Cathay Life Insurance Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Cathay Life Insurance Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Cathay Life Insurance Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheet as of December 31, 2020 and 2019, and 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, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2020 are as follows:

<u>Valuation of Policy Reserve and Liability Adequacy Test</u>

The management of Cathay Life Insurance Co., Ltd. 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 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 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 23 to the accompanying consolidated financial statements.

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

1. We understood the internal controls related to management's valuation of policy reserves and liability adequacy test as well as evaluated the operating effectiveness of these internal controls.

2. We obtained the actuarial report issued by the contracted actuary which was used as the basis for the management's valuation of policy reserves and liability adequacy test, and evaluated the contracted actuary's professional competence and capability.

3. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the valuation of the policy reserve. The actuarial specialist:

    a. Randomly sampled the insurance products to examine whether the calculations of the policy reserve were made in accordance with the requirements.

    b. Evaluated the actuarial model and significant assumptions used in the 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, 2020 to identify any abnormalities in the recognized amount of policy reserve on each individual insurance policy.

    d. Assessed the reasonableness of the amount of provision for the policy reserve by considering the amount of policy reserve as of the end of the prior year and the business development for the year ended December 31, 2020.

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, 2020.

b. Sampled the significant assumptions provided by the management for our audits and examined whether the assumptions were consistent with the requirements and the important built-in assumptions in the information system.

c. Assessed the actuarial model and tested on a sample basis the 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, 2020.

<u>Assessment of the Fair Values of Investment Properties</u>

The investment properties of Cathay Life Insurance Co., Ltd. are measured at their fair values. To support the management in making reasonable estimates, the Company used the fair values assessed by external independent appraisers as reference. 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 the management, including the appraisal methods, main parameters and discount rates of the appraisal reports.

Other Matter

We have audited the financial statements of the Company as of and for the year ended December 31, 2020 and 2019 on which we have issued an unmodified opinion with other matter paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including supervisors, are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control 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, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2021

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 LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 34)	$ 515,120,301	7	$ 402,051,684	6
RECEIVABLES (Notes 4, 5, 7 and 34)	69,178,243	1	82,467,914	1
INVESTMENTS				
Financial assets at fair value through profit or loss (Notes 4, 5, 8 and 39)	1,397,135,509	18	1,331,028,157	19
Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 37 and 39)	1,222,686,258	16	854,341,271	12
Financial assets measured at amortized cost (Notes 4, 5, 13, 37 and 39)	2,652,985,443	35	2,616,585,170	37
Financial assets for hedging (Notes 4, 5 and 10)	146,959	-	548,075	-
Investments accounted for using the equity method (Notes 4 and 12)	29,380,517	-	44,557,549	1
Investment property (Notes 4, 5, 14 and 34)	496,163,021	7	483,871,717	7
Investment property under construction (Notes 4, 14 and 34)	1,528,547	-	4,546,717	-
Prepayments for buildings and land - investments (Notes 4 and 14)	3,131,915	-	1,152,363	-
Loans (Notes 4, 5, 15 and 34)	479,791,100	6	513,380,541	7
Total investments	6,282,949,269	82	5,850,011,560	83
REINSURANCE ASSETS (Notes 4, 16 and 23)	2,200,691	-	1,743,932	-
PROPERTY AND EQUIPMENT (Notes 4 and 17)	29,453,426	-	32,271,269	-
RIGHT-OF-USE ASSETS (Notes 4, 18 and 34)	1,675,209	-	1,577,679	-
INTANGIBLE ASSETS (Notes 4 and 19)	44,070,838	1	41,346,899	1
DEFERRED TAX ASSETS (Notes 4 and 33)	56,690,743	1	36,156,766	-
OTHER ASSETS (Notes 20, 34 and 37)	32,536,037	-	30,453,369	-
SEPARATE ACCOUNT INSURANCE PRODUCT ASSETS (Notes 4 and 35)	641,684,568	8	607,542,434	9
TOTAL	$ 7,675,559,325	100	$ 7,085,623,506	100
LIABILITIES AND EQUITY				
PAYABLES (Notes 21 and 34)	$ 30,171,547	1	$ 30,964,602	1
CURRENT TAX LIABILITIES (Note 4)	477,145	-	635,483	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	11,687,067	-	2,974,334	-
FINANCIAL LIABILITIES FOR HEDGING (Notes 4, 5 and 10)	139,858	-	30,894	-
BONDS PAYABLE (Notes 22 and 34)	80,000,000	1	80,000,000	1
INSURANCE LIABILITIES (Notes 4, 5 and 23)				
Unearned premium reserve	18,775,949	1	17,832,203	-
Loss reserve	12,163,853	-	11,042,612	-
Policy reserve	5,999,277,703	78	5,592,979,067	79
Special reserve	11,084,776	-	11,084,624	-
Premium deficiency reserve	13,802,343	-	19,679,457	1
Other reserve	1,876,925	-	1,873,141	-
Total insurance liabilities	6,056,981,549	79	5,654,491,104	80
RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS (Notes 4 and 24)	13,731,508	-	10,932,008	-
RESERVE FOR FOREIGN EXCHANGE VALUATION (Notes 4 and 25)	14,820,865	-	18,000,877	-
PROVISIONS (Notes 4 and 27)	56,245	-	233,871	-
LEASE LIABILITIES (Notes 4, 18 and 34)	10,522,490	-	10,381,894	-
DEFERRED TAX LIABILITIES (Notes 4 and 33)	68,278,447	1	55,730,622	1
OTHER LIABILITIES (Notes 28 and 34)	25,881,555	-	19,187,395	-
SEPARATE ACCOUNT INSURANCE PRODUCT LIABILITIES (Notes 4 and 35)	641,684,568	9	607,542,434	9
Total liabilities	6,954,432,844	91	6,491,105,518	92
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 30)				
Share capital				
Ordinary shares	58,515,274	1	58,515,274	1
Capital surplus	60,606,533	1	60,607,456	1
Retained earnings				
Legal reserve	18,834,196	-	43,338,466	1
Special reserve	347,320,212	4	289,432,530	4
Unappropriated earnings	49,938,120	1	31,652,661	-
Total retained earnings	416,092,528	5	364,423,657	5
Other equity	178,513,029	2	105,072,396	1
Total equity attributable to owners of the Company	713,727,364	9	588,618,783	8
NON-CONTROLLING INTERESTS (Notes 4 and 30)	7,399,117	-	5,899,205	-
Total equity	721,126,481	9	594,517,988	8
TOTAL	$ 7,675,559,325	100	$ 7,085,623,506	100

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

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Retained earned premium (Notes 4, 26 and 34)				
Written premium	$ 582,663,197	62	$ 610,706,903	65
Reinsurance premium	110,139	-	125,595	-
Premium income	582,773,336	62	610,832,498	65
Less: Reinsurance expense	(2,512,690)	-	(2,191,534)	-
Net changes in unearned premium reserve (Notes 4 and 23)	(697,939)	-	(820,799)	-
Total retained earned premium	579,562,707	62	607,820,165	65
Reinsurance commission income	533,237	-	356,060	-
Fee income (Notes 34 and 35)	8,701,291	1	8,450,463	1
Net investment incomes (losses)				
Interest income (Notes 4, 32 and 34)	157,373,248	17	161,452,785	17
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 8)	209,668,761	22	201,446,622	22
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 9)	28,187,167	3	27,765,727	3
Gain on derecognition of financial assets measured at amortized cost (Notes 4 and 13)	39,503,872	4	9,926,012	1
Share of (loss) profit of associates accounted for using the equity method (Notes 4 and 12)	(12,188,914)	(1)	1,062,203	-
Foreign exchange loss	(127,555,018)	(14)	(53,159,604)	(6)
Net changes in reserve for foreign exchange valuation (Notes 4 and 25)	3,180,012	-	(925,588)	-
Gain on investment property (Notes 4 and 34)	14,300,502	2	13,136,871	2
(Expected credit loss) reversal of expected credit loss on investments (Notes 4 and 32)	(1,659,048)	-	1,691,395	-
Other net investment income	2,026,807	-	510,578	-
Loss on reclassification using overlay approach (Notes 4 and 8)	(48,929,893)	(5)	(120,353,756)	(13)
Other operating revenue (Note 34)	6,978,017	1	6,106,508	1
Separate account insurance product income (Notes 4 and 35)	73,396,159	8	63,652,653	7
Total operating revenue	933,078,907	100	928,939,094	100
OPERATING COSTS				
Retained claims payments (Notes 4 and 26)				
Insurance claims payments	274,470,111	29	350,354,693	38
Less: Claims and payments recovered from reinsurers	(1,420,622)	-	(1,196,201)	-
Total retained claims payments	273,049,489	29	349,158,492	38

