kong Government	9,542,749	1.59
President Chain Store Corporation	9,540,180	1.59
First Financial Holding Co., Ltd.	9,510,233	1.59
Nan Ya Plastics Corporation	9,427,910	1.57
EQT Fund Management S.À R.L.	9,372,213	1.57
Berkshire Hathaway Finance Corp	9,339,107	1.56
Nvidia Corp	9,298,869	1.55
Yuanta Financial Holding Co., Ltd.	9,130,554	1.52
HSBC Bank (Taiwan) Limited	9,086,830	1.52
Asustek Computer Incorporation	9,026,002	1.51
Advanced Semiconductor Engineering, Inc.	8,999,988	1.50
Republic of Korea	8,953,757	1.50
Sumitomo Mitsui DS Asset Management Company	8,847,164	1.48
Enbridge Inc	8,639,910	1.44
HSBC Holdings Plc	8,627,941	1.44
Kazakhstan Government International Bond	8,592,104	1.43
Shin Kong Investment Trust Co., Ltd.	8,278,186	1.38
TSMC Arizona Corp	8,277,679	1.38
The Shanghai Commercial & Savings Bank, Ltd.	8,204,446	1.37
Strategic Partners Fund Solutions Advisors L.P	8,195,897	1.37
Inventec Corporation	8,171,053	1.36
HKT Capital No 1 Ltd	8,118,667	1.36
Philippine Government International Bond	8,036,659	1.34
Taipei Fubon Commercial Bank Co., Ltd.	7,994,268	1.33

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Fubon Life Insurance Co., Ltd.	\$ 7,947,454	1.33
PepsiCo Inc	7,940,862	1.33
Taiwan Business Bank Co., Ltd.	7,939,850	1.33
Morgan Stanley Finance Llc	7,932,940	1.32
Delta Electronics, Inc.	7,924,661	1.32
State Grid Overseas Investment Ltd	7,912,059	1.32
Bank Sinopac Company Limited	7,899,040	1.32
Peruvian Government International Bond	7,859,037	1.31
Deutsche Bank Ag	7,722,317	1.29
CSX Corp	7,717,951	1.29
Bell Canada	7,694,095	1.28
Taiwan Cooperative Bank Co., Ltd.	7,524,707	1.26
Mercury Taiwan Holdings Limited	7,435,475	1.24
UAE International Government Bond	7,427,511	1.24
Corp Nacional Del Cobre De Chile	7,373,204	1.23
Far East Horizon Limited	7,270,200	1.21
Alexandria real estate equities inc	7,256,963	1.21
Sinopac Financial Holdings Co., Ltd.	7,256,638	1.21
Deutsche Telekom Ag	7,213,529	1.20
Oaktree Capital Management, L.P.	7,172,916	1.20
Hotai Finance Co., Ltd.	7,170,421	1.20
Australia Government Bond	7,162,850	1.20
Pfizer Inc	7,091,627	1.18
Natwest Group Plc	7,090,759	1.18
Kinder Morgan Inc/De	7,050,655	1.18
Sumitomo Mitsui Financial Group Inc	7,039,019	1.18
Prosus NV	7,031,140	1.17
WPG Holdings Limited	7,010,120	1.17
Bay Area Toll Authority	6,949,180	1.16
Intel Corp	6,929,774	1.16
China Development Financial Holding Corp.	6,871,348	1.15
Burlington Northern Santa Fe Llc	6,866,625	1.15
Merck & Co Inc	6,865,744	1.15
Norfolk Southern Corp	6,848,992	1.14
First Commercial Bank Co., Ltd.	6,780,034	1.13
Taiwan Cement Corp.	6,766,873	1.13
China Overseas Land & Investment Ltd	6,740,115	1.13
Dow Chemical Co	6,737,205	1.13
Fu Yu Construction Co., Ltd.	6,678,900	1.12
Dr Pepper Snapple Group Inc	6,662,491	1.11
Humana Inc	6,652,058	1.11
Bangkok Bank Public Company Limited.	6,598,419	1.10
Unicredit Spa	6,581,888	1.10
Santander International Products Plc	6,569,107	1.10
PTT Treasury Center Co Ltd	6,537,774	1.09

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
ING Groep Nv	\$ 6,529,583	1.09
The Commercial Bank (P.S.Q.C.)	6,490,352	1.08
Port Authority of New York & New Jersey	6,448,336	1.08
Altria Group Inc	6,364,486	1.06
BBVA Global Markets Bv	6,361,336	1.06
Total Capital International Sa	6,343,589	1.06
Charter Communications Operating Llc	6,331,398	1.06
Landesbank Baden-Wuerttemberg	6,330,760	1.06
Blackstone Real Estate Advisors L.P.	6,246,723	1.04
Royal Bank of Canada	6,221,281	1.04
Crown Castle Intl Corp	6,205,881	1.04
Taiwan High Speed Rail Corporation	6,196,683	1.03
Taishin Financial Holding Co., Ltd.	6,132,435	1.02
Rogers Communications Inc	6,129,661	1.02
Chailease Finance Co., Ltd.	6,099,402	1.02
Macquarie Group Ltd	6,096,808	1.02
Takeda Pharmaceutical Co Ltd	6,063,994	1.01
Comision Federal De Electricidad	6,032,787	1.01
Exxon Mobil Corp	6,031,224	1.01
Coca-Cola Co	5,972,189	1.00
Nationwide Building Society	5,893,410	0.98
ConocoPhillips	5,869,218	0.98
BOC Aviation Limited	5,859,200	0.98
Hua Nan Commercial Bank Co., Ltd.	5,849,000	0.98
Ta Ching Bills Finance Corporation	5,838,462	0.97
American Tower Corp	5,837,900	0.97
Microsoft Corp	5,794,952	0.97
Advanced Micro Devices, Inc.	5,781,763	0.97
Thoma Bravo, Llc	5,747,300	0.96
Minera Mexico SA De CV	5,739,575	0.96
Hungary Government International Bond	5,710,432	0.95
Vivo Capital Llc	5,668,449	0.95
Synnex Technology International Corporation	5,626,723	0.94
Baillie Gifford Overseas Limited	5,621,546	0.94
Abu Dhabi National Energy Co	5,613,133	0.94
Bank of Nova Scotia	5,576,793	0.93
Srisawad Corporation Public Company Limited	5,518,547	0.92
Industrias Penoles SAB De CV	5,516,726	0.92
UBS Group Ag	5,509,480	0.92
Mitsubishi UFJ Financial Group Inc	5,497,474	0.92
China Government Bond	5,487,936	0.92
Yageo Corp.	5,460,679	0.91
Southern Co	5,436,787	0.91
Regents of The University of California Medical Center Pooled Revenue	5,400,381	0.90

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Grupo Bimbo SAB De CV	\$ 5,383,275	0.90
Coatue Management, L.L.C.	5,374,200	0.90
Bayer US Finance Llc	5,340,207	0.89
Fuh Hwa Securities Investment Trust Co., Ltd.	5,334,047	0.89
PacifiCorp	5,329,264	0.89
Dallas/Fort Worth International Airport	5,315,134	0.89
LITE-ON TECHNOLOGY CORP.	5,305,422	0.89
PayPal Holdings Inc	5,257,578	0.88
DowDuPont Inc	5,233,458	0.87
Insight Venture Management, Llc	5,156,748	0.86
Realtek Semiconductor Corp.	5,148,299	0.86
Indian Railway Finance Corp Ltd	5,143,586	0.86
Broadcom Inc	5,113,045	0.85
Global Infrastructure Management	5,105,662	0.85
Paramount Global	4,981,717	0.83
Indofood Cbp Sukses Makmur Tbk Pt	4,976,169	0.83
Far Eastern New Century Corporation	4,968,197	0.83
Acer Incorporated	4,967,459	0.83
TSMC Global Ltd	4,953,652	0.83
CPC Corporation, Taiwan	4,949,681	0.83
Kroger Co	4,875,757	0.81
BBVA Bancomer Sa	4,800,567	0.80
Macquarie Bank Ltd	4,767,413	0.80
Hua Nan Financial Holdings Co., Ltd.	4,765,481	0.80
Micro-Star International Co., Ltd.	4,716,546	0.79
Hartford financial services group inc	4,694,212	0.78
Export-Import Bank of China	4,681,039	0.78
Banco Santander Sa	4,674,790	0.78
National Retail Properties Inc	4,661,224	0.78
IBF Securities Investment Consulting Co., Ltd.	4,624,932	0.77
Woori Bank	4,620,191	0.77
Italy Govt Int Bond	4,616,388	0.77
Suncor Energy Inc	4,615,129	0.77
HuaChung Co., Ltd.	4,606,200	0.77
Japan Government	4,590,077	0.77
Jpmorgan Chase Bank, N.A.	4,572,592	0.76
Halliburton Co	4,469,267	0.75
Central American Bank For Economic Integration	4,465,711	0.75
Astrazeneca PLC	4,460,476	0.74
PIMCO Funds: Global Investors Series Plc	4,459,669	0.74
PCCW Capital No 5 Ltd	4,451,638	0.74
HSBC Investment Funds Limited	4,409,850	0.74
BHP Billiton Finance Usa Ltd	4,392,416	0.73
Freeport-McMoRan Copper & Gold Inc	4,391,811	0.73
Kraft Heinz Food Company	4,389,822	0.73

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
New South Wales Treasury Corp	\$ 4,389,425	0.73
Kasikornbank Pcl/Hong Kong	4,386,732	0.73
Sherwin-Williams Co	4,378,133	0.73
Nextera Energy Capital Holdings Inc	4,345,926	0.73
Vale Overseas Ltd	4,317,517	0.72
Electricite De France	4,298,866	0.72
Dominion Energy Inc	4,277,240	0.71
Visa Inc	4,254,346	0.71
ABN Amro Bank	4,240,682	0.71
Baidu Inc	4,236,252	0.71
Orsted Wind Power Tw Holding A/S	4,215,193	0.70
Nuveen Asset Management	4,184,896	0.70
Blackstone Management Partners L.L.C.	4,178,033	0.70
Largan Precision Co., Ltd.	4,159,586	0.69
Intesa Sanpaolo Spa	4,156,565	0.69
Smbc Aviation Capital Hong Kong 2 Limited	4,145,580	0.69
Moody's Corp	4,144,822	0.69
Homeplus Digital Co., Ltd.	4,139,707	0.69
International Bills Finance Corporation	4,138,065	0.69
China Cinda Asset Management Co Ltd	4,128,604	0.69
Yunneng Wind Power Co., Ltd.	4,103,559	0.69
Banco De Credito E Inversiones	4,089,286	0.68
AXA Funds Management Sa	4,065,979	0.68
ADCB Finance Cayman Ltd	4,063,364	0.68
Pttep Canada International Finance Ltd	4,048,131	0.68
Banco De Chile	4,038,342	0.67
Carrier Global Corp	4,023,520	0.67
Treasury Corporation Of Victoria	4,021,776	0.67
Boeing Co	4,020,597	0.67
Jih Sun Securities Investment Trust Co., Ltd.	4,005,543	0.67
China Cinda 2020 I Management Ltd	4,004,549	0.67
Mega International Investment Trust Co., Ltd.	4,002,615	0.67
Anheuser-Busch Inbev Finance Inc	3,984,268	0.67
Taiwan Power Company	3,977,413	0.66
Blackrock Global Funds - Asian High Yield Bond Fund	3,970,474	0.66
Ecopetrol SA	3,955,596	0.66
Nisource Finance Corp	3,942,287	0.66
Deutsche Telekom International Finance Bv	3,938,667	0.66
Lombard Odier Funds	3,929,455	0.66
Tyson Foods Inc	3,875,347	0.65
Canadian Natural Resources Ltd	3,873,005	0.65
Kookmin Bank	3,840,235	0.64
Infraestructura Energetica Nova SAB De CV	3,829,951	0.64
Allstate Corp	3,818,609	0.64
Home Depot Inc	3,817,821	0.64

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Nanya Technology Corporation	\$ 3,814,926	0.64
Marsh & McLennan Cos Inc	3,814,697	0.64
Platinum Equity Advisors, Llc	3,813,755	0.64
Kazmunaygas National	3,799,187	0.63
Petroleos Mexicanos	3,732,720	0.62
Nea Management Company, Llc	3,729,544	0.62
Kohlberg Kravis Roberts & Co. L.P.	3,720,629	0.62
Canadian Pacific Railway Ltd	3,719,295	0.62
Molson Coors Brewing Co	3,689,136	0.62
Standard Chartered Bank	3,684,960	0.62
Unimicron Technology Corp.	3,653,435	0.61
Yuanta Securities Co., Ltd	3,652,501	0.61
Asia Alternatives Management Llc	3,649,410	0.61
BAT Capital Corp	3,641,871	0.61
Corp Andina De Fomento	3,605,937	0.60
Air Lease Corp	3,605,438	0.60
Pitango Venture Partners 2004 Ltd.	3,576,182	0.60
Valero Energy Corp	3,550,640	0.59
Qtel International Finance Ltd	3,546,988	0.59
Grand Parkway Transportation Corp	3,485,846	0.58
United Microelectronics Corporation	3,478,317	0.58
Standard Chartered Bank London	3,467,204	0.58
Contemporary Amperex Technology Co Ltd	3,456,755	0.58
YUE BOW ENTERPRISE CO., LTD	3,456,036	0.58
Hon Han Investment Co., Ltd.	3,425,610	0.57
Walmart, Inc	3,420,570	0.57
CK Hutchison International 20 Ltd	3,415,276	0.57
YUE BOW ENTERPRISE CO., LTD	3,402,000	0.57
Wistron Corporation	3,398,035	0.57
Queensland Treasury Corp	3,388,979	0.57
Deutsche Bahn Finance Gmbh	3,383,215	0.56
ENI Spa	3,380,938	0.56
American International Group Inc	3,371,307	0.56
MetLife Inc	3,367,518	0.56
Newmont Corp	3,365,492	0.56
Equinor ASA	3,353,100	0.56
Credit Suisse Group Ag	3,331,755	0.56
JP Morgan Chase Bank, N.A.	3,323,930	0.56
San Miguel Corporation	3,316,464	0.55
VanEck Vectors High-Yield Municipal Index ETF	3,311,956	0.55
Foresite Capital Management, Llc	3,293,237	0.55
Thaioil Treasury Center Co Ltd	3,282,923	0.55
Natwest Markets Plc	3,282,815	0.55
First Securities Investment Trust Company Limited	3,280,044	0.55
Credit Agricole Corporate & Investment Bank Sa	3,267,425	0.55