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CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
Net changes in other insurance liabilities (Notes 4, 5 and 23)				
Net changes in loss reserve	$ 1,084,927	-	$ 2,158,826	-
Net changes in policy reserve	466,068,474	50	393,587,815	42
Net changes in special reserve	152	-	370	-
Net changes in premium deficiency reserve	(5,711,343)	(1)	(2,744,650)	-
Net changes in other reserve	3,784	-	(21,429)	-
Total net changes in other insurance liabilities	461,445,994	49	392,980,932	42
Net changes in reserve for insurance contracts with the nature of financial products (Notes 4 and 24)	787,429	-	698,222	-
Underwriting expenses (Note 32)	17,904,028	2	23,243,255	3
Commission expenses (Note 32)	17,910,821	2	20,590,879	2
Other operating costs (Note 34)	6,634,982	1	6,393,512	1
Finance costs (Notes 22 and 34)	2,500,695	-	2,730,176	-
Separate account insurance product expenses (Notes 4 and 35)	73,396,159	8	63,652,653	7
Total operating costs	853,629,597	91	859,448,121	93
OPERATING EXPENSES (Notes 32 and 34)				
General expenses	10,782,155	1	12,263,219	1
Administrative expenses	18,710,809	2	18,351,731	2
Employee training expenses	65,791	-	75,975	-
Non-investment expected credit loss (Notes 4 and 32)	6,308	-	877	-
Total operating expenses	29,565,063	3	30,691,802	3
OPERATING INCOME	49,884,247	6	38,799,171	4
NON-OPERATING INCOME AND EXPENSES (Notes 32 and 34)	1,588,615	-	1,709,895	-
PROFIT BEFORE INCOME TAX	51,472,862	6	40,509,066	4
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 33)	1,209,251	-	(2,215,995)	-
NET INCOME	52,682,113	6	38,293,071	4

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CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 4 and 30)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (324,932)	-	$ 431,430	-
Gain on equity instruments at fair value through other comprehensive income	3,384,176	-	6,094,585	1
Share of other comprehensive income (loss) of associates accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	329,806	-	(165,599)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 33)	294,703	-	(603,520)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating financial statements of foreign operations	(1,508,332)	-	(726,137)	-
Gain on debt instruments at fair value through other comprehensive income	37,585,249	4	85,755,154	9
Gain on hedging instruments	13,263	-	206,220	-
Share of other comprehensive (loss) income of associates accounted for using the equity method for items that may be reclassified subsequently to profit or loss	(231,845)	-	241,659	-
Other comprehensive income reclassified using overlay approach	48,929,893	5	120,353,756	13
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 33)	(11,273,309)	(1)	(27,580,108)	(3)
Total other comprehensive income for the period, net of income tax	77,198,672	8	184,007,440	20
TOTAL COMPREHENSIVE INCOME	$ 129,880,785	14	$ 222,300,511	24
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 51,744,594	6	$ 37,845,953	4
Non-controlling interests	937,519	-	447,118	-
	$ 52,682,113	6	$ 38,293,071	4

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CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 129,053,807	14	$ 221,704,543	24
Non-controlling interests	826,978	-	595,968	-
	$ 129,880,785	14	$ 222,300,511	24
EARNINGS PER SHARE (Note 31)				
Basic earnings per share	$ 8.84		$ 6.60	

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

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company														
						Other Equity									
	Share Capital		Retained Earnings												
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated 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 or (Loss) on Hedging Instruments	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach	Other	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	$ 57,265,274	$ 51,535,925	$ 40,466,946	$ 277,886,402	$ 12,683,614	$ (10,796,480)	$ (20,547,627)	$ 173,288	$ 287,100	$ 187,503	$ (52,549,236)	$ -	$ 356,592,709	$ 5,536,717	$ 362,129,426
Appropriation of 2018 earnings															
Legal reserve	-	-	2,871,520	-	(2,871,520)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	9,820,004	(9,820,004)	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(7,910)	7,910	-	-	-	-	-	-	-	-	-	-
Provision of special reserve for catastrophic events and fluctuation of risks	-	-	-	1,734,034	(1,734,034)	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	138,932	-	-	-	-	-	-	-	-	-	-	138,932	-	138,932
Recognition of share-based payments granted by the parent company	-	182,599	-	-	-	-	-	-	-	-	-	-	182,599	-	182,599
Net profit for the year ended December 31, 2019	-	-	-	-	37,845,953	-	-	-	-	-	-	-	37,845,953	447,118	38,293,071
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(390,550)	73,620,105	158,641	160,594	-	110,309,800	-	183,858,590	148,850	184,007,440
Total comprehensive income (loss) for year ended December 31, 2019	-	-	-	-	37,845,953	(390,550)	73,620,105	158,641	160,594	-	110,309,800	-	221,704,543	595,968	222,300,511
Issuance of ordinary shares for cash	1,250,000	8,750,000	-	-	-	-	-	-	-	-	-	-	10,000,000	-	10,000,000
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	(4,459,258)	-	4,459,258	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(233,480)	(233,480)
BALANCE AT DECEMBER 31, 2019	58,515,274	60,607,456	43,338,466	289,432,530	31,652,661	(11,187,030)	57,531,736	331,929	447,694	187,503	57,760,564	-	588,618,783	5,899,205	594,517,988
Appropriation of 2019 earnings															
Legal reserve	-	-	6,677,339	-	(6,677,339)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	57,715,708	(57,715,708)	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,558,777)	1,558,777	-	-	-	-	-	-	-	-	-	-
Legal reserve offset deficit	-	-	(31,181,609)	-	31,181,609	-	-	-	-	-	-	-	-	-	-
Provision of special reserve for catastrophic events and fluctuation of risks	-	-	-	1,730,751	(1,730,751)	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	(923)	-	-	-	-	-	-	-	-	-	-	(923)	-	(923)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(3,944,303)	(3,944,303)	-	(3,944,303)
Net profit for the year ended December 31, 2020	-	-	-	-	51,744,594	-	-	-	-	-	-	-	51,744,594	937,519	52,682,113
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(1,747,082)	34,928,744	15,942	(220,936)	-	44,332,545	-	77,309,213	(110,541)	77,198,672
Total comprehensive income (loss) for year ended December 31, 2020	-	-	-	-	51,744,594	(1,747,082)	34,928,744	15,942	(220,936)	-	44,332,545	-	129,053,807	826,978	129,880,785
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	(75,723)	-	75,723	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	672,934	672,934
BALANCE AT DECEMBER 31, 2020	$ 58,515,274	$ 60,606,533	$ 18,834,196	$ 347,320,212	$ 49,938,120	$ (12,934,112)	$ 92,536,203	$ 347,871	$ 226,758	$ 187,503	$ 102,093,109	$ (3,944,303)	$ 713,727,364	$ 7,399,117	$ 721,126,481

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

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 51,472,862	$ 40,509,066
Adjustments for:		
Depreciation expenses	1,372,209	1,379,541
Amortization expenses	2,723,499	2,634,639
Gain on financial assets and liabilities at fair value through profit or loss	(194,880,209)	(178,486,945)
Gain on financial assets at fair value through other comprehensive income	(25,172,381)	(26,039,641)
Gain on derecognition of financial assets measured at amortized cost	(39,503,872)	(9,926,012)
Finance costs	2,681,849	2,898,751
Interest income	(157,373,248)	(161,452,785)
Dividend income	(17,803,338)	(24,685,763)
Net changes in insurance liabilities	402,220,522	367,390,340
Net changes in reserve for insurance contracts with the nature of financial products	2,799,500	1,613,295
Net changes in reserve for foreign exchange valuation	(3,180,012)	925,588
Expected credit loss (reversal of expected credit loss) on investments	1,659,048	(1,691,395)
Non-investments expected credit loss	6,308	877
Compensation costs of share-based payments	-	182,599
Share of loss (profit) of associates accounted for using equity method	12,188,914	(1,062,203)
Loss on reclassification using overlay approach	48,929,893	120,353,756
Loss (gain) on disposal and retirement of property and equipment	63,484	(11,499)
Loss on disposal of investment property	480,581	7,320
(Gain) loss on disposal of investments accounted for using equity method	(1,786,696)	32,107
Gain on changes in fair value of investment property	(2,340,914)	(899,479)
Net changes in operating assets and liabilities		
Decrease in financial assets at fair value through profit or loss	205,495,676	107,083,675
(Increase) decrease in financial assets at fair value through other comprehensive income	(302,562,852)	185,666,085
Decrease (increase) in financial assets measured at amortized cost	1,658,224	(346,966,842)
Decrease (increase) in financial assets for hedging	93,292	(93,567)
Decrease in other financial assets	-	2,000,000
Decrease in notes receivable	578	16,727
Decrease (increase) in other receivables	2,491,911	(5,043,049)
Increase in prepaid expenses and other prepayments	(872,474)	(775,591)
(Increase) decrease in guarantee deposits paid	(4,052,209)	7,308,562
(Increase) decrease in reinsurance assets	(186,836)	103,080
Decrease in other assets	918	721,845
Decrease in financial liabilities at fair value through profit or loss	(65,127,563)	(116,399,015)
Increase in financial liabilities for hedging	430,051	-
Decrease in notes payable	(217,028)	(150,332)

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
Increase in claims payable	$ 40,334	$ 70,643
Decrease in other payables	(5,227,957)	(3,523,147)
Increase in due to reinsurers and ceding companies	330,669	189,627
(Decrease) increase in commissions payable	(1,389,827)	1,666,645
(Decrease) increase in advance receipts	(114,476)	63,548
Increase in guarantee deposits received	917,441	10,416,610
(Decrease) increase in provisions	(177,626)	8,594
Decrease in deferred fee income	(1,662)	(11,575)
Increase (decrease) in other liabilities	1,352,337	(19,484)
Cash used in operations	(82,561,080)	(23,994,804)
Interest received	158,022,145	160,158,631
Dividends received	18,582,847	25,237,978
Interest paid	(3,129,822)	(2,971,707)
Income tax paid	(1,352,588)	(2,933,174)
Net cash generated from operating activities	89,561,502	155,496,924
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	(495,185)	(2,038,492)
Proceeds from disposal of investments accounted for using the equity method	-	87,107
Net cash outflow on acquisition of subsidiaries (deduct cash and cash equivalent balances acquired)	(152,501)	-
Proceeds from return of capital on reduction of investments accounted for using the equity method	241,056	-
Acquisition of property and equipment	(1,065,218)	(768,460)
Proceeds from disposal of property and equipment	310	34,835
Acquisition of intangible assets	(250,403)	(140,745)
Decrease in loans	33,653,556	68,266,534
Acquisition of investment property	(7,130,742)	(14,507,120)
Proceeds from disposal of investment property	233,825	65,562
Net cash generated from investing activities	25,034,698	50,999,221
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bonds payable	-	10,000,000
Repayments of the principal portion of lease liabilities	(687,284)	(495,122)
Proceeds from issuance of ordinary shares	-	10,000,000
Changes in non-controlling interests	(742,087)	(233,480)
Net cash (used in) generated from financing activities	(1,429,371)	19,271,398
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(98,212)	951,936

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	**2019**
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 113,068,617	$ 226,719,479
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	402,051,684	175,332,205
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 515,120,301	$ 402,051,684

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

1. GENERAL INFORMATION

Cathay Life Insurance Co., Ltd. (the "Company") was incorporated in Taiwan on October 23, 1962, under the Company Act of the Republic of China ("ROC") and mainly engages in the business of life insurance. In order to benefit from operation synergies and enhance the competitiveness in financial markets, Cathay Financial Holding Co., Ltd. ("Cathay Financial Holdings") was incorporated on December 31, 2001 through a share swap with the Company, and the Company became a wholly-owned subsidiary of Cathay Financial Holdings. The Company's registered office and the main business location is at No. 296, Jen Ai Road, Section 4, Taipei, ROC.

The Company participated in and won the bid for assets, liabilities and operations of Global Life Insurance Co., Ltd. ("Global Life") and Singfor Life Insurance Co., Ltd. ("Singfor Life"), which was held by Taiwan Insurance Guaranty Fund. The Company entered into the general assignment and assumption agreement on March 27, 2015. The Company assumed all assets, liabilities and operations of Global Life and Singfor Life except for their reserved assets and liabilities on July 1, 2015. Upon the approval by the authorities, the Company started its operations on August 5, 2015 after receiving the business license for its offshore insurance unit.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on March 10, 2021.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Company and its subsidiaries (collectively, "the Group"):

   1) Amendments to IFRS 3 "Definition of a Business"

      The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments require that for an entity to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To judge whether the acquired process is substantive, there will be different judgement requirements depending on whether there is output on the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

3) Amendments to IAS 1 and IAS 8 "Definition of Material"

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to "could reasonably be expected to influence" and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

4) Amendment to IFRS 16 "Covid-19 - Related Rent Concessions"

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Before the application of the amendment, the Group was required to determine whether the abovementioned rent concessions are and should be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	**Effective Date Announced by IASB**
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

  "Interest Rate Benchmark Reform - Phase 2" primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

  <u>Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform</u>

  The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities 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.

The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

1) The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.

2) If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

3) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

4) An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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)**
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 4)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 5)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 6)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 7)

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: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

- IFRS 17 "Insurance Contracts" and its amendments

IFRS 17 sets out the accounting standards for insurance contracts. It supersedes 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, which comprise contracts that are subject to similar risks and are managed together. Contracts within a product line would be expected to have similar risks and hence be in the same portfolio if they are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of:

1) A group of contracts that are onerous at initial recognition;

2) A group of contracts at initial recognition that has no significant possibility of becoming onerous subsequently;

3) A group of the remaining contracts in the portfolio.

The Group is not permitted to include contracts issued more than one year apart in the same group, and a group of contracts to be issued should apply the recognition and measurement of IFRS 17.

Recognition

The Group shall recognize its issuance of a group of insurance contracts 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

The Group shall include all the future cash flows within the boundary of each contract in the group. The fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and financial risk, and a risk adjustment for non-financial risk. The contractual service margin represents the unearned profit of a group of insurance contracts that the Group will recognize as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless a group of contracts is onerous, results in no income or expenses arising from:

1) The initial recognition of an amount for the fulfilment cash flows;

2) All cash flows arising from the contracts in the group at that date; and

3) The derecognition at the date of derecognition of the following:

   a) All assets for insurance acquisition cash flows;

   b) Any asset or liability previously recognized for cash flows related to a group of insurance contracts.

Subsequent measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall 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 of the group at that date, and liabilities for incurred claims include fulfilment cash flows related to past services. On subsequent measurement, if a group of insurance contracts becomes onerous or more onerous, that excess shall be recognized in profit or loss.

Onerous contracts

An insurance contract is onerous at initial recognition if the total of the fulfilment cash flows allocated to insurance contracts, any previously recognized acquisition cash flows and all cash flows arising from the contract at that date is a net outflow. The Group shall recognize a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the contractual service margin of the group being zero. The contractual service margin cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss as part of a service expense.

Premium Allocation Approach (“PAA”)

The Group may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the Group:

1) The Group reasonably expects that this will be a reasonable approximation of the general model, or

2) The coverage period of each contract in the group is one year or less.

At the inception, if the Group expects significant variances in the fulfilment cash flows during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

When using the PAA, the liability for remaining coverage shall be initially recognized as:

1) The premiums received at initial recognition;

2) Minus any insurance acquisition cash flows; and

3) Plus or minus the derecognition at the initial recognition date of the following:

    a) All assets for insurance acquisition cash flows; and

    b) Any asset or liability previously recognized for cash flows related to a group of insurance contracts.

Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortization of acquisition cash flows, minus the amount recognized as insurance revenue for services provided in that period, and minus all investment component paid or transferred to the liability for incurred claims.