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Allianz Global Investors Gmbh	\$ 3,261,171	0.54
Banco de Credito del Peru	3,207,273	0.54
Barrick North America Finance Llc	3,205,570	0.54
Mega Bills Finance Co., Ltd.	3,176,283	0.53
Discovery Communications Llc	3,162,997	0.53
Agricultural Bank of China Ltd. (Hong Kong Branch)	3,149,550	0.53
Becton Dickinson And Co	3,137,988	0.52
Yang, Jhen-Zong	3,121,595	0.52
Entel Chile Sa	3,118,537	0.52
The Hongkong And Shanghai Banking Corporation Limited,	3,105,275	0.52
Lockheed Martin Corp	3,100,919	0.52
Taipei City Government Bonds	3,100,000	0.52
Pttep Treasury Center Co	3,090,829	0.52
Manulife Financial Corp (Manulife Financial)	3,089,309	0.52
Chicago O'hare International Airport	3,088,060	0.52
Applied Materials Inc	3,085,287	0.52
CHINATRUST COMMERCIAL BANK, SINGAPORE	3,072,328	0.51
Hitachi Capital Uk Plc	3,070,800	0.51
Credit Suisse Ag, London Branch	3,070,800	0.51
State Street Bank And Trust Company	3,067,336	0.51
Blackstone Infrastructure Advisors L.L.C.	3,062,415	0.51
ING Bank	3,057,129	0.51
Banco De Bogota Sa	3,050,979	0.51
Power Finance Corp Ltd	3,031,753	0.51
Williams Cos Inc/The	3,009,405	0.50
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 Huang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	29,352,884	4.90
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	7,186,175	1.20
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	6,905,285	1.15
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	6,220,708	1.04
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	4,810,078	0.80

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
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	\$ 4,198,607	0.70
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	4,104,284	0.69
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	3,816,130	0.64
Enterprises where Wang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,772,092	0.63
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	3,626,605	0.61
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	3,499,838	0.58
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	3,419,386	0.57
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	3,325,948	0.56
Enterprises where Hsu and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,227,971	0.54
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	3,089,071	0.52
Enterprises where Wang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,049,881	0.51
3) Affiliates with same juridical person		
Republic of China and its supervisory agency	682,228,397	113.92
United States of America and its supervisory agency	301,021,960	50.27
Fubon Group	146,765,610	24.51
Tsmc Group	99,909,165	16.68
Group of CTBC Financial Holdings	97,248,203	16.24
Macquarie Group Ltd and its related parties	86,010,603	14.36
Group of Yuanta Financial Holdings	75,166,072	12.55
Capital Financial Group	72,884,965	12.17
Goldman Sachs Group Inc and its related parties	65,772,235	10.98
Republic of Indonesia and its supervisory agency	59,504,102	9.94
Citigroup Inc and its related parties	52,465,853	8.76

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Bank of America Corp and its related parties	\$ 52,190,282	8.72
China Development Group	47,520,810	7.94
United Mexican States and its supervisory agency	47,497,127	7.93
Societe Generale Sa and its related parties	46,127,173	7.70
JPMorgan Chase & Co and its related parties	44,441,918	7.42
Uni-President Group	43,700,584	7.30
Barclays Plc and its related parties	43,222,835	7.22
At&T Inc and its related parties	43,001,005	7.18
Bnp Paribas Sa and its related parties	42,896,502	7.16
Fidelity and its related parties	40,839,625	6.82
China Petrochemical Corp and its related parties	39,699,668	6.63
Wells Fargo & Co and its related parties	39,215,469	6.55
Group of Mega Financial Holdings	39,030,039	6.52
China Steel Group	38,393,065	6.41
Berkshire Hathaway Inc and its related parties	36,542,537	6.10
Standard Chartered Plc and its related parties	34,065,332	5.69
HSBC Holdings Plc and its related parties	29,900,412	4.99
The Far Eastern Group	28,850,398	4.82
Bank of China Group	28,664,262	4.79
Ubs Group Ag and its related parties	27,377,029	4.57
Foxconn Technology Group	27,237,324	4.55
CHT Group	27,208,478	4.54
Credit Agricole Group and its related parties	27,112,471	4.53
China National Offshore Oil Corp and its related parties	26,935,225	4.50
Hon Tai Group	26,562,605	4.44
London Stock Exchange Group Plc and its related parties	26,403,913	4.41
Petrolia Nacional Bhd and its related parties	25,735,555	4.30
Qatar Petroleum and its related parties	25,102,894	4.19
Morgan Stanley and its related parties	24,823,258	4.15
Group of Taishin Financial Holdings	24,205,119	4.04
Anheuser-Busch Inbev Sa/Nv and its related parties	23,382,277	3.90
Pertamina Persero Pt and its related parties	22,672,580	3.79
Tencent Holdings Ltd and its related parties	22,492,854	3.76
Alibaba Group Holding Ltd and its related parties	21,103,282	3.52
Kingdom of Saudi Arabia and its supervisory agency	20,735,192	3.46
Grupo Mexico Sab De Cv and its related parties	20,707,071	3.46
Group of First Financial Holdings	20,438,029	3.41
Saudi Arabian Oil Co and its related parties	20,318,175	3.39
Sumitomo Group and its related parties	20,112,378	3.36
Blackrock Inc and its related parties	19,351,535	3.23
Yuen Foong Yu Group	19,289,302	3.22
Australia and its supervisory agency	18,963,030	3.17
Credit Suisse Group Ag and its related parties	18,848,533	3.15
Blackstone Group Inc and its related parties	18,035,032	3.01

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Mubadala Investment Co and its related parties	\$ 17,760,703	2.97
Industrial & Commercial BOC and its related parties	17,718,554	2.96
Emirate of Abu Dhabi United Arab Emirates and its related parties	17,716,316	2.96
Mediatek Group	17,696,536	2.96
Group of E.Sun Financial Holdings	17,679,931	2.95
Fomento Economico Mexicano Sab De Cv and its related parties	17,673,642	2.95
Quanta Computer Group	17,366,713	2.90
Land Bank of Taiwan Group	16,958,290	2.83
O-Bank Group	16,505,834	2.76
China Development Bank and its related parties	16,338,836	2.73
Royal Bank of Scotland Group Plc and its related parties	15,387,810	2.57
Australia & New Zealand Banking Group Ltd and its related parties	15,349,475	2.56
Bp Plc and its related parties	14,632,371	2.44
Nan Ya Plastics Group	14,469,439	2.42
Group of Hua Nan Financial Holdings	14,304,623	2.39
Citic Group	14,055,299	2.35
Banco Santander Sa and its related parties	14,031,840	2.34
Westpac Banking Corp and its related parties	13,813,902	2.31
PTT Pcl and its related parties	13,676,734	2.28
Lloyds Banking Group Plc and its related parties	13,560,193	2.26
T-Mobile Us Inc and its related parties	13,417,962	2.24
ASE Technology Holding Group	13,377,943	2.23
Pccw Ltd and its related parties	12,575,254	2.10
Dowdupont Inc and its related parties	12,431,011	2.08
Groupe Bpce and its related parties	12,414,968	2.07
Kinpo Group	12,308,526	2.06
Enel Spa and its related parties	12,155,861	2.03
ING Groep Nv and its related parties	12,134,953	2.03
Republic of Chile and its supervisory agency	12,106,292	2.02
Shinhan Financial Group Co., Ltd. and its related parties	11,832,045	1.98
Group of Shin Kong Financial Holdings	11,772,761	1.97
Tacb Group	11,628,406	1.94
Telefonica Sa and its related parties	11,273,316	1.88
Banco Bilbao Vizcaya Argentaria Sa and its related parties	11,200,360	1.87
Deutsche Telekom Ag and its related parties	11,152,196	1.86
Transcanada Corp and its related parties	10,911,501	1.82
American Electric Power Co Inc and its related parties	10,557,665	1.76
Republic of Korea and its supervisory agency	10,426,475	1.74
WPG Group	10,037,451	1.68
IBF Group	9,965,147	1.66
Brookfield Asset Management Inc and its related parties	9,929,404	1.66
Charter Communications Inc and its related parties	9,883,799	1.65

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Royal Dutch Shell Plc and its related parties	\$ 9,834,530	1.64
Hotai Motor Group	9,818,692	1.64
Deutsche Bank Ag and its related parties	9,759,932	1.63
Consolidated Edison Inc and its related parties	9,667,374	1.61
Shanghai Commercial & Savings Bank Ltd and its related parties	9,652,916	1.61
ASUS Group	9,618,683	1.61
AXA Sa and its related parties	9,337,682	1.56
Chailease Holding Group	9,259,271	1.55
China Cinda Asset Management Co., Ltd. and its related parties	9,119,276	1.52
UMC Group	9,054,499	1.51
Duke Energy Corp and its related parties	8,817,994	1.47
Southern Company Gas and its related parties	8,524,817	1.42
CK Hutchison Holdings Ltd and its related parties	8,411,457	1.40
Grupo Bimbo Sab De Cv and its related parties	8,254,760	1.38
State Grid Corp of China and its related parties	8,134,121	1.36
Industrias Penoles Sab De Cv and its related parties	7,991,947	1.33
Allianz Se and its related parties	7,554,196	1.26
TCC Group	7,463,973	1.25
Pfizer Inc and its related parties	7,446,043	1.24
China State Construction Engineering and its related parties	7,114,515	1.19
Naspers Ltd and its related parties	7,057,138	1.18
People's Republic of China and its supervisory agency	7,033,653	1.17
Intesa Sanpaolo Spa and its related parties	6,918,613	1.16
Bayer Ag and its related parties	6,850,706	1.14
Nextera Energy Inc and its related parties	6,843,097	1.14
Triumph Transcend Group	6,787,841	1.13
Yageo Group	6,772,746	1.13
Baillie Gifford and its related parties	6,741,225	1.13
Total Sa and its related parties	6,627,522	1.11
Woori Bank and its related parties	6,606,007	1.10
Dominion Energy Inc and its related parties	6,595,651	1.10
Royal Bank of Canada and its related parties	6,449,200	1.08
Mitac-Synnex Group	6,160,084	1.03
China Network Group	5,965,217	1.00
Mitsubishi Corporation Group	5,935,600	0.99
Lite-On Technology Group	5,878,016	0.98
Walmart Inc and its related parties	5,799,942	0.97
Zurich Insurance Group Ag and its related parties	5,577,725	0.93
Oneok Inc and its related parties	5,562,231	0.93
American International Group Inc and its related parties	5,533,781	0.92
Barrick Gold Corp and its related parties	5,526,431	0.92
JUT Group	5,380,257	0.90
Temasek Holdings Pte Ltd and its related parties	5,265,973	0.88
Acer Group	5,151,177	0.86

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
CBS Corp and its related parties	\$ 5,119,618	0.85
Exelon Corp and its related parties	5,063,729	0.85
Evergreen Group	4,982,872	0.83
Vale Sa and its related parties	4,906,778	0.82
Kb Financial Group Inc and its related parties	4,857,561	0.81
Export-Import Bank of China and its related parties	4,828,010	0.81
Keppel Group	4,722,516	0.79
British American Tobacco Plc and its related parties	4,680,033	0.78
Republic of Italy and its supervisory agency	4,646,687	0.78
Pimco and its related parties	4,624,232	0.77
Williams Cos Inc and its related parties	4,581,715	0.77
Pitango Venture Partners and its related parties	4,565,287	0.76
Kasikornbank Pcl and its related parties	4,564,878	0.76
Wistron Group	4,561,684	0.76
Nisource Inc and its related parties	4,560,243	0.76
Credit Mutuel-Cm11 Group and its related parties	4,537,378	0.76
State Street Corp and its related parties	4,488,917	0.75
Ooredoo Qpsc and its related parties	4,435,335	0.74
Bhp Group Ltd and its related parties	4,422,943	0.74
Kraft Heinz Co and its related parties	4,392,783	0.73
Orsted A/S and its related parties	4,242,483	0.71
Nxp Semiconductors Nv and its related parties	4,233,932	0.71
Bank of Communications Co., Ltd. and its related parties	4,156,279	0.69
Hui Teng Group	4,148,065	0.69
KELTI Group	4,085,888	0.68
Lien Jade Group	4,048,545	0.68
Elite Material Group	3,931,132	0.66
San Miguel Group	3,894,499	0.65
Formosa Petrochemical Group	3,863,167	0.65
Sempre Energy and its related parties	3,861,295	0.64
Aercap Group	3,787,058	0.63
Agricultural Bank of China Ltd and its related parties	3,775,161	0.63
Fudu shin Group	3,774,640	0.63
Chow Tai Fook Group	3,741,420	0.62
Taiwan Broadband Communications Group	3,740,919	0.62
Newmont Mining Corp and its related parties	3,704,158	0.62
Vingroup group	3,610,539	0.60
Aon Plc and its related parties	3,569,518	0.60
Union Group	3,547,171	0.59
Oil India Ltd and its related parties	3,515,322	0.59
Discovery Inc and its related parties	3,503,060	0.58
Intermediate Capital Group Plc and its related parties	3,470,739	0.58
The Vanguard Group	3,413,034	0.57
Charoen Pokphand Group	3,399,221	0.57
County of Miami-Dade Fl Aviation and its related parties	3,363,012	0.56

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Van Eck Associates Corp and its related parties	\$ 3,323,475	0.55
Thai Oil Pcl and its related parties	3,302,523	0.55
Beijing Enterprises Group Co., Ltd. and its related parties	3,130,064	0.52
TPG Capital and its related parties	3,090,457	0.52
Hitachi Ltd and its related parties	3,071,560	0.51
Eversource Energy and its related parties	3,040,430	0.51
Sino-American Crystal Group	3,029,042	0.51

(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	Note 28
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 4
2	Acquisition and disposal of real estate at prices over \$300 million or 10% of the paid-in capital	Tables 5 and 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	Table 2
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 7
9	Endorsements/guarantees provided	Note 8
10	Marketable securities held as of December 31, 2022	Table 3 (Note)
11	Marketable securities acquired or disposed of at costs or prices over \$300 million or 10% of the paid-in capital	Note 12
12	Derivative transactions	Note 7

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 9.
- d. The significant intercompany transactions among the Group are disclosed in Note 28 and Table 10.
- 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 11).

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, 2022
(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	\$ 3,162,531 (Note 1)	-	\$ -	-	\$ -	\$ -
Cathay Century Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	The Company	612,702 (Note 1)	-	-	-	-	-
Cathay Financial Holding Co., Ltd.	Cathay Securities Corporation	Subsidiary	484,896 (Note 1)	-	-	-	-	-
	Cathay Securities Investment Trust	Subsidiary	402,738 (Note 1)	-	-	-	-	-
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	The Company	14,465,582 (Note 1)	-	-	-	-	-
	Cathay Venture Inc.	Sibling company	961,728 (Note 3)	-	-	-	961,728	-
Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	Subsidiary	305,721 (Note 4)	-	-	-	5,359	-
Cathay United Bank Co., Ltd	Cathay Life Insurance Co., Ltd.	Sibling company	303,859 (Note 2)	-	-	-	303,859	-

Note 1: The ending balance mainly comprises receivables from integrated tax, etc.