<u>Investment contracts with discretionary participation features</u>

An investment contract with discretionary participation features is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of the standard only if the issuer also issues insurance contracts. The requirements of the standard are modified for such investment contracts.

<u>Modification and derecognition</u>

If the terms of an insurance contract are modified, the Group shall derecognize the original contract and recognize the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The Group shall derecognize an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

<u>Transition</u>

The Group shall apply the standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilize 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. The Group shall apply fair value approach if reasonable and supportable information is unavailable.

Under the fair value approach, the Group determines 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.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the IFRSs as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. 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:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of 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 11, Table 1 and Table 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer’s previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. Other types of non-controlling interests are measured at fair value.

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized 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 the consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries and associates in other countries or those that use 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.

f. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associates.

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

Any excess of the cost of acquisition over the Group' 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 that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which their 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 a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent that interests in the associate are not related to the Group.

g. 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.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include right-of-use assets and properties under construction if the definition of investment properties is met. Investment properties also include land held for a currently undetermined future use.

Freehold investment properties are measured initially at cost, including transaction costs. All investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period 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 measureable or construction is completed (whichever comes earlier).

For a transfer from the investment properties classification 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 from the property and equipment classification to investment properties at the end of owner-occupation, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

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

i. 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.

j. Intangible assets

1) Intangible assets acquired separately

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

2) 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.

3) 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.

k. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant 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.

l. 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.

1) Financial assets

   All regular transactions of financial assets are recognized and derecognized on a trade date basis.

   a) 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").

      i. Financial assets at FVTPL

         Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL, including investments in equity instruments 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 39.

         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.

      ii. Financial assets at amortized cost

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

         i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

         ii) The contractual terms of the financial 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 by 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.

iii. Investments in debt instruments at FVTOCI

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

i) The debt instrument is held within a business model 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.

iv. 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.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including receivables and 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 measured at amortized cost (including receivables and loans), investments in debt instruments at FVTOCI, and commitment off financial statements to measures 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, credit assets are classified as normal assets (“First Category”), assets that require special attention (“Second Category”), assets that are substandard (“Third Category”), assets that are doubtful (“Fourth Category”) and assets for which there is loss (“Fifth Category”) based on the borrower’s financial conditions and the delay for payment of principal and interests as well as the status of the loan collaterals and the length of time overdue. The Company is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

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

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

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

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

c) Derecognition of financial assets

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

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

d) 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 amount and there is an intention to settle on a net basis, or to realize assets and settle the liabilities simultaneously.

2) Equity instruments

Debts and equity instruments issued by an entity in 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 an entity in the Group are recognized at the proceeds received, net of direct issue costs.

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

3) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading. Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss.

Fair value is determined in the manner described in Note 39.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to 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 are within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets 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.

m. 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.

1) 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 is expired, sold, terminated or exercised.

2) Cash flow hedges

The effective portion of gains or losses on derivatives that are designated and qualified 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 is expired, sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the period 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.

3) 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.

n. Separate account 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.

o. Insurance liabilities

1) The Company

Funds reserved for insurance contracts and financial instruments with or without a discretionary participation features are determined in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and validated by the certified actuarial professionals approved by the FSC. For investment contracts with discretionary participation features, the guaranteed elements are not separately recognized from the discretionary participation features, and the whole contract is classified as a liability. The provision of reserve for short-term group insurance is based upon the greater of premium received or calculated according to Jin Guan Bao Tsai No. 10704504821 Provision of reserve for the other insurance liabilities is as follows:

a) 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.

b) 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 with a policy period shorter one year.

c) Policy reserve

Based on the life table and projected interest rates in the manual reported to the authority for each insurance type, life insurance policy reserve is calculated and provided according to the modified calculation method in Article 12 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, the manual of each insurance product reported to the authority and the relevant calculation methods approved by the authority.

Starting from 2003 policy year, for in-force contract whose bonus calculation is stipulated by Tai-Tsai-Bao No. 800484251, the downward adjustments of bonus due to the offset between mortality gain (loss) and gain (loss) from difference of interest rates should be calculated and recognized according to the regulations issued by the authorities.

In accordance with Jin Guan Bao Tsai No. 10102500530 issued on January 19, 2012, life insurance enterprises shall transfer a special reserve that equals to the unwritten allowance for doubtful account resulting from 3% business tax cut to life insurance policy reserve - allowance for doubtful account pertinent to 3% business tax cut from 2012. Besides, life insurance enterprises shall reclassify the recoverable special reserve for catastrophic events defined in Article 19 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises to life insurance reserve - recover from catastrophic event reserve.

When an insurance enterprise elects to measure investment property at fair value, it should also measure its insurance liabilities at fair value. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds their book value, the insurance enterprise must set aside the difference to policy reserve and decrease retained earnings. The Company changes its accounting policy for subsequent measurement of investment property from cost method to 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.

d) 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, the Company is required to set aside 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 dividend 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.

e) Premium deficiency reserve

For life insurance, health insurance and annuity insurance 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 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.

f) 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.

g) Liability adequacy reserve

Liability adequacy reserve is set aside based on the adequacy test of liability required by IFRS 4.

2) 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.

3) 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.

p. 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 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.

q. Reserve for insurance contract 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.

r. Reserve for foreign exchange valuation

The Company provides reserve for foreign exchange valuation according to all of its foreign investments in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and Direction for Reserve for Foreign Exchange Valuation by Life Insurance Enterprises.

s. Recognition of insurance premium income and expenses

1) The Company

For the Company's insurance contracts and financial instruments with discretionary participation features, the initial and renewal premium are recognized as revenue only when 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 preprocess expense or investment management fee 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 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 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.

t. Classification of insurance products

An insurance contract refers to the contract that 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 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 the contracts have discretionary participation feature or not. Discretionary participation feature refers to a contractual right to receive additional payments in addition to guaranteed payments from the contract. The contractual rights have the following characteristics:

1) Additional payments are significant to total contractual payments.

2) In accordance with the contract, the amounts and dates of payment for additional payments are at the Group's discretion.

3) In accordance with the contract, additional payments are based on one of the following matters:

    a) The performance of specific contract portfolio or specific types of contracts.

    b) Returns on investment from a portfolio of specific asset portfolio held by the Group.

    c) Profits and losses 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.

u. 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 business, 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 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 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 risks, 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.

v. 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.

w. Leases

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

1) 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.

2) 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 Note 4 h. for the accounting policies for investment properties.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and therefore, does not need to assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

x. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs (including current service cost, past service cost, as well as gains and losses on settlements) 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 effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. 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.

y. Taxation

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

1) Current tax

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

According to the Income Tax Law in the ROC, an additional tax at 10% of 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 parent company jointly filed income tax returns and surtax on unappropriated retained earnings since 2002 under the integrated income tax system with the financial holding company (the parent) as the tax payer. Such effects on current tax and deferred tax are accounted for as receivables or payables.

2) 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 period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

3) 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, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets

The provisions for impairment of receivables, loans and investments in debt instruments are based on assumptions about probability of default and expected credit loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise. For details of the key assumptions and inputs used, refer to Note 39.

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 appropriate inputs by referring to the analyses of the financial position and the operation 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 39.

c. Valuation of policy reserve and liability adequacy test

Policy reserves for insurance contracts and investment contracts with discretionary participation features are based on actuarial models and assumptions made as the insurance contracts were established, which include the mortality rate, discount rate, lapse rate, morbidity rate, etc. The assumptions are made based on the related laws and regulations.

All insurance contracts are subject to a liability adequacy test, which reflects the best current estimate of future cash flows. Best estimates of future investment income from the assets backing such contracts are based on current market returns, as well as expectations about future economic developments. Assumptions on future expenses are based on current expense levels, adjusted using the expected expense inflation, if appropriate. Surrender rates are based on the Company's historical experience.