Note 2: The ending balance is mainly comprised of commission receivable.

Note 3: The ending balance is mainly comprised of investment receivable.

Note 4: The ending balance is mainly comprised of loans and interest receivables.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SALE OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2022
(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> January 19, 2022	SC Lowy Financial (HK) Limited	Corporate loans	\$ 173,286	\$ 259,813	\$ 86,527	None	None
<u>Indovina Bank</u> November 29, 2022	Vietnam Debt and Asset Trading Corporation	Corporate loans	2,605	90,761	88,156	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, 2022

(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, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Cathay Venture Inc.	<u>Corporate bonds</u>							
	A2G CB	N/A	Financial assets at fair value through profit or loss	-	\$ 1,485	-	\$ 1,485	
	Yonggu I	"	"	342	32,907	-	32,907	
	<u>Beneficiary certificates</u>							
	Mega Diamond Money Market Fund	"	"	21,285	271,290	-	271,290	
	Taishin 1699 Money Market Fund	"	"	20,313	279,610	-	279,610	
	Cathay Taiwan Money Market Fund	"	"	19,064	240,571	-	240,571	
	<u>Shares</u>							
	Tien-Tai Management Consulting Co., Ltd.	Investee accounted for using the equity method	Investments accounted for using the equity method	141	3,159	28.20	3,159	
	Tiantai II Optoelectronics Co., Ltd.	"	"	9,780	132,470	32.28	132,470	
	Tien-Tai Optronics Corporation	"	"	10,125	137,346	33.64	137,346	
	CDIB BioScience Ventures I, Inc.	N/A	Financial assets at fair value through other comprehensive income	2,526	13,038	11.40	13,038	
	Harbinger Venture Capital	"	"	20	160	10.00	160	
	Harbinger Three Venture Capital	"	"	10	228	10.00	228	
	HSBC Venture Capital Co., Ltd.	"	"	140	8,385	5.13	8,385	
	Yu Ji Venture Capital Corporation	"	"	1,150	19,838	10.00	19,838	
	Hanyu Venture Capital Co., Ltd.	"	"	5,000	41,850	11.11	41,850	
	Grand Cathay Venture Capital II Co., Ltd.	"	"	2,000	23,680	2.50	23,680	
	Baodian Venture Capital Co., Ltd.	"	"	215	2,904	9.79	2,904	
	Harbinger Eight Venture Capital	"	"	10,000	100,900	7.71	100,900	
	Appworks Fund II Co., Ltd.	"	"	5,355	109,831	11.11	109,831	
	Appworks Fund III Co., Ltd.	"	"	16,770	162,669	5.83	162,669	
	Fulgent Sun International (Holding) Co., Ltd.	N/A	Financial assets at fair value through profit or loss	626	95,113	-	95,113	
	Hiroca Holdings Ltd.	"	"	439	18,837	-	18,837	
	Senhwa Biosciences, Inc.	"	"	615	35,670	-	35,670	
	Tanvex BioPharma, Inc.	"	"	1,250	43,875	-	43,875	
	Shane Global Holdings Inc.	"	"	3,700	259,349	3.35	259,349	
	Brighton-Best International (Taiwan) Inc.	"	"	2,965	112,374	-	112,374	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Nan Pao Resins Chemical Co., Ltd.	N/A	Financial assets at fair value through profit or loss	323	\$ 43,000	-	\$ 43,000	
	Ching Chan Optical Technology Co., Ltd.	"	"	53	2,011	-	2,011	
	Fusheng Precision Co., Ltd.	"	"	800	168,400	-	168,400	
	Tot Biopharm Co., Ltd	"	"	6,909	60,411	-	60,411	
	WW Holding Inc.	"	"	1,288	102,782	2.15	102,782	
	Airmate (Cayman) International Co Limited	"	"	612	10,013	-	10,013	
	World Known MFG (Cayman) Limited	"	"	1,478	52,839	4.36	52,839	
	Yonggu Group Inc.	"	"	34	1,620	-	1,620	
	Easywell Biomedicals Inc.	"	"	1,418	22,751	1.24	22,751	
	Ta Chen Stainless Pipe Co., Ltd.	"	"	1,334	56,571	-	56,571	
	Trusval Technology Co., Ltd.	"	"	119	7,002	-	7,002	
	Smartdisplayer Technology Co., Ltd.	"	"	1,000	24,280	4.01	24,280	
	Sincere Group	"	"	204	8,711	-	8,711	
	BioGend Therapeutics Co., Ltd.	"	"	2,000	43,600	1.94	43,600	
	Winway Technology Co., Ltd.	"	"	308	128,793	-	128,793	
	Tigerair Taiwan Co., Ltd.	"	"	916	11,661	-	11,661	
	Wendell Industrial Co., Ltd.	"	"	540	45,576	2.26	45,576	
	Evergreen Steel Corp.	"	"	1,500	77,400	-	77,400	
	Weblink International Inc.	"	"	1,638	63,718	2.01	63,718	
	EasyCard Investment Holdings Co., Ltd.	"	"	915	5,756	-	5,756	
	EasyCard Co., Ltd.	"	"	385	4,292	-	4,292	
	Lan An Co., Ltd.	"	"	125	1,588	5.00	1,588	
	Koatech Technology Corp.	"	"	401	3,021	1.32	3,021	
	Mega Union Technology Incorporated.	"	"	4,274	200,999	7.11	200,999	
	Cathay Healthcare Management Co., Ltd.	"	"	8,250	106,343	15.00	106,343	
	Fashionguide Co., Ltd.	"	"	714	18,095	4.26	18,095	
	Sunmile Group Holding Co., Limited	"	"	528	-	1.85	-	
	NARUKO Beauty Essentials Limited	"	"	43,252	42,387	4.02	42,387	
	Shengzhuang Holdings	"	"	122	-	1.09	-	
	Bravo Ideas Digital Co., Ltd.	"	"	3,386	8,701	6.03	8,701	
	Episonica Holding	"	"	2,708	48,221	11.67	48,221	
	Andros Pharmaceuticals Co., Ltd.	"	"	1,050	18,774	3.02	18,774	
	Transound Electronics Co., Ltd.	"	"	1,200	252	3.30	252	
	Hyper Crystal Inc.	"	"	2,000	-	13.80	-	
	Amaryllo International B.V.	"	"	1,000	5,490	5.00	5,490	
	Roaring Success Ltd.	"	"	317	14,768	-	14,768	
	Kuang Ming Shipping Corp.	"	"	39	-	-	-	
	Grandsys, Inc.	"	"	1,860	41,329	6.91	41,329	
	DTCO (Samoa)	"	"	325	286	2.94	286	
	Tennrich International Corp.	"	"	1,938	291	3.19	291	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	KKDAY	N/A	Financial assets at fair value through profit or loss	5,668	\$ 28,851	2.17	\$ 28,851	
	Smart Games	"	"	164	-	1.35	-	
	PSS Co., Ltd.	"	"	494	22,400	-	22,400	
	Anywhere 2 Go	"	"	2	6,914	8.99	6,914	
	Yikon Genomics	"	"	1,340	57,741	3.09	57,741	
	Mimetas B.V.	"	"	8	12,659	2.81	12,659	
	Xionghuang (Samoa)	"	"	21	380	4.45	380	
	Acepodia Inc.	"	"	2,454	66,655	2.02	66,655	
	Greenway Environmental Technology Co., Ltd.	"	"	4,375	40,031	9.51	40,031	
	CHU CHIEN TECHNOLOGY LIMITED	"	"	2,302	84,699	1.13	84,699	
	Pacific 8 Venture	"	"	-	166,317	15.00	166,317	
	Monk's hill Venture Fund	"	"	-	116,826	2.50	116,826	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	"	"	800	15,328	1.34	15,328	
	OneDegree	"	"	350,926	31,583	2.02	31,583	
	Validus Investment Holdings	"	"	182	56,102	2.00	56,102	
	VIZIONFOCUS INC.	"	"	1,700	50,592	3.27	50,592	
	Finaxar Pte. Ltd.	"	"	87	2,641	4.72	2,641	
	aetherAI Co., Ltd.	"	"	5,824	18,577	10.43	18,577	
	Intudo Venture II, LP	"	"	-	101,248	3.76	101,248	
	King Point Enterprise Co., Ltd.	"	"	1,000	28,280	2.53	28,280	
	Cowearth Medical Holding Co., Ltd.	"	"	3,750	186,695	-	186,695	
	INNOPACK VIETNAM CO., LTD.	"	"	1,350	-	-	-	
	Pharmosa Biopharma Inc.	"	"	4,033	113,650	3.64	113,650	
	Transcene Corp.	"	"	3,000	26,670	9.94	26,670	
	Cirocomm Technology Corporation	"	"	542	4,811	4.20	4,811	
	Ampak Technology Inc.	"	"	1,162	82,618	1.75	82,618	
	New Garden Co., Ltd.	"	"	5,000	29,550	10.00	29,550	
	TMY Technology Inc.	"	"	1,071	8,207	3.00	8,207	
	Great Giant Fiber Garment Co., Ltd.	"	"	353	48,065	-	48,065	
	Yuen Foong Yu Consumer Products Co., Ltd.	"	"	1,025	35,824	-	35,824	
	Taiwan Aerospace Corp.	"	"	-	14	-	14	
	Winking Entertainment Co., Ltd.	"	"	678	47,431	4.32	47,431	
	INNOPHARMAX INC.	"	"	302	3,935	-	3,935	
	Palm Drive Capital III LP (Cayman)	"	"	-	42,357	2.00	42,357	
	KEE Fresh & Safe Foodtech Co., Ltd.	"	"	950	33,497	2.85	33,497	
	VisEra Technologies Co., Ltd.	"	"	580	112,230	-	112,230	
	Formosa Pharmaceuticals, Inc.	"	"	1,074	36,516	-	36,516	
	Phoenix Pioneer technology Co., Ltd.	"	"	3,000	73,170	1.01	73,170	
	Pickupp Limited	"	"	395	32,750	1.93	32,750	
	Jia Wei Lifestyle, Inc.	"	"	986	48,807	1.23	48,807	
	Annji Pharmaceutical Co., Ltd.	"	"	1,210	35,102	1.84	35,102	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note		
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value			
	Securitag Assembly Group Co., Ltd.	N/A	Financial assets at fair value through profit or loss	150	\$ 13,080	-	\$ 13,080			
	Morrison Opto-electronics Ltd.	"	"	300	16,371	1.37	16,371			
	Evergreen Aviation Technologies Corporation	"	"	973	61,309	-	61,309			
	Intudo Venture III, LP	"	"	-	27,950	1.39	27,950			
	Morning Glow Holding	"	"	4,683	81,480	9.37	81,480			
	GRAID Technology Inc. (USA)	"	"	682	9,819	2.67	9,819			
	Infinite Finance Co., LTD	"	"	1,500	48,675	-	48,675			
	AmMax Bio, Inc.	"	"	493	7,867	1.39	7,867			
	Shenghe Energy Co., LTD	"	"	10,000	114,100	10.00	114,100			
	Airoha Technology Corp.	"	"	78	20,992	-	20,992			
	Cloud Mile, Inc.	"	"	689	48,073	2.27	48,073			
	Tung Mung Development Co., Ltd	"	"	7,000	74,200	1.97	74,200			
	Power Master International Investment Holdings Co., Ltd.	"	"	300	12,900	-	12,900			
	Center Laboratories Inc.	"	"	229	10,845	-	10,845			
	Certain Micro Application Technology Inc	"	"	1,200	33,600	7.45	33,600			
	Toyo Automation Co., Ltd.	"	"	145	15,215	-	15,215			
	Partipost Pte Ltd (Singapore)	"	"	629	21,784	1.53	21,784			
	GreenHarvest Co., Ltd.	"	"	1,111	49,995	8.40	49,995			
	H2 Inc. Taiwan Branch (Cayman Islands)	"	"	2,557	62,300	3.53	62,300			
	Taishan Buffalo No. 2 Biotechnology Venture Capital Limited Partnership	"	"	-	433,067	6.78	433,067			
	Taishan Buffalo No. 3 Biotechnology Venture Capital Limited Partnership	"	"	-	46,634	6.09	46,634			
	Cathay Futures Co., Ltd.	<u>Beneficiary certificates</u>	N/A	Financial assets at fair value through profit or loss	300	12,900	-		12,900	
		JKO Pion Money Market Fund			4,302	50,401	5.40		50,401	
<u>Shares</u>		N/A	Financial assets at fair value through other comprehensive income	7,299	1,000,374	1.52	1,000,374			
Conning Inc.	<u>Preferred stock</u>	N/A	Financial assets at fair value through other comprehensive income	400	3,233	1.76	3,233			
Cathay Capital (Asia) Limited	<u>Overseas bonds</u>	N/A	Financial assets at fair value through profit or loss	510	2,214	-	2,214			
	EBIUH 4.38 07/26/29			"	"	5,380	23,310		-	23,310
	EBIUH 4.35 08/01/29			"	"	2,000	8,819		-	8,819
	BNP 4 03/01/24 EMTn			"	"	5,600	24,863		-	24,863
	MASQUH 4 11/15/24			"	"					

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	EBIUH 4.38 08/01/29 EMTN	N/A	Financial assets at fair value through profit or loss	1,330	\$ 5,772	-	\$ 5,772	
	QNBK 3.18 04/09/26 EMTN	"	"	1,490	6,334	-	6,334	
	GS 3 1/4 09/29/27 EMTN	"	"	5,000	21,779	-	21,779	
	EBIUH 3.05 08/06/30 EMTN	"	"	710	18,832	-	18,832	
	EBIUH 3 08/14/30 EMTN	"	"	1,270	33,654	-	33,654	
	EBIUH 3 03/31/31 CORP	"	"	50	1,310	-	1,310	
	GS 5 09/26/28 ETMN	"	"	2,000	58,782	-	58,782	
	GS 5 09/26/25 EMTN	"	"	1,000	29,824	-	29,824	
	MS 8 06/04/23	"	"	12,500	22,743	-	22,743	
	KNFP 8 05/15/26	"	"	8,950	14,978	-	14,978	

(Concluded)

TABLE 4**CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****INFORMATION ON INVESTEEES AND COMBINED SHAREHOLDING PERCENTAGE****DECEMBER 31, 2022****(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%	\$ 424,011,634	\$ 36,288,840	6,351,527	-	6,351,527	100.00%	Note 3
	Cathay United Bank	R.O.C.	Commercial banking operations	100.00%	236,382,247	25,596,770	10,859,866	-	10,859,866	100.00%	Note 3
	Cathay Century	R.O.C.	Property and casualty insurance	100.00%	12,809,538	(19,621,291)	705,705	-	705,705	100.00%	Note 3
	Cathay Securities	R.O.C.	Securities	100.00%	13,044,240	1,410,205	770,000	-	770,000	100.00%	Note 3
	Cathay Venture	R.O.C.	Venture capital investment	75.00%	4,395,906	117,720	518,173	-	518,173	100.00%	Note 3
	Cathay Securities Investment Trust	R.O.C.	Securities investment trust	100.00%	5,518,941	1,561,105	150,000	-	150,000	100.00%	Note 3
	Conning Asia Pacific Ltd.	Hong Kong	Wealth management	17.15%	94,251	20,773	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 5

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, 2022
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date (Note 2)	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 Qingsheng Section, Zhongli Dist., Taoyuan City	2022.03.02	\$ 4,601,136	Payment by installment according to the contract	ROC (Managed by Taiwan Railway Administration)	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 6

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DISPOSAL 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, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	Property	Event Date (Note 3)	Gain Date	Carrying Amount	Transaction Amount	Payment Status	Gain (or Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Pricing Reference	Other Terms
Cathay Life Insurance Co., Ltd.	25 Sang shi bai Sec, etc TDR land	2022.12.07	1973.01.04, 1973.03.03, 1989.09.21, 2020.10.30, 2021.04.14	\$ 759,044	\$ 759,044	(Note 1)	(Note 1)	Taichung city government and ROC	Non-related party	(Note 1)	(Note 1)	None
Cathay United Bank Co., Ltd.	Land numbers 11-9, 11-10, 11-11, 11-18, 11-19, 11-20, 11-26, 12-4, 12-67, Pinghe Section, West District, Taichung City	2022.01.26	Acquired in installments between 1982 and 1999	\$ 271,823	\$ 700,000	Payment by installment according to the contract	\$ 428,177	SAVE & SAFE CORPORATION	Non-related party	Real estate activation	The bargaining decision is made after the appraisal price of \$632,121 by reference to the real estate appraiser	None

Note 1: The company donated the land to Taichung City Government and the Republic of China for building capacity transfer.