The management examines these estimates regularly and makes adjustments when necessary, but actual results may differ from these estimates.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	**2019**
Cash on hand	$ 263,287	$ 258,876
Cash in banks	188,316,842	178,571,320
Time deposits	244,915,895	165,013,491
Cash equivalents	81,624,277	58,207,997
	$ 515,120,301	$ 402,051,684

7. RECEIVABLES

	December 31	
	2020	**2019**
Notes receivable	$ 274,650	$ 275,228
Other receivables	68,909,465	82,195,499
Overdue receivables	4,982	11,919
	69,189,097	82,482,646
Less: Loss allowance	(10,854)	(14,732)
	$ 69,178,243	$ 82,467,914

The movements in the loss allowance are as follows:

	For the Year Ended December 31	
	2020	**2019**
Beginning balance	$ 14,732	$ 98,067
Provision (reversal) for the current year	6,308	(37,201)
Amounts written off	(10,522)	(46,134)
Foreign exchange	336	-
Ending balance	$ 10,854	$ 14,732

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	**2019**
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic stocks	$ 296,934,408	$ 258,526,486
Beneficiary certificates	649,221,409	558,404,095
Government bonds	-	399,968
Financial debentures	10,361,868	14,475,317
Overseas stocks	221,380,016	220,739,840
Real estate investment trust	25,103,815	16,161,514
Overseas bonds	148,053,159	230,049,274
Structured time deposits	18,027,331	4,011,973
Derivative financial assets (not under hedge accounting)		
Currency swap contracts (“SWAP”)	23,730,446	18,728,825
Foreign exchange forward contacts (“Forward”)	3,704,505	9,332,640
Cross currency swap contracts (“CCS”)	594,443	148,872
Options	-	49,353
Call warrants	24,109	-
	$ 1,397,135,509	$ 1,331,028,157
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)	$ 3,537,918	$ 1,810,120
SWAP	8,095,543	1,138,856
Forward	53,606	-
CCS	-	7,342
Interest rate swap contracts (“IRS”)	-	18,016
Options		
	$ 11,687,067	$ 2,974,334

a. The Group elects to present the profit or loss of the designated financial assets using the overlay approach under IFRS 4 “Insurance Contracts”. Financial assets designated to apply overlay approach by the Group for investing activities relating to insurance contracts issued by the Group are as follows:

	December 31	
	2020	**2019**
Financial assets mandatorily classified as at FVTPL		
Domestic stocks	$ 296,934,408	$ 256,601,805
Beneficiary certificates	605,836,995	523,997,872
Financial debentures	10,361,868	14,475,317
Overseas stocks	220,372,150	220,010,748
Real estate investment trust	25,103,815	16,161,514
Overseas bonds	147,576,634	229,427,152
Structured time deposits	18,027,331	4,011,973
	$ 1,324,213,201	$ 1,264,686,381

Reclassification from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the years ended December 31, 2020 and 2019 is as follows:

	For the Year Ended December 31	
	2020	2019
Gain due to the implementation of IFRS 9 to profit or loss	$ 162,399,658	$ 204,393,853
Gains due to the implementation of IAS 39 to profit or loss (if applicable)	(113,469,765)	(84,040,097)
Loss reclassified due to the application of overlay approach	$ 48,929,893	$ 120,353,756

Due to the application of overlay approach, the amount of gain on financial assets and liabilities at FVTPL for the years ended December 31, 2020 and 2019 decreased from $209,668,761 thousand to $160,738,868 thousand, and decreased from $201,446,622 thousand to $81,092,866 thousand, respectively.

b. As of December 31, 2020 and 2019, structured notes which were accounted for as financial instruments at FVTPL amounted to $29,048,344 thousand and $105,784,237 thousand, respectively.

c. The financial assets at FVTPL held by the Group were not pledged as collateral.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Equity instrument investments at FVTOCI		
Domestic stocks	$ 91,718,232	$ 26,813,635
Overseas stocks	7,706,479	8,815,869
	99,424,711	35,629,504
Debt instrument investments at FVTOCI		
Corporate bonds	2,206,288	-
Government bonds	43,699,940	41,077,782
Overseas bonds	1,078,517,070	778,747,472
Less: Litigation deposits	(46,761)	(45,748)
Less: Deposits to Central Bank	(1,114,990)	(1,067,739)
	1,123,261,547	818,711,767
	$ 1,222,686,258	$ 854,341,271

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 held by the Group on the balance sheet date for the years ended December 31, 2020 and 2019 were $3,014,786 thousand and $1,726,086 thousand, respectively. Those related to investments derecognized for the years ended December 31, 2020 and 2019 amounted to $14,978 thousand and $735,772 thousand, respectively.

c. In consideration of investment strategies, the Group sold equity instrument investments at FVTOCI at fair values of $5,103,571 thousand and $24,819,436 thousand at the time of sale, and transferred unrealized loss of $75,723 thousand and $4,459,258 thousand from other equity to retained earnings for the years ended December 31, 2020 and 2019, respectively.

d. Refer to Note 37 for the financial assets at FVTOCI that were pledged as collateral.

e. Refer to Note 39 for information relating to the credit risk management and impairment of investments in debt instruments at FVTOCI.

10. HEDGING INSTRUMENTS

	December 31	
	2020	**2019**
Financial assets for hedging		
IRS	$ 146,959	$ 185,206
CCS	-	362,869
	$ 146,959	$ 548,075
Financial liabilities for hedging		
IRS	$ 48,887	$ 30,894
CCS	90,971	-
	$ 139,858	$ 30,894

The financial assets for hedging held by the Group were not pledged as collateral.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investors	Investees	Business	Ownership Interest (%) December 31 2020	2019	Note
The Company	Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	50.00	50.00	
The Company	Cathay Life Insurance (Vietnam) Co., Ltd.	Life insurance	100.00	100.00	
The Company	Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office leasing	100.00	100.00	
The Company	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	
The Company	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	
The Company	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	100.00	
The Company	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	100.00	
The Company	Conning Holdings Limited ("CHL")	Holding company	100.00	100.00	
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	
CHL	Conning Asia Pacific Ltd.	Asset management services	82.85	82.85	
CHL	Conning Japan Ltd.	Asset management services	100.00	100.00	
CHL	Global Evolution Holding Aps	Holding company	53.13	45.00	Note
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	85.67	81.89	
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	99.72	-	
Global Evolution Financial ApS	Global Evolution Fondsmaeglerselskab A/S	Asset management services	100.00	-	
Global Evolution Financial ApS	Mogambo2 Holding ApS	Asset management services	100.00	-	
Global Evolution Financial ApS	Global Evolution Manco S.A.	Asset management services	90.00	-	
Global Evolution Fondsmaeglerselskab A/S	Global Evolution USA, LLC	Asset management services	100.00	-	
Global Evolution Fondsmaeglerselskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	-	

Note: CHL originally held 45% equity shares in Global Evolution Holding ApS, which were recorded as investments accounted for using the equity method. On June 25, 2020, CHL acquired a further 8% equity shares, which increased its ownership interest from 45% to 53%, and obtained the control of Global Evolution Holding ApS. Refer to Note 43 for information relating to the business combination.

b. Subsidiaries excluded from the consolidated financial statements

Investors	Investees	Business	Ownership Interest (%) December 31 2020	Ownership Interest (%) December 31 2019	Note
The Company	Cathay Securities Investment Consulting Co., Ltd. ("Cathay Securities Investment Consulting")	Securities investment consulting services	100.00	100.00	

The consolidated financial statements did not include Cathay Securities Investment Consulting because its total assets and operating revenue were insignificant to the total assets and operating revenue of the Company.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31 2020	December 31 2019
Investments in unconsolidated subsidiaries	$ 637,478	$ 333,089
Investments in associates	28,743,039	44,224,460
	$ 29,380,517	$ 44,557,549

Refer to Table 1 and Table 5 for the nature of business activities, main operating locations and countries of incorporation of the unconsolidated subsidiaries and associates.

a. Investments in unconsolidated subsidiaries

	December 31 2020	December 31 2019
Cathay Securities Investment Consulting	$ 637,478	$ 333,089

b. Investments in associates

Aggregate information of associates that are not individually material

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
The Group' share of:		
Net (loss) income	$ (12,403,959)	$ 904,907
Other comprehensive income	97,076	76,085
Total comprehensive (loss) income for the period	$ (12,306,883)	$ 980,992

As the individual associates are not significant, the related financial information is aggregately disclosed. Except for Cathay Venture Inc., the amount of the share of profit or loss and other comprehensive income of associates were based on non-reviewed financial statements.

The investments in associates were not pledged as collateral.