Note 2: If the disposal assets are subject to appraisal which should be stated in the column of Reference basis for price determination.

Note 3: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value per share is not NT\$10, the 10% of paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company in the balance sheet.

Note 4: 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

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	Cathay Power Inc.	Cathy Sunrise Electric Power Two Co., Ltd.	Other receivables from related parties	Yes	\$ 150,000	\$ 140,000	\$ 47,702	2	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,583,296	\$ 1,583,296
		Hong Cheng Sing Tech. Co., Ltd.	Other receivables from related parties	Yes	60,000	1,500	-	2	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		SUNRISE PV ONE CO., LTD.	Other receivables from related parties	Yes	460,000	460,000	300,000	2	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		Shen Lyu Co., Ltd.	Other receivables from related parties	Yes	369,410	15,000	11,128	2	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
2	Neo Cathay Power Corp.	Shu Guang Energy Co., Ltd.	Other receivables from related parties	Yes	36,000	36,000	-	2	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
		SUNRISE PV ONE CO., LTD.	Other receivables from related parties	Yes	100,000	100,000	-	2	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
		Hong Cheng Sing Tech. Co., Ltd.	Other receivables from related parties	Yes	60,000	-	-	2	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
		Nan Yang Power Co., Ltd.	Other receivables from related parties	Yes	120,000	120,000	31,500	2	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
3	Yong Han Co., Ltd.	Si Yi Co., Ltd.	Other receivables from related parties	Yes	100,000	100,000	-	2	Short-term financing	-	Operating capital	-	-	-	107,270	107,270
4	CM Energy Co., Ltd.	Tian Ji Energy Co., Ltd.	Other receivables from related parties	Yes	2,000	2,000	2,000	2	Short-term financing	-	Operating capital	-	-	-	431,852	431,852
		Tian Ji Power Co., Ltd.	Other receivables from related parties	Yes	71,800	71,800	70,000	2	Short-term financing	-	Operating capital	-	-	-	431,852	431,852
		Hong Tai Energy Co., Ltd.	Other receivables from related parties	Yes	100,000	100,000	100,000	2	Short-term financing	-	Operating capital	-	-	-	431,852	431,852

Note: The maximum amount for total loan of Cathay Power, Neo Cathay Power, Yong Han, and CM Energy are 40% of its net worth. Limit on loans of Cathay Power, Neo Cathay Power, Yong Han, and CM Energy are 40% of its net worth.

TABLE 8

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
1	Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	b	\$ 9,895,599	\$ 2,742,796	\$ 2,444,796	\$ 803,863	\$ -	61.76	\$ 9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Cathy Sunrise Electric Power Two Co., Ltd.	b	9,895,599	223,912	73,912	73,912	-	1.87	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Hong Cheng Sing Tech. Co., Ltd.	b	9,895,599	53,000	51,000	51,000	-	1.29	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Nan Yang Power Co., Ltd.	b	9,895,599	226,900	226,900	112,900	-	5.73	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
2	SUNRISE PV ONE CO., LTD.	Cathay Power Inc.	c	2,743,359	1,360,000	1,005,590	489,500	-	91.64	2,743,359	(Note 2)	(Note 2)	N	(Note 4)
		Shen Lyu Co., Ltd.	d	2,743,359	354,410	354,410	354,410	-	32.30	2,743,359	(Note 2)	(Note 2)	N	(Note 4)
3	Neo Cathay Power Corp.	Si Yi Co., Ltd.	b	4,001,437	2,220,000	2,220,000	1,010,453	-	136.55	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
		Da Li Energy Co., Ltd.	b	4,001,437	1,017,500	1,017,500	525,039	-	62.59	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
		Yong Han Co., Ltd.	b	4,001,437	462,500	462,500	325,568	-	28.45	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
4	CM Energy Co., Ltd.	Tian Ji Energy Co., Ltd.	b	2,699,074	29,500	29,500	23,924	-	2.73	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Tian Ji Power Co., Ltd.	b	2,699,074	1,827,200	1,827,200	1,421,528	-	169.24	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Hong Tai Energy Co., Ltd.	b	2,699,074	706,296	706,296	501,829	-	65.42	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Hong Tai Power Co., Ltd.	b	2,699,074	190,000	190,000	148,680	-	17.60	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
5	Hong Tai Energy Co., Ltd.	Hong Tai Power Co., Ltd.	b	477,006	190,000	190,000	148,680	-	99.58	477,006	(Note 2)	(Note 2)	N	(Note 7)

- Note 1: Relationship between the endorser/guarantor and the endorsee/guarantee is classified as follows:
- a. Having a business relationship.
 - b. The endorser/guarantor directly or indirectly owns more than 50% of the ordinary shares of the endorsee/guarantee.
 - c. The endorsee/guarantee directly or indirectly owns more than 50% of the ordinary shares of the endorser/guarantor.
 - d. Company in which the public company directly or indirectly holds 90% or more of the voting shares may make endorsements/guarantees for each other.
 - e. Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or joint builders for purposes of undertaking a construction project.
 - f. Due to joint venture, all shareholders provide endorsements/guarantees to the endorsee/guarantee in proportion to its ownership.
 - g. Where companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: It is not a guarantor of the listed parent company to the endorsement of the subsidiary or the subsidiary company's endorsement to the listed parent company

Note 3: The total amount of endorsement/guarantee provided by Cathay Power shall be 250% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.

Note 4: The total amount of endorsement/guarantee provided by SUNRISE PV ONE shall be 250% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.

Note 5: The total amount of endorsement/guarantee provided by Neo Cathay Power shall be 250% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.

Note 6: The total amount of endorsement/guarantee provided by CM Energy shall be 300% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.

Note 7: The total amount of endorsement/guarantee provided by Hong Tai Energy shall be 250% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.

TABLE 9

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	a	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ 494,472	50.0	\$ 247,236 (Note 2,b,2))	\$ 6,727,215	\$ -
Cathay Century (China)	Property and casualty insurance	12,196,844	a	5,908,393	-	-	5,908,393	473,379	49.0	231,956 (Note 2,b,3))	4,950,963	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office equipment leasing company	7,223,435	a	7,223,435	-	-	7,223,435	141,657	100.0	129,755 (Note 2,b,2))	8,243,445	-
Cathay United Bank (China) Corporation Limited	Wholesale banking	14,377,562	a	14,377,562	-	-	14,377,562	259,880	100.0	259,880 (Note 2,b,2))	16,805,941	-
BSCOM Cathay Asset Management Co., Ltd.	Fund management services	1,701,823	a	566,707	-	-	566,707	(145,117)	33.3	(48,324) (Note 2,b,2))	285,340	-
Beijing BSCOM Cathay Capital Management Co., Ltd. (Note 4)	Assets management services	511,481	c	-	-	-	-	(30,319)	33.3	(10,096) (Note 2,b,2))	176,552	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$34,824,675	\$34,824,675	\$429,161,452

- 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 audited and certified by international accounting firms which have partnership with R.O.C. accounting firms.
 - 2) The financial statements are audited 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: BSCOM Cathay Asset Management Co., Ltd. invested in Beijing BSCOM Cathay Capital Management Co., Ltd. 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 31, 2022, 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. On March 3, 2022, MOEAIC authorized Cathay Life to cancel CNY245,000 thousand which was authorized by MOEAIC on November 26, 2019. As of December 31, 2022, Cathay Life’s remittances to this general insurance company amounted to 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 31, 2022, 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. On March 3, 2022, MOEAIC authorized Cathay Life to cancel CNY245,000 thousand which was authorized by MOEAIC on November 26, 2019. As of December 31, 2022, Cathay Century has remitted US\$97,292 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, and was authorized by MOEAIC, on July 10, 2014. MOEAIC agreed to the Bank to increase the working capital of the Qingdao Branch was CNY600,000 (US\$98,200) thousand on January 21, 2014, and was authorized by MOEAIC on October 30, 2014. Cathay United Bank’s obtained approval from MOEAIC to increase the working capital of Shenzhen branch by CNY400,000 (US\$60,710) thousand on January 5, 2015 and was authorized by MOEAIC 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 BSCOM Cathay Asset Management, originally named CDBS Cathay Asset Management (in the form of a joint venture with China Development Bank Securities CO., Ltd., originally named China Development Bank Securities LLC) 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 BSCOM 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, and was completed on September 29, 2017. As of December 31, 2022, Cathay Securities Investment Trust remittances to BSCOM Cathay Asset Management totaled approximately CNY119,880 thousand.

(Concluded)

TABLE 10**CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(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	0.29
		Cathay Life	a	Payables	14,465,582	Not significantly different with that of third parties	0.12
		Cathay Life	a	Interest income	1,260,000	Not significantly different with that of third parties	0.37
		Cathay United Bank	a	Receivables	3,162,531	Not significantly different with that of third parties	0.03
		Cathay United Bank	a	Cash and cash equivalents	438,003	Not significantly different with that of third parties	-
		Cathay Century	a	Payables	612,702	Not significantly different with that of third parties	0.01
		Cathay Securities	a	Receivables	484,896	Not significantly different with that of third parties	-
		Cathay Securities Investment Trust	a	Receivables	402,738	Not significantly different with that of third parties	-
1	Cathay Life	Cathay Financial Holdings	b	Gain on investment property	147,136	Not significantly different with that of third parties	0.04
		Cathay United Bank	c	Guarantee deposits received	191,579	Not significantly different with that of third parties	-
		Cathay United Bank	c	Cash and cash equivalents	44,848,736	Not significantly different with that of third parties	0.37
		Cathay United Bank	c	Gain on investment property	738,149	Not significantly different with that of third parties	0.22
		Cathay United Bank	c	Premium Income	141,978	Not significantly different with that of third parties	0.04
		Cathay United Bank	c	Other general and administrative expense	5,914,604	Not significantly different with that of third parties	1.73
		Cathay United Bank	c	Payables	303,859	Not significantly different with that of third parties	-
		Cathay United Bank	c	Service fee and commission fee expense	944,171	Not significantly different with that of third parties	0.28
		Cathay United Bank	c	Net other non-interest gain	218,851	Not significantly different with that of third parties	0.06
		Cathay United Bank	c	Loss on financial assets and liabilities at fair value through profit or loss	3,406,911	Not significantly different with that of third parties	1.00
		Cathay United Bank	c	Financial liabilities at fair value through profit or loss	3,050,288	Not significantly different with that of third parties	0.03
		Cathay United Bank	c	Interest income	135,469	Not significantly different with that of third parties	0.04
		Cathay Century	c	Net other non-interest gain	733,711	Not significantly different with that of third parties	0.21
		Cathay Century	c	Receivables	131,089	Not significantly different with that of third parties	-
		Cathay Century	c	Gain on investment property	128,757	Not significantly different with that of third parties	0.04
		Cathay Century	c	Other general and administrative expense	115,000	Not significantly different with that of third parties	0.03
		Cathay Futures	c	Guarantee deposits paid	3,390,281	Not significantly different with that of third parties	0.03
		Cathay Securities Investment Trust	c	Service fee and commission fee expense	421,067	Not significantly different with that of third parties	0.12
		Cathay Venture	c	Receivables	961,728	Not significantly different with that of third parties	0.01
		Cathay Walbrook Holding 1 Limited	c	Loans	11,657,692	Not significantly different with that of third parties	0.10
		Cathay Walbrook Holding 1 Limited	c	Interest income	485,905	Not significantly different with that of third parties	0.14
		Cathay Walbrook Holding 2 Limited	c	Loans	620,780	Not significantly different with that of third parties	0.01
		Conning holding limited	c	Payables	285,465	Not significantly different with that of third parties	-
		Conning holding limited	c	Service fee and commission fee expense	1,238,035	Not significantly different with that of third parties	0.36

(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)
2	Cathay United Bank	Cathay Century	c	Deposits	\$ 3,790,370	Not significantly different with that of third parties	0.03
		Cathay Century	c	Service fee and commission revenue	220,554	Not significantly different with that of third parties	0.06
		Cathay Century	c	Other general and administrative expense	169,888	Not significantly different with that of third parties	0.05
		Cathay Securities	c	Deposits	3,365,442	Not significantly different with that of third parties	0.03
		Cathay Securities	c	Service fee and commission fee revenue	211,477	Not significantly different with that of third parties	0.06
		Cathay Venture	c	Deposits	410,300	Not significantly different with that of third parties	-
		Cathay Securities Investment Trust	c	Deposits	216,349	Not significantly different with that of third parties	-
		Cathay Futures	c	Deposits	1,722,934	Not significantly different with that of third parties	0.01
		Cathay Futures	c	Guarantee deposits paid	1,496,350	Not significantly different with that of third parties	0.01
		Lin Yuan	c	Deposits	1,626,645	Not significantly different with that of third parties	0.01
		Cathay Industrial R&D Center	c	Deposits	514,600	Not significantly different with that of third parties	-
		Indovina Bank	c	Deposits in interbank	455,551	Not significantly different with that of third parties	-
		Indovina Bank	c	Call loans to banks	921,240	Not significantly different with that of third parties	0.01
		CUBC Bank	c	Call loans to banks	4,114,872	Not significantly different with that of third parties	0.03
		CUBC Bank	c	Deposits in interbank	676,495	Not significantly different with that of third parties	0.01
		CUBC Bank	c	Receivables	181,015	Not significantly different with that of third parties	-
		CUBCN Bank	c	Due to commercial banks	126,511	Not significantly different with that of third parties	-
		CUBCN Bank	c	Interest income	249,314	Not significantly different with that of third parties	0.07
		CUBCN Bank	c	Call loans to banks	3,967,100	Not significantly different with that of third parties	0.03
		CUBCN Bank	c	Other financial assets	4,407,889	Not significantly different with that of third parties	0.04
		CUBCN Bank	c	Receivables	198,310	Not significantly different with that of third parties	-
		Cathay Life (Vietnam)	c	Deposits	171,637	Not significantly different with that of third parties	-
3	Indovina Bank	Cathay Insurance (Vietnam)	c	Deposits	272,684	Not significantly different with that of third parties	-
		Cathay Life (Vietnam)	c	Deposits	3,062,567	Not significantly different with that of third parties	0.03
		Cathay Life (Vietnam)	c	Interest expense	148,787	Not significantly different with that of third parties	0.04
		Cathay Life (Vietnam)	c	Interest payable	111,737	Not significantly different with that of third parties	-
4	Cathay Securities	Cathay Futures	c	Financial assets at fair value through profit or loss	806,599	Not significantly different with that of third parties	0.01
		Cathay Life	c	Other general and administrative expense	103,595	Not significantly different with that of third parties	0.03
5	Cathay Securities Investment Trust	Cathay Life	c	Other general and administrative expense	103,470	Not significantly different with that of third parties	0.03
		Conning Asia Pacific Ltd.	c	Other general and administrative expense	100,003	Not significantly different with that of third parties	0.03
6	Cathay Futures	Cathay Capital (Asia)	c	Futures trader's equity	103,869	Not significantly different with that of third parties	-
7	Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	c	Other receivables	305,721	Not significantly different with that of third parties	-
8	CM Energy Co., Ltd.	Hong Tai Energy Co., Ltd	c	Other receivables	100,219	Not significantly different with that of third parties	-

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.

(Continued)

Note 3: Percentage of transaction amount to total consolidated operating income and assets is calculated as follows:

For balance sheet accounts: $\text{Transaction amount} \div \text{Total consolidated assets}$
For income statement accounts: $\text{Accumulated transaction amount} \div \text{Total consolidated profit from operations}$.

Note 4: Disclosure of the important intercompany transactions above is decided by the Company based on the materiality principle.

(Concluded)

TABLE 11**CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****INFORMATION ON MAJOR SHAREHOLDERS****DECEMBER 31, 2022**

Names of Major Shareholders	Shares	
	Number of Shares Held	Shareholding Percentage (%)
Wan Pao Development Co., Ltd.	2,540,990,110	15.68
Lin Yuan Investment Co., Ltd.	2,249,443,425	13.88

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.

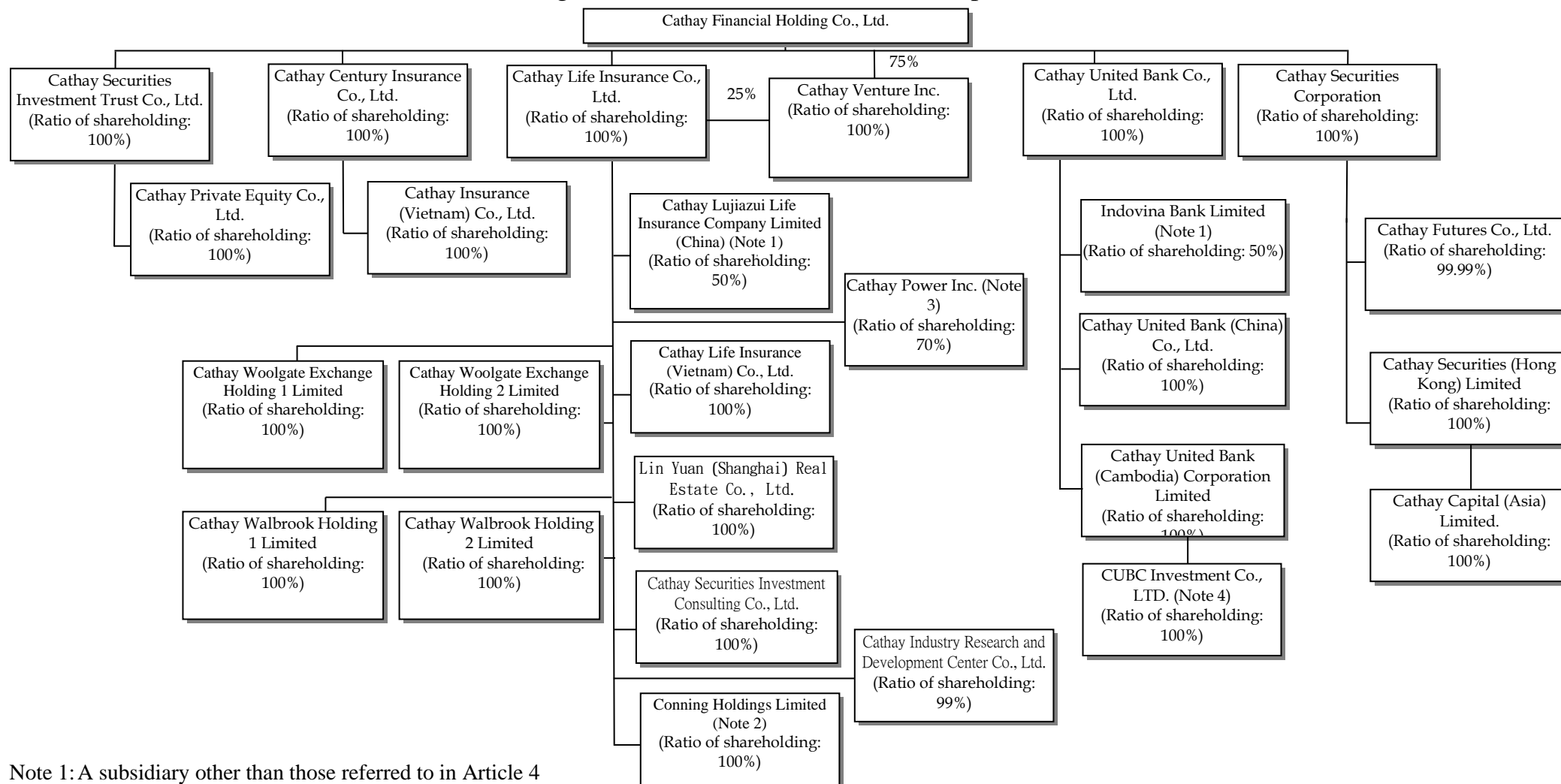
Note 2: If a shareholder holds its shares by trust, the information is individually presented in the above disclosures by the trustee who opened the trust account. As for the handling of insider shareholding declaration for shareholders holding more than 10% of the Company's shares in accordance with 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
2022

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 Act.

Note 2: Expressed with the consolidated entity. See page 662 for details.

Note 3: Expressed with the consolidated entity. See page 664 for details.

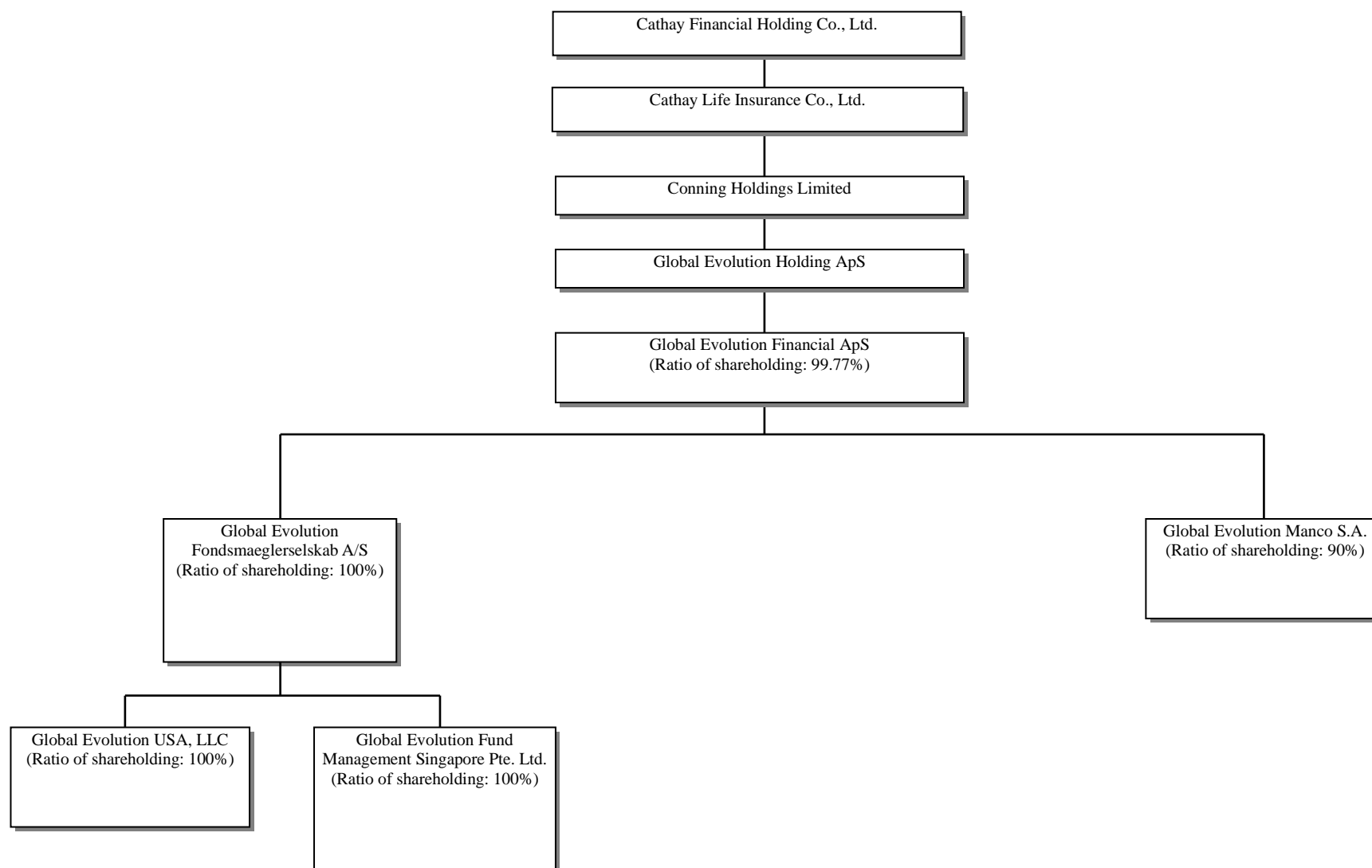
Note 4: Cathay United Bank (Cambodia) Co., Ltd. holds 49% of equity in CUBC Investment Co., Ltd., and has substantial control of the latter's operations and composition of its board of directors through proxy agreements with other shareholders, and is entitled to the 100% economic interest in it. It is therefore listed as a subsidiary of Cathay United Bank (Cambodia) Co., Ltd.

Organizational Chart of Affiliated Companies (Continued)

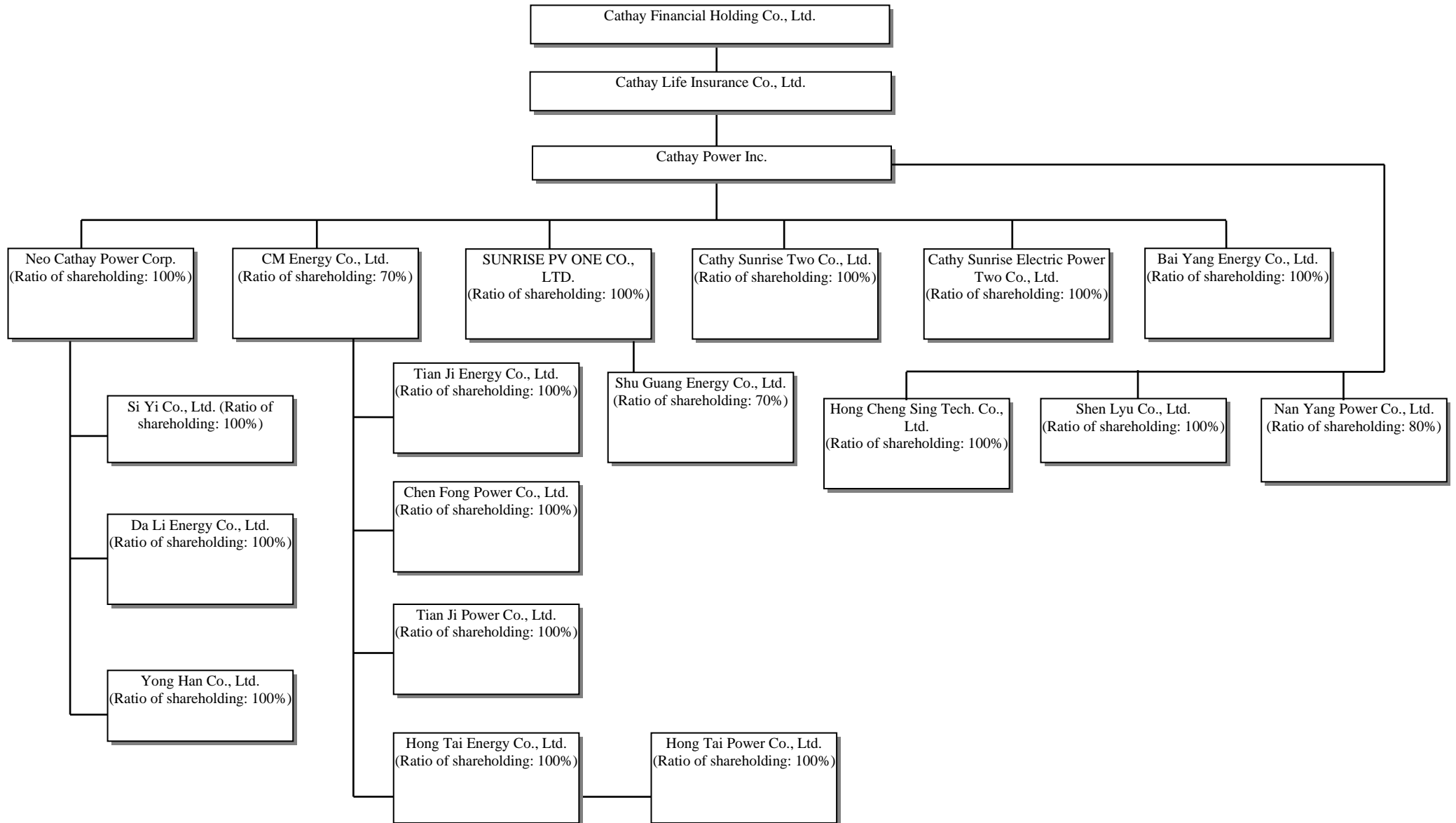


Note 5: Expressed with the consolidated entity. See page 663 for details.