The Group's associate, PT Bank Mayapada Internasional Tbk, encountered operational pressure due to the negative impact of COVID-19 to the economy of Indonesia and deficiencies in financial inspections. PT Bank Mayapada Internasional Tbk was required to increase its capital by the local authority because one of its credit clients has been prosecuted since the beginning of 2020 for involvement in a fraud case. After conducting a prudent assessment, the Group recognized a loss of $13,980,277 thousand for the year ended December 31, 2020 relating to its investment in associate accounted for using the equity method.

13. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	December 31	
	2020	2019
Time deposits	$ 3,621,636	$ 2,641,269
Financial debentures	41,434,737	50,049,481
Corporate bonds	29,096,122	25,294,942
Government bonds	40,464,412	39,073,691
Overseas bonds	2,549,889,678	2,508,736,300
Asset-backed securities	445,000	1,189,350
Less: Litigation deposits	(1,353,429)	(1,343,931)
Less: Deposits to Central Bank	(8,039,298)	(7,858,911)
Less: Loss allowance (Note)	(2,573,415)	(1,197,021)
	$ 2,652,985,443	$ 2,616,585,170

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of December 31, 2020 and 2019, the amounts were $1,258 thousand and $891 thousand, respectively.

a. For the years ended December 31, 2020 and 2019, the Group disposed of bonds before maturity due to an increase in credit risk, which resulted in losses on disposal of $259,490 thousand and $3,032,793 thousand, respectively. The disposal of bonds before maturity because of infrequent sales or sales that are insignificant in value (either individually or in aggregate) resulted in gains on disposal of $38,149,433 thousand and $11,598,209 thousand, respectively. The disposal of bonds due to other conditions such as repayments at maturities resulted in gains on disposal of $1,613,929 thousand and $1,360,596 thousand, respectively.

b. Refer to Note 37 for information relating to investments in financial assets at amortized cost pledged as security.

c. Refer to Note 39 for information relating to the credit risk management and impairment of investments in debt instruments at amortized cost.

14. INVESTMENT PROPERTY, INVESTMENT PROPERTY UNDER CONSTRUCTION AND PREPAYMENTS FOR BUILDINGS AND LAND - INVESTMENTS

	Investment Property				Prepayments for
				Investment	Buildings and
				Property Under	Land -
	Land	Buildings	Total	Construction	Investments
January 1, 2019	$ 346,268,022	$ 115,084,359	$ 461,352,381	$ 2,785,640	$ 722,686
Adjustment on initial application of IFRS 16	9,014,035	-	9,014,035	-	-
Additions	-	-	-	3,959,386	10,547,734
Disposals	(40,153)	(32,729)	(72,882)	-	-
Reclassification	9,969,169	2,330,483	12,299,652	(2,198,309)	(10,118,057)
Gain (loss) on changes in fair value of investment property	1,985,012	(1,085,533)	899,479	-	-
Net foreign exchange differences	212,020	167,032	379,052	-	-
December 31, 2019	$ 367,408,105	$ 116,463,612	$ 483,871,717	$ 4,546,717	$ 1,152,363
January 1, 2020	$ 367,408,105	$ 116,463,612	$ 483,871,717	$ 4,546,717	$ 1,152,363
Additions	-	-	-	3,024,854	4,105,888
Disposals	(188,877)	(525,529)	(714,406)	-	-
Reclassification	5,049,551	6,138,532	11,188,083	(6,043,024)	(2,126,336)
Gain on changes in fair value of investment property	288,530	2,052,384	2,340,914	-	-
Net foreign exchange differences	(215,169)	(308,118)	(523,287)	-	-
December 31, 2020	$ 372,342,140	$ 123,820,881	$ 496,163,021	$ 1,528,547	$ 3,131,915

	For the Year Ended December 31	
	2020	2019
Rental income from investment properties	$ 12,440,169	$ 12,266,651
Direct operating expenses of investment properties that generate rental income	(710,371)	(703,000)
Direct operating expenses of investment properties that do not generate rental income	(147,336)	(132,887)
	$ 11,582,462	$ 11,430,764

a. Certain properties are held to earn rental or to achieve 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 of a property could not be sold separately, it would be classified as investment properties only when owner occupation is lower than 5% of the property.

b. As of December 31, 2020, investment properties of the Company amounted to $459,867,936 thousand. The investment properties are held mainly for lease business. All the lease agreements of the Group's lease business are operating leases and the primary terms of lease agreements are the same with general lease agreement. Rents from investment property are received annually, semi-annually, quarterly, monthly or in lump sum. Investment properties held by the Group were not pledged.

c. The ownership of the Group's investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other 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 has been carried out by the following appraisers of joint appraiser firms that met the qualification requirements for real estate appraisers in the ROC. The valuation dates were December 31, 2020 and 2019.

Name of Appraiser Firm	December 31, 2020	December 31, 2019
DTZ Real Estate Appraiser Firm	Chang-da, Yang; Gen-yuan, Li; Chun-chun, Hu; Chia-ho, Tsai	Chang-da, Yang; Gen-yuan, Li
Savills plc Real Estate Appraiser Firm	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	Gunag-ping, Dai; Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang
REPro KnightFrank Real Estate Appraiser Firm	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu	Hong-xu, Wu; Yu-hsiang, Tsai
V-LAND Real Estate Appraiser Firm	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin	Xi-zhong, Wang; You-qi, Liang
Shang-shang Real Estate Appraiser Firm	Hong-yuan, Wang	Hong-yuan, Wang
Sinyi Real Estate Appraiser Firm	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang
Elite Real Estate Appraiser Firm	Yu-lin, Chen; Yi-huei Luo	Yu-lin, Chen
CBRE Real Estate Appraiser Firm	Fu-xue, Shi; Chih-wei, Li	Fu-xue, Shi; Zhi-wei, Lee

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 Company’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 mainly valued by comparison approach and land development analysis. Urban renewal land under construction with building permit is valued 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	
	2020	2019
Direct capitalization rates (net)	0.84%-5.70%	0.62%-6.30%
Discount rates	2.15%-3.94%	3.14%-4.23%

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 disposed of in the future, to decide the direct capitalization rate and discount rate.

The Group 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 direct capitalization method increases. On the contrary, the fair value of investment property will increase if any of the main input decreases.

Reconciliation of fair value measurements in Level 3 movements is as follows:

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 471,748,733	$ 455,726,383
Adjustment on initial application of IFRS 16	-	9,014,035
Amount recognized in profit or loss		
Gain from investment property	2,340,914	899,479
Amount recognized in other comprehensive loss		
Exchange differences resulting from translating the financial statements of foreign operations	(523,287)	379,052
Disposals	(646,500)	(41,615)
Transfers from investment property under construction	6,043,024	2,182,971
Transfers from prepayments for buildings and land	804,488	716,272
Transfers from investment property measured at cost	-	2,874,260
Other reclassification	-	(2,104)
Ending balance	$ 479,767,372	$ 471,748,733

The above amounts did not include those measured at cost.

e. Refer to Tables 3 and 4 for the acquisition and disposal of individual real estate at cost or price of at least NT$100 million or 20% of the paid-in capital.

15. LOANS

	December 31	
	2020	2019
Life insurance policy loans (a)	$ 155,706,198	$ 160,404,111
Premium loans (b)	12,622,690	12,012,426
Secured loans (c)	314,154,457	345,132,183
Non-accrual receivables	2,041,471	657,797
	484,524,816	518,206,517
Less: Loss allowance	(4,733,716)	(4,825,976)
	$ 479,791,100	$ 513,380,541

a. Life insurance policy loans were secured by policies issued by the Group.

b. Policyholders may state on the application form or issue a written statement prior to end of grace period for premium payment to request the insurer to automatically deduct the premiums due and interest of the premium loan (as well as the principal and interest of the life insurance policy loan, if applicable) from the policyholders' policy value reserve after the second installment becomes overdue in order to maintain the effective insurance policy. Policyholders may also inform the insurer in writing to terminate the premium loan option prior to the next due date of premium payment.

c. Secured loans are secured by government bonds, stocks, corporate bonds and real estate. The Group applied IFRS 9 and assessed impairment in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans Refer to Note 39 for related information of loss allowance for the years ended December 31, 2020 and 2019.