Organizational Chart of Affiliated Companies (Continued)



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.)	\$ 162,025,102	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.)	63,515,274	Personal Insurance
Cathay United Bank Co., Ltd.	1975.1.4	No.7, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	108,598,655	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.)	7,057,052	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.)	7,700,000	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.	2021.01.08	12F., No. 339, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	1,000,000	Real estate leasing
Cathay Power Inc.	2017.1.3	10F., No. 333, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	3,703,770	Energy Technical Services
SUNRISE PV ONE CO., LTD.	2016.03.29	10F., No. 333, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	1,000,000	Energy Technical Services
Cathy Sunrise Two Co., Ltd.	2018.05.28	10F., No. 333, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	20,000	Energy Technical Services
Cathy Sunrise Electric Power Two Co., Ltd.	2018.08.08	10F., No. 333, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	125,000	Energy Technical Services
Bai Yang Energy Co., Ltd.	2015.09.16	10F., No. 333, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	65,000	Energy Technical Services
Hong Cheng Sing Tech. Co., Ltd.	2017.04.25	10F., No. 333, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	5,000	Energy Technical Services
Shen Lyu Co., Ltd.	2021.06.16	10F., No. 333, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	100	Energy Technical Services
Nan Yang Power Co., Ltd.	2020.05.20	10F., No. 333, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	43,000	Energy Technical Services
Shu Guang Energy Co., Ltd.	2021.10.19	10F., No. 333, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	50,000	Energy Technical Services
Neo Cathay Power Corp.	2016.10.25	10F., No. 333, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	1,500,000	Energy Technical Services
Si Yi Co., Ltd.	2015.12.11	10F., No. 333, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	700,000	Energy Technical Services
Da Li Energy Co., Ltd.	2014.11.28	10F., No. 333, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	400,000	Energy Technical Services
Yong Han Co., Ltd.	2013.04.09	10F., No. 333, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	250,000	Energy Technical Services
CM Energy Co., Ltd.	2015.09.21	No. 25-1, Ln. 780, Xiping Rd., Douliu City, Yunlin County 640, Taiwan (R.O.C.)	1,000,000	Energy Technical Services
Tian Ji Energy Co., Ltd.	2014.12.31	No. 27, Ln. 780, Xiping Rd., Douliu City, Yunlin County 640, Taiwan (R.O.C.)	10,000	Energy Technical Services
Tian Ji Power Co., Ltd.	2017.12.26	No. 25-1, Ln. 780, Xiping Rd., Douliu City, Yunlin County 640, Taiwan (R.O.C.)	400,000	Energy Technical Services
Hong Tai Energy Co., Ltd.	2015.12.30	No. 27-1, Ln. 780, Xiping Rd., Douliu City, Yunlin County 640, Taiwan (R.O.C.)	150,000	Energy Technical Services

Basic information on affiliates (Continued)

Unit: NT\$ thousand

Corporate name	Date of Establishment	Address	Paid-in capital	Scope of business/production
Hong Tai Power Co., Ltd.	2018.01.02	5F, 5, Technology Road, Science Park, HsinChu City, Taiwan (R.O.C.)	\$ 50,000	Energy Technical Services
Chen Fong Power Co., Ltd.	2020.05.13	No. 9-1, Ln. 263, Jiazhan Rd., Ziguan Dist., Kaohsiung City 826, Taiwan (R.O.C.)	31,000	Energy Technical Services and Manufacture of Power Generation, Transmission and Distribution Machinery
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
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	293,166	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

Basic information on affiliates (Continued)

Unit: NT\$ thousand

Corporate name	Date of Establishment	Address	Paid-in capital	Scope of business/production
Goodwin Capital Advisers, Inc.	1920.3.14	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
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.48, Samdech Pan Street (St.214), Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia	3,020,769	Banking
CUBC Investment Co., LTD.	2012.8.14	No.68, Samdech Pan Street (St.214), Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia	47,580	Investment Business

Basic information on affiliates (Continued)

Unit: NT\$ thousand

Corporate name	Date of Establishment	Address	Paid-in capital	Scope of business/production
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 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	51,761,083	0.34%
	Director	Andrew Ming-Jian Kuo (Representative of Culture and Charity Foundation of the Cathay United Bank)	6,600,740	0.04%
	Director	Cheng-Ta Tsai (Representative of Chia Yi Capital Co., Ltd.)	65,157,991	0.40%
	Director	Chi-Wei Joong (Representative of Chia Yi Capital Co., Ltd.)	65,157,991	0.40%
	Director	Cheng-Chiu Tsai (Representative of Chen-Sheng Industrial Co., Ltd.)	36,639,978	0.23%
	Director	Tiao-Kuei Huang (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.21%
	Director	Ming-Ho Hsiung (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.21%
	Director	Chang-Ken Lee (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.21%
	Independent Director	Edward Yung-Do Way	-	-
	Independent Director	Feng-Chiang Miao	-	-
	Independent Director	Li-Ling Wang	-	-
	Independent Director	Tang-Chieh Wu	-	-
	Independent Director	Pei-Pei Yu	-	-
	President	Chang-Ken Lee	360,112	0.002%

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)	6,351,527,395	100%
	Vice Chairman	Ming-Ho Hsiung (Representative of Cathay Financial Holdings)	6,351,527,395	100%
	Director	Tzung-Han Tsai (Representative of Cathay Financial Holdings)	6,351,527,395	100%
	Director	Chung-Yan Tsai (Representative of Cathay Financial Holdings)	6,351,527,395	100%
	Director	Chung-Chiang Chu (Representative of Cathay Financial Holdings)	6,351,527,395	100%
	Director	Shang-Chi Liu (Representative of Cathay Financial Holdings)	6,351,527,395	100%
	Director	Chao-Ting Lin (Representative of Cathay Financial Holdings)	6,351,527,395	100%
	Director	Yi-Tsung Wang (Representative of Cathay Financial Holdings)	6,351,527,395	100%
	Independent Director	Li-Ling Wang (Representative of Cathay Financial Holdings)	6,351,527,395	100%
	Independent Director	Tang-Chieh Wu (Representative of Cathay Financial Holdings)	6,351,527,395	100%
	Independent Director	Pei-Pei Yu (Representative of Cathay Financial Holdings)	6,351,527,395	100%
	Resident Supervisor	Chih-Ying Tsai (Representative of Cathay Financial Holdings)	6,351,527,395	100%
	Supervisor	Chih-Ming Lin (Representative of Cathay Financial Holdings)	6,351,527,395	100%
	Supervisor	Yung-Chen Li (Representative of Cathay Financial Holdings)	6,351,527,395	100%
	Supervisor	Han-Chang Tsai (Representative of Cathay Financial Holdings)	6,351,527,395	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)	10,859,865,527	100%
	Vice Chairman	Tzung-Han Tsai (Representative of Cathay Financial Holdings)	10,859,865,527	100%
	Managing Director/Independent Director	Tang-Chieh Wu (Representative of Cathay Financial Holdings)	10,859,865,527	100%
	Managing Director	Alan Lee (Representative of Cathay Financial Holdings)	10,859,865,527	100%
	Managing Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	10,859,865,527	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	10,859,865,527	100%
	Director	Han-Kuo Chen (Representative of Cathay Financial Holdings)	10,859,865,527	100%
	Director	Chi-Wei Joong (Representative of Cathay Financial Holdings)	10,859,865,527	100%
	Director	Grace Chen (Representative of Cathay Financial Holdings)	10,859,865,527	100%
	Director	Tsung-Hsien Tsai (Representative of Cathay Financial Holdings)	10,859,865,527	100%
	Director	Wei-Hua Chou (Representative of Cathay Financial Holdings)	10,859,865,527	100%
	Director	Jian-Hsing Wu (Representative of Cathay Financial Holdings)	10,859,865,527	100%
	Director	Sophia Cheng (Representative of Cathay Financial Holdings)	10,859,865,527	100%
	Independent Director	Edward Yung-Do Way (Representative of Cathay Financial Holdings)	10,859,865,527	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	10,859,865,527	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)	705,705,194	100%
	Vice Chairman	Jung-Hsien Hsu	(Representative of Cathay Financial Holdings)	705,705,194	100%
	Director	Fa-Te Chang	(Representative of Cathay Financial Holdings)	705,705,194	100%
	Director	Tsu-Yao Lu	(Representative of Cathay Financial Holdings)	705,705,194	100%
	Director	Chih-Yi Yu	(Representative of Cathay Financial Holdings)	705,705,194	100%
	Director	Tsung-Hsien Tsai	(Representative of Cathay Financial Holdings)	705,705,194	100%
	Director	Wan-Hsiang Chen	(Representative of Cathay Financial Holdings)	705,705,194	100%
	Independent Director	Tang-Chieh Wu	(Representative of Cathay Financial Holdings)	705,705,194	100%
	Independent Director	Pei-Pei Yu	(Representative of Cathay Financial Holdings)	705,705,194	100%
	Resident Supervisor	Chin-Hsing Liu	(Representative of Cathay Financial Holdings)	705,705,194	100%
	Supervisor	Tso-Hsing Hsu	(Representative of Cathay Financial Holdings)	705,705,194	100%
	President	Wan-Hsiang Chen		-	-
Cathay Securities Corporation	Chairman	Shun-Yu Chuang	(Representative of Cathay Financial Holdings)	770,000,000	100%
	Director	Chang-Ken Lee	(Representative of Cathay Financial Holdings)	770,000,000	100%
	Director	Chin-Hsing Liu	(Representative of Cathay Financial Holdings)	770,000,000	100%
	Director	Kuan-Cheng Chou	(Representative of Cathay Financial Holdings)	770,000,000	100%
	Director	Chuang-Hao Lo	(Representative of Cathay Financial Holdings)	770,000,000	100%
	Independent Director	Edward Yung-Do Way	(Representative of Cathay Financial Holdings)	770,000,000	100%
	Independent Director	Wei-Kang Pan	(Representative of Cathay Financial Holdings)	770,000,000	100%
	Supervisor	Ta-Ching Hung	(Representative of Cathay Financial Holdings)	770,000,000	100%
	Supervisor	Po-Shen Fuh	(Representative of Cathay Financial Holdings)	770,000,000	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)	388,629,746	75%
	Director	Ting-Lun Li (Representative of Cathay Financial Holdings)	388,629,746	75%
	Director	Grace Chen (Representative of Cathay Financial Holdings)	388,629,746	75%
	Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	388,629,746	75%
	Director	Chuan-Yen Hu (Representative of Cathay Financial Holdings)	388,629,746	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 Power Inc.	Chairman	Ta-Chia Yeh (Representative of San-Ching Engineering Co., Ltd.)	111,113,100	30%
	Director	Chih-Pang Lin (Representative of Cathay Life Insurance)	259,263,900	70%
	Director	Hsien-Chung Lin (Representative of Cathay Life Insurance)	259,263,900	70%
	Supervisor	Kuo-Yi Huang	-	-
	Deputy President	Chih-Pang Lin	-	-
SUNRISE PV ONE CO., LTD.	Chairman	Ta-Chia Yeh (Representative of Cathay Power Inc.)	100,000,000	100%
	Director	Chih-Pang Lin (Representative of Cathay Power Inc.)	100,000,000	100%
	Director	Chang-Min Huang (Representative of Cathay Power Inc.)	100,000,000	100%
	Supervisor	Kuo-Yi Huang (Representative of Cathay Power Inc.)	100,000,000	100%
	Deputy President	Chih-Pang 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
Cathy Sunrise Two Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of Cathay Power Inc.)	2,000,000	100%
	Director	Chih-Pang Lin (Representative of Cathay Power Inc.)	2,000,000	100%
	Director	Chang-Min Huang (Representative of Cathay Power Inc.)	2,000,000	100%
	Supervisor	Kuo-Yi Huang (Representative of Cathay Power Inc.)	2,000,000	100%
	Deputy President	Chih-Pang Lin	-	-
Cathy Sunrise Electric Power Two Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of Cathay Power Inc.)	12,500,000	100%
	Director	Chih-Pang Lin (Representative of Cathay Power Inc.)	12,500,000	100%
	Director	Chang-Min Huang (Representative of Cathay Power Inc.)	12,500,000	100%
	Supervisor	Kuo-Yi Huang (Representative of Cathay Power Inc.)	12,500,000	100%
	Deputy President	Chih-Pang Lin	-	-
Bai Yang Energy Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of Cathay Power Inc.)	6,500,000	100%
	Director	Chih-Pang Lin (Representative of Cathay Power Inc.)	6,500,000	100%
	Director	Chang-Min Huang (Representative of Cathay Power Inc.)	6,500,000	100%
	Supervisor	Kuo-Yi Huang (Representative of Cathay Power Inc.)	6,500,000	100%
	Deputy President	Chih-Pang Lin	-	-
Hong Cheng Sing Tech. Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of Cathay Power Inc.)	500,000	100%
	Director	Chih-Pang Lin (Representative of Cathay Power Inc.)	500,000	100%
	Director	Chang-Min Huang (Representative of Cathay Power Inc.)	500,000	100%
	Supervisor	Kuo-Yi Huang (Representative of Cathay Power Inc.)	500,000	100%
	Deputy President	Chih-Pang 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
Shen Lyu Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of Cathay Power Inc.)	10,000	100%
	Director	Chih-Pang Lin (Representative of Cathay Power Inc.)	10,000	100%
	Director	Chang-Min Huang (Representative of Cathay Power Inc.)	10,000	100%
	Supervisor	Kuo-Yi Huang (Representative of Cathay Power Inc.)	10,000	100%
	Deputy President	Chih-Pang Lin	-	-
Nan Yang Power Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of Cathay Power Inc.)	3,440,000	80%
	Director	Chih-Pang Lin (Representative of Cathay Power Inc.)	3,440,000	80%
	Director	Chang-Min Huang (Representative of Cathay Power Inc.)	3,440,000	80%
	Supervisor	Kuo-Yi Huang	-	-
	Deputy President	Chih-Pang Lin	-	-
Shu Guang Energy Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of SUNRISE PV ONE CO., LTD.)	3,500,000	70%
	Director	Chih-Pang Lin (Representative of SUNRISE PV ONE CO., LTD.)	3,500,000	70%
	Director	Chang-Min Huang (Representative of SUNRISE PV ONE CO., LTD.)	3,500,000	70%
	Supervisor	Kuo-Yi Huang	-	-
	Deputy President	Chih-Pang Lin	-	-
Neo Cathay Power Corp.	Chairman	Ta-Chia Yeh (Representative of Cathay Power Inc.)	150,000,000	100%
	Director	Chih-Pang Lin (Representative of Cathay Power Inc.)	150,000,000	100%
	Director	Chang-Min Huang (Representative of Cathay Power Inc.)	150,000,000	100%
	Supervisor	Kuo-Yi Huang (Representative of Cathay Power Inc.)	150,000,000	100%
	Deputy President	Chih-Pang 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
Si Yi Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of Neo Cathay Power Corp.)	70,000,000	100%
	Director	Chih-Pang Lin (Representative of Neo Cathay Power Corp.)	70,000,000	100%
	Director	Chang-Min Huang (Representative of Neo Cathay Power Corp.)	70,000,000	100%
	Supervisor	Kuo-Yi Huang (Representative of Neo Cathay Power Corp.)	70,000,000	100%
	Deputy President	Chih-Pang Lin	-	-
Da Li Energy Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of Neo Cathay Power Corp.)	40,000,000	100%
	Director	Chih-Pang Lin (Representative of Neo Cathay Power Corp.)	40,000,000	100%
	Director	Chang-Min Huang (Representative of Neo Cathay Power Corp.)	40,000,000	100%
	Supervisor	Kuo-Yi Huang (Representative of Neo Cathay Power Corp.)	40,000,000	100%
	Deputy President	Chih-Pang Lin	-	-
Yong Han Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of Neo Cathay Power Corp.)	25,000,000	100%
	Director	Chih-Pang Lin (Representative of Neo Cathay Power Corp.)	25,000,000	100%
	Director	Chang-Min Huang (Representative of Neo Cathay Power Corp.)	25,000,000	100%
	Supervisor	Kuo-Yi Huang (Representative of Neo Cathay Power Corp.)	25,000,000	100%
	Deputy President	Chih-Pang Lin	-	-
CM Energy Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of Cathay Power Inc.)	70,000,000	70%
	Director	Chang-Min Huang (Representative of Cathay Power Inc.)	70,000,000	70%
	Director	Tsung-Hsien Tsai (Representative of Solar Master Energy Co., Ltd.)	30,000,000	30%
	Supervisor	Hsiao-Chuan Huang	-	-
	Deputy President	Chih-Pang 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
Tian Ji Energy Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of CM Energy Co., Ltd.)	1,000,000	100%
	Director	Tsung-Hsien Tsai (Representative of CM Energy Co., Ltd.)	1,000,000	100%
	Director	Chang-Min Huang (Representative of CM Energy Co., Ltd.)	1,000,000	100%
	Supervisor	Hsiao-Chuan Huang (Representative of CM Energy Co., Ltd.)	1,000,000	100%
	Deputy President	Chih-Pang Lin	-	-
Tian Ji Power Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of CM Energy Co., Ltd.)	40,000,000	100%
	Director	Tsung-Hsien Tsai (Representative of CM Energy Co., Ltd.)	40,000,000	100%
	Director	Chang-Min Huang (Representative of CM Energy Co., Ltd.)	40,000,000	100%
	Supervisor	Hsiao-Chuan Huang (Representative of CM Energy Co., Ltd.)	40,000,000	100%
	Deputy President	Chih-Pang Lin	-	-
Hong Tai Energy Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of CM Energy Co., Ltd.)	15,000,000	100%
	Director	Tsung-Hsien Tsai (Representative of CM Energy Co., Ltd.)	15,000,000	100%
	Director	Chang-Min Huang (Representative of CM Energy Co., Ltd.)	15,000,000	100%
	Supervisor	Hsiao-Chuan Huang (Representative of CM Energy Co., Ltd.)	15,000,000	100%
	Deputy President	Chih-Pang Lin	-	-
Hong Tai Power Co., Ltd.	Chairman	Ta-Chia Yeh (Representative of Hong Tai Energy Co., Ltd.)	5,000,000	100%
	Director	Tsung-Hsien Tsai (Representative of Tai Energy Co., Ltd.)	5,000,000	100%
	Director	Chang-Min Huang (Representative of Tai Energy Co., Ltd.)	5,000,000	100%
	Supervisor	Hsiao-Chuan Huang (Representative of Tai Energy Co., Ltd.)	5,000,000	100%
	Deputy President	Chih-Pang Lin	-	-
Chen Fong Power Co., Ltd.	Chairman	CM Energy Co., Ltd. (Note)	3,100,000	100%
	Supervisor	CM Energy Co., Ltd. (Note)	3,100,000	100%

Note: The former corporate director and supervisor, Solar Master Energy, has been dismissed naturally. As of December 31, 2022, no representative has been appointed, and the registration of change has not been completed.

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 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.) (Note)	-	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	Wen-Pin Liu (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%
	Supervisor	Wen-Jui Li (Representative of Cathay Life Insurance)	-	50%
	Supervisor	Min-Kun Li (Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.)	-	50%
	Supervisor	Chun-To Ping	-	-
	President	Chih-Jung Kun	-	-
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	-	-

Note: Director, Yan Wang was dismissed, and Director Si Hu was reappointed; upon the local regulatory approval, becoming effective on January 10, 2023.

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 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	-	-	-
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	-	-	-

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 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	-	-	-
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	69.19%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	4,254,102	69.19%
	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 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	-	-	-
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 Segal (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	-	-	-

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 Investors, LLC	Chairman	Linwood (“Woody”) E. Bradford, Jr. (Representative of Conning & Company)	-	86.34%
	Director	Jung W. Lee (Representative of Conning & Company)	-	86.34%
	Director	Richard Sega (Representative of Conning & Company)	-	86.34%
	Director	Andrew D. Gordon (Representative of Conning & Company)	-	86.34%
	Director	Michael Nechamkin (Representative of Conning & Company)	-	86.34%
	President	-	-	-
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	-	99.77%
Global Evolution Fondsmæglerselskab 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 Fondsmæglerselskab A/S	-	100%
Global Evolution Fund Management Singapore Pte. Ltd.	N/A	Global Evolution Fondsmæglerselskab A/S	-	100%
Cathay Insurance (Vietnam) Co., Ltd.	Chairman	Yi-Min Hu (Representative of Cathay Century Insurance)	-	100%
	Director	Chiu-Jui Lin (Representative of Cathay Century Insurance)	-	100%
	Director	Yi-Ching Ming (Representative of Cathay Century Insurance)	-	100%
	President	Yi-Ching Ming	-	-

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	Nguyen Anh Tuan (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-Fong 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	Po-Tsang Hsieh (Representative of Cathay United Bank)	100,000,000	100%
	Independent Director	Chang-Chuan Hsia (Representative of Cathay United Bank)	100,000,000	100%
CUBC Investment Co., LTD.	President	Hsiu-Chu Chuang	-	-
	Director	Cathay United Bank (Cambodia) Corporation Limited	-	49%
	Director	PRINTEMPS Co., Ltd.	-	51%

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 (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	Tang, Pin (Representative of Cathay United Bank)	-	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	-	-
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	Kai-Lin Huang	-	-
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	-	-	-

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 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	\$ 162,025,102	\$ 748,880,245	\$ 150,039,905	\$ 598,840,340	註 1	\$ 42,896,907	\$ 40,974,029	(\$ 3,614,669)	\$ 37,359,360	\$ 2.58
Cathay Life Insurance Co., Ltd.	Taiwan	63,515,274	8,056,833,117	7,600,016,312	456,816,805	\$ 667,000,217	38,672,233	40,516,422	(6,849,254)	33,667,168	5.75
Cathay United Bank Co., Ltd.	Taiwan	108,598,655	3,761,095,473	3,523,361,245	237,734,228	註 1	71,277,282	30,780,195	(5,190,000)	25,590,195	2.36
Cathay Century Insurance Co., Ltd.	Taiwan	7,057,052	59,734,877	46,935,151	12,799,726	22,971,386	(24,540,469)	(24,532,556)	4,911,025	(19,621,531)	(47.56)
Cathay Securities Corporation	Taiwan	7,700,000	35,716,694	22,673,781	13,042,913	5,439,609	1,683,731	1,683,081	(273,666)	1,409,415	1.83
Cathay Venture Inc.	Taiwan	5,181,730	7,229,865	1,039,982	6,189,883	242,736	181,916	184,692	(27,677)	157,015	0.30
Cathay Securities Investment Trust Co., Ltd.	Taiwan	1,500,000	4,971,158	1,042,686	3,928,472	4,008,491	2,026,767	1,970,778	(409,881)	1,560,897	10.41
Cathay Securities Investment Consulting Co., Ltd.	Taiwan	300,000	792,356	104,486	687,870	565,941	229,842	268,149	(53,630)	214,519	7.15
Cathay Industry Research and Development Center Co., Ltd.	Taiwan	1,000,000	2,239,271	1,387,040	852,231	(32,921)	(88,840)	(89,359)	24,572	(64,787)	(0.65)
Cathay Power Inc. (Note 2)	Taiwan	3,703,770	12,913,096	8,608,006	4,305,090	158,389	1,591	1,591	(1,412)	179	0.0005
SUNRISE PV ONE CO., LTD.	Taiwan	1,000,000	4,059,757	2,962,413	1,097,344	51,032	5,435	5,303	(1,067)	4,236	0.04
Cathy Sunrise Two Co., Ltd.	Taiwan	20,000	95,351	71,932	23,419	1,676	196	(67)	13	(54)	(0.03)
Cathy Sunrise Electric Power Two Co., Ltd.	Taiwan	125,000	558,019	426,117	131,902	5,335	220	(457)	91	(366)	(0.03)
Bai Yang Energy Co., Ltd.	Taiwan	65,000	245,562	169,407	76,155	4,441	1,347	819	(164)	655	0.10
Hong Cheng Sing Tech. Co., Ltd.	Taiwan	5,000	54,321	51,127	3,194	-	(32)	(201)	-	(201)	(0.40)
Shen Lyu Co., Ltd.	Taiwan	100	6,076	11,240	(5,164)	-	(2,001)	(2,461)	-	(2,461)	(246.08)
Nan Yang Power Co., Ltd.	Taiwan	43,000	185,629	144,181	41,448	-	(107)	-	-	-	-
Shu Guang Energy Co., Ltd.	Taiwan	50,000	49,661	80	49,581	-	(88)	(46)	-	(46)	(0.01)
Neo Cathay Power Corp.	Taiwan	1,500,000	1,604,659	4,084	1,600,575	-	(192)	(826)	-	(826)	(0.01)
Si Yi Co., Ltd.	Taiwan	700,000	1,862,914	1,105,078	757,836	26,966	3,005	(207)	41	(166)	(0.002)
Da Li Energy Co., Ltd.	Taiwan	400,000	1,071,274	638,845	432,429	15,942	2,103	206	(41)	165	0.004
Yong Han Co., Ltd.	Taiwan	250,000	626,329	358,155	268,174	8,678	272	(784)	157	(627)	(0.03)
CM Energy Co., Ltd.	Taiwan	1,000,000	1,079,804	174	1,079,630	-	(37)	1,474	-	1,474	0.01
Tian Ji Energy Co., Ltd.	Taiwan	10,000	46,539	33,428	13,111	918	208	89	(16)	73	0.07
Tian Ji Power Co., Ltd.	Taiwan	400,000	2,166,040	1,730,468	435,572	24,888	5,743	1,051	(202)	849	0.02
Hong Tai Energy Co., Ltd.	Taiwan	150,000	952,432	761,630	190,802	13,332	2,164	200	(103)	97	0.01
Hong Tai Power Co., Ltd.	Taiwan	50,000	268,172	209,043	59,129	4,117	396	(407)	82	(325)	(0.07)
Chen Fong Power Co., Ltd.	Taiwan	31,000	30,334	295	30,039	-	-	-	-	-	-
Cathay Lujiazui Life Insurance Company Limited	China	13,497,155	89,156,736	75,702,305	13,454,431	20,888,363	558,642	561,935	(67,463)	494,472	-

Operating overview of affiliated corporations (Continued)

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\$)
Lin Yuan (Shanghai) Real Estate Co., Ltd.	China	\$ 7,223,435	\$ 9,142,706	\$ 709,008	\$ 8,433,698	\$ 229,929	\$ 188,876	\$ 188,876	(\$ 47,219)	\$ 141,657	\$ -
Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	20,370,807	33,357,190	12,170,206	21,186,984	5,554,183	1,636,055	1,649,082	-	1,649,082	-
Cathay Woolgate Exchange Holding 1 Limited	Jersey Island	16,654,013	12,595,333	315	12,595,018	(300,002)	(456,562)	(456,562)	-	(456,562)	-
Cathay Woolgate Exchange Holding 2 Limited	Jersey Island	168,222	123,994	315	123,679	(3,133)	(5,855)	(5,855)	-	(5,855)	-
Cathay Walbrook Holding 1 Limited	Jersey Island	10,189,090	19,182,478	11,674,861	7,507,617	(416,942)	(855,414)	(855,414)	(157,344)	(1,012,758)	-
Cathay Walbrook Holding 2 Limited	Jersey Island	536,268	1,010,661	622,025	388,636	(21,953)	(46,892)	(46,892)	(7,987)	(54,879)	-
Conning Holdings Limited (Note 2)	UK	15,723,539	26,401,335	8,420,829	17,980,506	10,302,677	2,142,646	2,141,171	(410,996)	1,730,175	-
Conning U.S. Holdings, Inc.	USA	-	17,932,198	5,199,448	12,732,750	7,886,022	1,319,558	1,319,558	(327,392)	992,166	-
Conning Asset Management Ltd.	UK	191,303	455,951	136,850	319,101	328,580	68,932	68,932	(13,475)	55,457	-
Conning (Germany) GmbH	Germany	938	50,591	23,014	27,577	10,423	3,292	3,292	(1,111)	2,181	-
Conning Asia Pacific Limited	Hong Kong	577,686	706,962	87,554	619,408	393,860	145,579	145,579	(23,904)	121,675	-
Conning Japan Limited	Japan	-	13	-	13	-	-	-	-	-	-
Global Evolution Holding ApS	Denmark	293,166	1,105,397	528,974	576,423	1,535,973	507,961	507,961	(123,819)	384,142	-
Conning Holdings Corp.	USA	-	12,245,288	4,520,744	7,724,544	7,886,008	1,376,811	1,376,811	(346,771)	1,030,040	-
Conning & Company	USA	4,485	11,939,707	4,524,670	7,415,037	7,886,105	1,378,858	1,378,858	(331,667)	1,047,191	-
Conning, Inc.	USA	329	2,809,505	1,481,445	1,328,060	3,656,487	9,827	9,827	(8,249)	1,578	-
Goodwin Capital Advisers, Inc.	USA	172	85,559	13,270	72,289	66,564	27,134	27,134	(4,646)	22,488	-
Conning Investment Products, Inc.	USA	-	25,696	2,969	22,727	18,236	2,569	2,569	(241)	2,328	-
Octagon Credit Investors, LLC	USA	-	4,638,245	1,447,624	3,190,621	4,101,412	1,366,602	1,366,602	(74,053)	1,292,549	-
Octagon Credit Opportunities GP, LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funds GP LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funds GP II LLC	USA	-	-	-	-	-	-	-	-	-	-
Global Evolution Financial ApS	Denmark	-	-	-	-	-	-	-	-	-	-
Global Evolution Fondsmaeglerselskab A/S	Denmark	-	-	-	-	-	-	-	-	-	-
Global Evolution Manco S.A.	Luxembourg	-	-	-	-	-	-	-	-	-	-

Operating overview of affiliated corporations (Continued)

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\$)
Global Evolution USA, LLC	USA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Global Evolution Fund Management Singapore Pte. Ltd.	Singapore	-	-	-	-	-	-	-	-	-	-
Cathay Insurance (Vietnam) Co., Ltd.	Vietnam	845,585	1,590,205	889,399	700,806	459,601	33,474	33,608	(7,136)	26,472	-
Indovina Bank Limited	Vietnam	6,094,911	75,131,337	67,151,622	7,979,715	註 1	2,111,146	298,929	(55,913)	243,016	-
Cathay United Bank (Cambodia) Corporation Limited (Note 2)	Cambodia	3,020,769	17,466,197	14,083,873	3,382,324	註 1	700,834	163,473	(57,715)	105,758	1.06
CUBC Investment Co., LTD.	Cambodia	47,580	53,252	24	53,228	註 1	1,735	(1,253)	(17)	(1,270)	-
Cathay United Bank (China) Co., Ltd.	China	14,377,562	90,443,543	73,637,602	16,805,941	註 1	1,248,480	254,869	5,011	259,880	-
Cathay Futures Co., Ltd.	Taiwan	667,000	17,124,837	15,139,408	1,985,429	460,650	(27,360)	109,346	(17,506)	91,840	1.38
Cathay Securities (Hong Kong) Limited	Hong Kong	1,108,244	1,113,915	659,210	454,705	70,005	(54,687)	132,373	-	132,373	-
Cathay Capital (Asia) Limited.	Hong Kong	3,875	696,993	771,387	(74,394)	(36,727)	(78,982)	(78,881)	-	(78,881)	-
Cathay Private Equity Co., Ltd.	Taiwan	150,000	119,675	14,306	105,369	53,302	5,185	2,034	(1,067)	967	0.06

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: Cathay Power Inc., Conning Holdings Limited and Cathay United Bank (Cambodia) Corporation Limited are presented on a consolidated basis.

Note 3: Cathay Power Inc. and its subsidiaries were incorporated into subsidiaries in the consolidated financial statements on November 25, 2022. The table above shows only operating revenues, operating profit (loss), current profit before tax (loss), income tax (expense) gains, and current profit (loss) after tax for the period from November 25, 2022 to December 31, 2022. Earnings per share is calculated for the period from November 25 to December 31, 2022.

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 Power Inc.: Energy Technical Services.
- (11) SUNRISE PV ONE CO., LTD.: Energy Technical Services.
- (12) Cathy Sunrise Two Co., Ltd.: Energy Technical Services.
- (13) Cathy Sunrise Electric Power Two Co., Ltd.: Energy Technical Services.
- (14) Bai Yang Energy Co., Ltd.: Energy Technical Services.
- (15) Hong Cheng Sing Tech. Co., Ltd.: Energy Technical Services.
- (16) Shen Lyu Co., Ltd.: Energy Technical Services.
- (17) Nan Yang Power Co., Ltd.: Energy Technical Services.
- (18) Shu Guang Energy Co., Ltd.: Energy Technical Services.
- (19) Neo Cathay Power Corp.: Energy Technical Services.
- (20) Si Yi Co., Ltd.: Energy Technical Services.
- (21) Da Li Energy Co., Ltd.: Energy Technical Services.
- (22) Yong Han Co., Ltd.: Energy Technical Services.
- (23) CM Energy Co., Ltd.: Energy Technical Services.
- (24) Tian Ji Energy Co., Ltd.: Energy Technical Services.

- (25) Tian Ji Power Co., Ltd.: Energy Technical Services.
- (26) Hong Tai Energy Co., Ltd.: Energy Technical Services.
- (27) Hong Tai Power Co., Ltd.: Energy Technical Services.
- (28) Chen Fong Power Co., Ltd.: Energy Technical Services and Manufacture of Power Generation, Transmission and Distribution Machinery.
- (29) Cathay Lujiazui Life Insurance Company Limited: Personal Insurance.
- (30) Lin Yuan (Shanghai) Real Estate Co., Ltd.: Leasing of Proprietary Office Space.
- (31) Cathay Life Insurance (Vietnam) Co., Ltd.: Personal Insurance.
- (32) Cathay Woolgate Exchange Holding 1 Limited: Management of Real Estate Investment.
- (33) Cathay Woolgate Exchange Holding 2 Limited: Management of Real Estate Investment.
- (34) Cathay Walbrook Holding 1 Limited: Management of Real Estate Investment.
- (35) Cathay Walbrook Holding 2 Limited: Management of Real Estate Investment.
- (36) Conning Holdings Limited: Holdings Company.
- (37) Conning U.S. Holdings, Inc.: Holdings Company.
- (38) Conning Asset Management Ltd.: Asset Management Business.
- (39) Conning (Germany) GmbH: Risk Management Software Business.
- (40) Conning Asia Pacific Limited: Asset Management Business.
- (41) Conning Japan Limited: Asset Management Business.
- (42) Global Evolution Holding ApS: Holdings Company.
- (43) Conning Holdings Corp.: Holdings Company.
- (44) Conning & Company: Holdings Company.
- (45) Conning, Inc.: Asset Management Business.
- (46) Goodwin Capital Advisers, Inc.: Asset Management Business.
- (47) Conning Investment Products, Inc.: Securities Business.
- (48) Octagon Credit Investors, LLC: Asset Management Business.
- (49) Octagon Credit Opportunities GP, LLC: Fund Management Business.
- (50) Octagon Funds GP LLC: Fund Management Business.
- (51) Octagon Funds GP II LLC: Fund Management Business.

- (52) Global Evolution Financial ApS: Asset Management Business.
- (53) Global Evolution Fondsmæglerselskab A/S: Asset Management Business.
- (54) Global Evolution Manco S.A.: Asset Management Business.
- (55) Global Evolution USA, LLC: Asset Management Business.
- (56) Global Evolution Fund Management Singapore Pte. Ltd.: Asset Management Business.
- (57) Cathay Insurance (Vietnam) Co., Ltd.: Property and Casualty Insurance.
- (58) Indovina Bank Limited: Banking.
- (59) Cathay United Bank (Cambodia) Co., Ltd.: Banking.
- (60) CUBC Investment Co., LTD.: Investment Business.
- (61) Cathay United Bank (China) Co., Ltd.: Banking.
- (62) Cathay Futures Co., Ltd.: Futures
- (63) Cathay Securities (Hong Kong) Limited: Securities Business.
- (64) Cathay Capital (Asia) Limited.: Investment Business
- (65) 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 691 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 Insurance began joint marketing of banking and non-life insurance services through its 55 service locations.
3. Meanwhile, Cathay Securities has set up joint marketing offices at 32 branches of Cathay Life Insurance. 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
2022

Address: No.296, Sec. 4, Ren'ai Rd., Da'an Dist.,
Taipei City 106, Taiwan (R.O.C.)
Tel: (02) 2708-7698

Declaration

The 2022 (from January 1 to December 31, 2022) 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 9, 2023

Affiliation Report

To Cathay Financial Holding Co., Ltd.:

We have audited the 2022 financial statements of Cathay Financial Holding Co., Ltd. in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and auditing standards, and issued our unqualified opinion on March 9, 2023. The attached 2022 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 2022 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 9, 2023

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, 2022, 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.

Submitted to
Financial Supervisory Commission

Declarers

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:	Yu-Mei Lee (Signature)

March 9, 2023

Cathay Financial Holding Co., Ltd.
Areas of Improvement and Rectification of the Internal Control
System

(Baseline date: December 31, 2022)

Matters to be enhanced	Improving measures	Scheduled Completion Time
[Cathay Life Insurance Subsidiary] 1. The operating process of handling preservation, underwriting and solicitation is not complete enough. 2. The alteration of the insurance policy beneficiary for the deceased is not complete enough.	1. The internal regulations have been amended to optimize the underwriting calculation system, and the legal compliance educational promotion to salespersons regarding the soliciting conducts has been enhanced. 2. Requirement to specify the reason of alteration in the application form if the new beneficiary of the deceased to be altered to is not the direct relative nor the spouse.	Already completed.
1. For the underwriting operation for investment link insurance products, policyholders who have increased the peril premium are not provided with the policy account value trial calculation table after the premium increased. 2. For policyholders who pay premiums from loans or insurance policy borrowings, and purchase insurance products with policy value reserves, the content of the telephone interview did not inform the maximum possible loss amount based on the characteristics of the products.	1. In the special underwriting agreement of new contract, it is emphasized that insurance costs will increase due to additional premiums, and policyholders are provided with a revised policy account value trial calculation table. 2. Revise the script of the telephone interview, and add content including asking whether the policyholder has really assessed the maximum possible loss amount.	Already completed.
The formula for calculating the announced interest rate and determination operation for the announced interest rate of the two insurance products submitted for review are not appropriate.	The parameters used in the announced interest rate formula of interest-variable insurance products released by the Insurance Bureau will be based on, and the equalization balance reconciliation is incorporated to the interest equalization mechanism, while properly adjusting the content of the monthly announced interest rate meetings.	Already completed.

Matters to be enhanced	Improving measures	Scheduled Completion Time
In the operations handling the internal operating information system construction and functional design, violations of relevant provisions of the Insurance Act and Personal Data Protection Act were verified.	The permission control of the relevant internal information operating system has been amended.	Already completed.
<p>The operation of investment products has the following deficiencies:</p> <ol style="list-style-type: none"> 1. Customer complaints about the bank channel are not fully understood, the responsibility attribution between the company and the bank channels is not clarified pursuant to the contract, nor was a response measure taken. 2. The salesperson did not plan insurance products suiting the needs of customers, the underwriting personnel did not handle the underwriting faithfully, and the system did not set up relevant inspection and control mechanisms. 3. In the risk attribute analysis questionnaire for policyholders, the financial status of policyholders was not fully understood. 4. For mobile insurance purchase, the sequence of operating processes inverted, such that the insurance products are planned before the risk attribute analysis questionnaire is answered. 5. Concerning a customer complaint that was attributed to a serious dispute and in connection with the loss caused by internal errors, the subsidiary failed to retain the assessments for material events and did not follow the stipulated reporting procedure. 	<ol style="list-style-type: none"> 1. For all channel complaints and disputes, the channels have been required to verify and retain records, to be regularly reviewed and used as a basis for future improvement of the channels. 2. The internal regulations, education and training, and promotions for sales channels, and the product suitability policy is implemented for underwriting personnel. 3. The content of the risk suitability questionnaire has been adjusted. 4. The procedures of the mobile insurance purchase system have been adjusted. 5. Internal regulations have been amended to strengthen the implementation of tracking and evaluation of material events, and the reporting schedule of operational risks. 	Already completed.
The Company changed the business model for managing financial assets, but failed to announce and report within two days from the occurrence date.	It was announced by Cathay Financial Holdings on December 21, 2022.	Already completed.

Matters to be enhanced	Improving measures	Scheduled Completion Time
<p>[Cathay United Bank Subsidiary]</p> <p>The information system and device software version replacement plan shall be more comprehensive, and the emergency response operation for irregularities has not been well-rounded.</p>	<ol style="list-style-type: none"> 1. Improve the management of large projects, increase the breadth and depth of the test cases, and formulate the responsive plans. 2. Complete the aforementioned responsive plans and hold drills to ensure the comprehensiveness of these responsive plans during the launches. 3. Organize and refine the policies for the modification management and the uploading of all of the Bank's information systems to reduce risks arising from system launches, and ensure through customer services are provided. 	<p>Already completed.</p>
<ol style="list-style-type: none"> 1. The depth and breadth of regular tests for operation and maintenance of information system infrastructure should be strengthened 2. Perfect the establishment of management regulations for the middle-office service system. 	<ol style="list-style-type: none"> 1. Preliminarily improve the adjacent environment of the generator was made based on the advices of the electromechanical specialist. Subject to the result of overall diagnosis and review by external professional consultants, improve the routine maintenance and testing of the system infrastructure. 2. Review the overall mesh app and service architecture, reinforce the assessment procedures for the adjustments of platform resources, optimize the real-time monitoring system of resources and event warning mechanism, and elevate the efficiency of incident management. 	<ol style="list-style-type: none"> 1. It is expected to improve before June 30, 2023. 2. It is expected to improve by April 30, 2023.
<p>Deficiencies involved in handling the mortgage business of purchasing high-priced residence by corporate entities.</p>	<p>Comprehensively review similar existing cases, and adjust the credit signing process to strengthen related operations for preventing recurrence of similar cases.</p>	<p>Already completed.</p>

Matters to be enhanced	Improving measures	Scheduled Completion Time
Hong Kong Branch's handling of customer due diligence and enhanced due diligence for high-risk customers from 2012 to 2016 was not complete enough.	<ol style="list-style-type: none"> 1. Strengthen the completeness of regulations and operation related to customer due diligence. 2. The listed deficiencies have been improved and verified by a third-party institution. 	Already completed.
<p>[Cathay Securities Subsidiary]</p> <p>The FSC conducted a general inspection on the subsidiary from February 22, 2022 to March 14 and found that the subsidiary did not carry out the review of the compilation of trading limits for brokerage customers according to regulations; it failed to properly update the customer profile of corporate customers in the regular reviews; it did not conduct the routine checks for mid-risk natural-person customers according to regulations; it mistakenly recorded the date of name check as the date of the routine check done; it did not regularly review the appropriateness of thresholds for suspicious transaction patterns related to money laundering, terrorist financing and proliferation financing. The fines of NT\$240,000 and NT\$500,000 were imposed for its violation of the Securities and Exchange Act and the Money Laundering Control Act, respectively, and an order for correction was issued to the subsidiary.</p>	<ol style="list-style-type: none"> 1. Through the system controlling alarm, implemented the credit information review for the account compilation. 2. Re-announced that the basic customer information shall be updated during the routine review of corporate customers. 3. Re-examine customer risk scoring factors and thresholds, and re-evaluate customer risks, to implement the regular review of medium-risk natural person customers. 4. The approaches are adjusted by matching at night daily; if the results of a name check do not affect the risk level, the original date of regular review will not be changed. 5. Reviewed and set relevant suspicious transaction patterns, and completed the inspection of all suspicious transaction patterns and adjustment to related parameters. 	<ol style="list-style-type: none"> 1. Already completed. 2. Already completed. 3. It is expected to improve before June 30, 2023. 4. It is expected to improve before June 30, 2023. 5. Already completed.