16. REINSURANCE ASSETS

	December 31	
	2020	2019
Due from reinsurers and ceding companies	$ 590,411	$ 403,575
Reinsurance reserve assets		
Ceded unearned premium reserve	1,113,039	894,878
Ceded loss reserve	71,723	24,014
Ceded policy reserve	425,518	421,465
	$ 2,200,691	$ 1,743,932

CNY Co-reinsurance Business

Authorized by the FSC under Jin Guan Bao Tsai No. 10302112370, the Group signed a CNY co-reinsurance contract with Central Reinsurance Corporation in 2014. The Group discloses the ceding information following Article 6 of the Guideline for Reinsurance with Ceded Policy Reserve by Life Insurance Enterprises.

a. Purpose, rationalization and expected benefit

In consideration of the limitation on CNY investment, the Company cedes partial of its CNY insurances through co-reinsurance to increase the Company's liquidity, enhance the capability to insure and transfer relevant risks. Under the reinsurance arrangement, the Company transfers 50% of its insurance risks to Central Reinsurance Corporation.

b. Reinsurance expense, claims recovered from reinsures and commission

	For the Year Ended December 31	
	2020	2019
Reinsurance expense	$ 550	$ 73,343
Claims recovered from reinsurers	35,314	11,736
Reinsurance commission	4,029	8,229

c. Net income or loss from CNY co-reinsurance business

Net gain from reinsurance of $21,307 thousand was recognized for the year ended December 31, 2020 from CNY co-reinsurance business. The amount was calculated as follows:

Reinsurance commission of $4,029 thousand + Claims recovered from reinsurers of $35,314 thousand - Net changes in reinsurance reserve assets of $22,443 thousand - Foreign exchange gain of $4,957 thousand - Reinsurance expense of $550 thousand.

d. Reason and effect to income or loss from change of co-reinsurance business or contract: None.

e. Accounting treatment for ceded CNY co-reinsurance business

On the balance sheet, the Company recognizes ceded reinsurance reserve assets including policy reserve and ceded premium deficiency reserve and provides insurance liabilities as direct business. All ceded reinsurance reserve assets should be removed at the time the co-reinsurance contract ceased.

f. Other notes designated by authorities: None.

17. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leased Assets	Leasehold Improvement	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
Cost									
Balance at January 1, 2019	$ 20,367,187	$ 22,364,679	$ 2,853,292	$ 276,136	$ 500,722	$ 11,656	$ 3,901,810	$ 396,036	$ 50,671,518
Additions	-	-	423,304	-	27,222	-	98,596	219,338	768,460
Disposals	(12,249)	(18,562)	(29,563)	-	-	(340)	(59,447)	-	(120,161)
Reclassification	-	450,854	(63)	(276,136)	-	-	2	(434,140)	(259,483)
Net foreign exchange differences	-	(69,736)	(25,995)	-	(13,605)	(132)	(1,742)	-	(111,210)
Balance at December 31, 2019	$ 20,354,938	$ 22,727,235	$ 3,220,975	$ -	$ 514,339	$ 11,184	$ 3,939,219	$ 181,234	$ 50,949,124
Depreciation and impairment									
Balance at January 1, 2019	$ 103,134	$ 12,036,001	$ 2,214,752	$ 275,959	$ 256,141	$ 9,549	$ 3,394,360	$ -	$ 18,289,896
Depreciation expense	-	412,318	195,079	-	53,133	773	128,136	-	789,439
Disposals	-	(11,139)	(28,342)	-	-	(340)	(57,004)	-	(96,825)
Reclassification	-	-	-	(275,959)	-	-	-	-	(275,959)
Net foreign exchange differences	-	(8,916)	(10,504)	-	(8,610)	(87)	(579)	-	(28,696)
Balance at December 31, 2019	$ 103,134	$ 12,428,264	$ 2,370,985	$ -	$ 300,664	$ 9,895	$ 3,464,913	$ -	$ 18,677,855
Carrying amount at December 31, 2019	$ 20,251,804	$ 10,298,971	$ 849,990	$ -	$ 213,675	$ 1,289	$ 474,306	$ 181,234	$ 32,271,269
Cost									
Balance at January 1, 2020	$ 20,354,938	$ 22,727,235	$ 3,220,975	$ -	$ 514,339	$ 11,184	$ 3,939,219	$ 181,234	$ 50,949,124
Additions	-	-	350,435	-	101,181	1,186	179,544	432,872	1,065,218
Disposals	-	(101,999)	(87,433)	-	(466)	(1,154)	(109,097)	-	(300,149)
Reclassification	(2,926,864)	(320,183)	19	-	10,921	-	4,336	(3,106)	(3,234,877)
Net foreign exchange differences	-	16,926	(43,982)	-	(9,543)	27	(2,336)	-	(38,908)
Balance at December 31, 2020	$ 17,428,074	$ 22,321,979	$ 3,440,014	$ -	$ 616,432	$ 11,243	$ 4,011,666	$ 611,000	$ 48,440,408
Depreciation and impairment									
Balance at January 1, 2020	$ 103,134	$ 12,428,264	$ 2,370,985	$ -	$ 300,664	$ 9,895	$ 3,464,913	$ -	$ 18,677,855
Depreciation expense	-	406,749	184,216	-	51,458	604	136,874	-	779,901
Disposals	-	(42,500)	(84,563)	-	(466)	(1,038)	(107,788)	-	(236,355)
Reclassification	-	(231,430)	10	-	3,507	-	1,476	-	(226,437)
Net foreign exchange differences	-	3,155	(9,148)	-	(1,327)	11	(673)	-	(7,982)
Balance at December 31, 2020	$ 103,134	$ 12,564,238	$ 2,461,500	$ -	$ 353,836	$ 9,472	$ 3,494,802	$ -	$ 18,986,982
Carrying amount at December 31, 2020	$ 17,324,940	$ 9,757,741	$ 978,514	$ -	$ 262,596	$ 1,771	$ 516,864	$ 611,000	$ 29,453,426

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
Leased assets	3 years
Leasehold improvements	5 years or lease term
Transportation equipment	3-5 years
Other equipment	2-22 years

18. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Buildings	$ 1,640,096	$ 1,541,327
Office equipment	11,035	13,386
Transportation equipment	24,078	22,966
	$ 1,675,209	$ 1,577,679
Right-of-use assets presented as investment properties	$ 8,548,824	$ 8,781,429

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 735,579	$ 253,605
Depreciation expense for right-of-use assets		
Buildings	$ 576,928	$ 569,032
Office equipment	4,541	4,757
Transportation equipment	10,839	16,313
	$ 592,308	$ 590,102

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount	$ 10,522,490	$ 10,381,894

Range of discount rates for lease liabilities is as follows:

	December 31	
	2020	2019
Buildings	1.82%-8.57%	2.05%-8.57%
Office equipment	4.67%-4.76%	4.67%-4.76%
Transportation equipment	3.25%-3.66%	3.59%-3.66%
Investment property - right of superficies	2.82%-3.71%	2.82%-3.71%

19. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
Cost							
Balance at January 1, 2019	$ 2,154,016	$ 37,659,600	$ 403,186	$ 3,622,314	$ 10,498,082	$ 214,363	$ 54,551,561
Additions - acquired separately	140,745	-	-	-	-	-	140,745
Disposals	(253)	-	-	-	-	-	(253)
Net foreign exchange differences	(9,310)	-	(8,225)	(73,902)	(154,637)	(4,374)	(250,448)
Balance at December 31, 2019	$ 2,285,198	$ 37,659,600	$ 394,961	$ 3,548,412	$ 10,343,445	$ 209,989	$ 54,441,605
Amortization and impairment							
Balance at January 1, 2019	$ 1,849,404	$ 7,277,841	$ -	$ 1,217,871	$ -	$ 161,485	$ 10,506,601
Amortization	135,205	2,079,383	-	400,501	-	19,550	2,634,639
Disposal	(253)	-	-	-	-	-	(253)
Net foreign exchange differences	(7,757)	-	-	(34,746)	-	(3,778)	(46,281)
Balance at December 31, 2019	$ 1,976,599	$ 9,357,224	$ -	$ 1,583,626	$ -	$ 177,257	$ 13,094,706
Carrying amounts at December 31, 2019	$ 308,599	$ 28,302,376	$ 394,961	$ 1,964,786	$ 10,343,445	$ 32,732	$ 41,346,899
Cost							
Balance at January 1, 2020	$ 2,285,198	$ 37,659,600	$ 394,961	$ 3,548,412	$ 10,343,445	$ 209,989	$ 54,441,605
Acquisitions through business combinations (Note 43)	-	-	-	2,467,576	3,463,356	-	5,930,932
Additions - acquired separately	250,403	-	-	-	-	-	250,403
Disposal	(32,931)	-	-	-	-	-	(32,931)
Net foreign exchange differences	844	-	(20,965)	(284,187)	(528,632)	(11,146)	(844,086)
Balance at December 31, 2020	$ 2,503,514	$ 37,659,600	$ 373,996	$ 5,731,801	$ 13,278,169	$ 198,843	$ 59,745,923
Amortization and impairment							
Balance at January 1, 2020	$ 1,976,599	$ 9,357,224	$ -	$ 1,583,626	$ -	$ 177,257	$ 13,094,706
Amortizations	139,554	2,079,383	-	485,836	-	18,726	2,723,499
Disposals	(32,931)	-	-	-	-	-	(32,931)
Net foreign exchange differences	1,357	-	-	(101,466)	-	(10,080)	(110,189)
Balance at December 31, 2020	$ 2,084,579	$ 11,436,607	$ -	$ 1,967,996	$ -	$ 185,903	$ 15,675,085
Carrying amount at December 31, 2020	$ 418,935	$ 26,222,993	$ 373,996	$ 3,763,805	$ 13,278,169	$ 12,940	$ 44,070,838

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	3-6 years

b. The Group 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) of 100% interest in Conning Holdings Limited on September 18, 2015; (3) of 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of the Group) on February 1, 2016; and (4) of 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020. As of December 31, 2020 and 2019, the carrying amounts of goodwill were $13,278,169 thousand and $10,343,445 thousand, respectively.

c. An annual impairment test for goodwill is performed regularly. The Group 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.

20. OTHER ASSETS

	December 31	
	2020	2019
Insurance Industry Stability Fund (a)	$ 12,099,873	$ 11,019,381
Less: Reserve for Insurance Industry Stability Fund (a)	(12,099,873)	(11,019,381)
Guarantee deposits paid (b)	24,070,098	23,151,476
Deferred acquisition costs (c)	2,596	3,629
Prepayments	1,297,483	282,823
Net defined benefit assets (Note 29)	6,280,228	6,422,413
Others	885,632	593,028
	$ 32,536,037	$ 30,453,369

a. Under Tai-Tsai-Bao No. 811769212 issued by the Ministry of Finance on December 31, 1992, one thousandth (1/1000) of premiums should be contributed to the Insurance Industry Stabilization Fund starting from January 1, 1993. According to the Standard of Contribution to Life and Property Insurance Stabilization Fund, starting from July 1, 2014, the contribution to the Insurance Industry Stabilization Fund of Life Insurance Enterprises should be based on the premium income and contribution rate calculated using the difference between capital adequacy ratio and management performance rating indicator. The credit account, reserve for Insurance Industry Stabilization Fund, is a contra account of the Insurance Industry Stabilization Fund.

b. Guarantee deposits paid are comprised of:

	December 31	
	2020	2019
Insurance operation guarantee deposit	$ 11,783,552	$ 11,534,498
Deposit for futures and options trading	6,074,070	8,374,909
Deposit for derivatives trading	4,044,034	1,117,064
Other guarantee deposits	2,168,442	2,125,005
	$ 24,070,098	$ 23,151,476

The Group provided cash, time deposits and government bonds as guarantees. Refer to Note 37 for related information.

c. Deferred acquisition costs

The Company issues investment-linked insurance contracts without discretionary participation feature of financial instruments. Deferred acquisition costs related to investment management services of such contracts are summarized below:

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 3,629	$ 10,401
Amortization	(1,033)	(6,772)
Ending balance	$ 2,596	$ 3,629

21. PAYABLES

	December 31	
	2020	2019
Notes payable	$ 1,059,356	$ 1,276,384
Claims payable	925,772	885,438
Commissions payable	2,682,294	4,072,121
Due to reinsurers and ceding companies	961,114	630,445
Other payables	24,543,011	24,100,214
	$ 30,171,547	$ 30,964,602

22. BONDS PAYABLE

	December 31	
	2020	2019
First perpetual non-cumulative subordinated corporate bonds of 2016 (a)	$ 35,000,000	$ 35,000,000
First perpetual non-cumulative subordinated corporate bonds of 2017 (b)	35,000,000	35,000,000
First perpetual non-cumulative subordinated corporate bonds of 2019 (c)	10,000,000	10,000,000
	$ 80,000,000	$ 80,000,000

a. Pursuant to Jin Guan Bao Shou No. 10502133020 by the FSC, the Company issued first perpetual non-cumulative subordinated corporate bonds on December 13, 2016 through private placement. The key terms and conditions are as follows:

1) Issue amount: $35,000,000 thousand.

2) Principal amount and issue price: The face value is $1,000,000 thousand each, and is issued at par.

3) Years to maturity: Perpetual.

4) Coupon rate: From the issue date to the tenth year, the coupon rate is 3.6%; from the day following the tenth year maturity and on every tenth year maturity from then on, if the bonds are not redeemed, the coupon rate will be adjusted to a fixed annual rate of Taiwan 10-y government bond plus the issue spread.

5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date. The Company may stop making interest payments and such interest payments will not be cumulated or deferred under the following circumstances: The Company has no earnings or the earnings are insufficient to make interest payments; the Company would fail to meet the required risk-based capital ratio or other minimum requirements from the authorities if making those interest payments; the Company has other essential considerations.

6) Right of early redemption: The Company 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. The Company may redeem the bond once a year.

7) Forms of bonds: Physical certificate.

8) Interest expense: Interest expense amounting to both $1,260,000 thousand, respectively. The expense was recorded as finance costs.

b. Pursuant to Order No. Securities-TPEx-Bond-10600099421 of the Taipei Exchange, the Company issued first perpetual cumulative subordinated corporate bonds on May 12, 2017 through public offering. Key terms and conditions are as follows:

1) Issue amount: $35,000,000 thousand.

2) Principal amount and issue price: The face value is $1,000 thousand each, and is issued at par.

3) Years to maturity: Perpetual.

4) 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 maturity.

5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.

6) Right of early redemption: If the Company's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, the Company 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.

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense amounting to $1,157,030 thousand and $1,152,970 thousand was recorded as finance costs for the years ended December 31, 2020 and 2019, respectively.

c. Pursuant to Order No. Securities-TPEx-Bond-10800055731 of the Taipei Exchange, the Company issued first perpetual non-cumulative subordinated corporate bonds on June 26, 2019 through public offering. Key terms and conditions are as follows:

1) Issue amount: $10,000,000 thousand.

2) Principal amount and issue price: The face value is $1,000 thousand each, and is issued at par.

3) Years to maturity: Perpetual.

4) Coupon rate: Fixed rate of 3%.

5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.

6) Right of early redemption: If the Company's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, the Company 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.

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense amounting to $300,420 thousand and $154,920 thousand for the years ended December 31, 2020 and 2019, respectively. The expense was recorded as finance costs.

23. INSURANCE LIABILITIES

The details of insurance contracts and financial instruments with discretionary participation feature are summarized below:

a. The Company

1) Unearned premium reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 73,271	$ -	$ 73,271	$ 81,756	$ -	$ 81,756
Individual injury insurance	7,293,363	-	7,293,363	6,854,370	-	6,854,370
Individual health insurance	9,911,436	-	9,911,436	9,362,205	-	9,362,205
Group insurance	995,234	-	995,234	1,092,315	-	1,092,315
Investment-linked insurance	116,825	-	116,825	114,231	-	114,231
	18,390,129	-	18,390,129	17,504,877	-	17,504,877
Less ceded unearned premium reserve:						
Individual life insurance	878,870	-	878,870	713,629	-	713,629
Individual injury insurance	25,638	-	25,638	17,678	-	17,678
Individual health insurance	208,531	-	208,531	163,571	-	163,571
	1,113,039	-	1,113,039	894,878	-	894,878
	$ 17,277,090	$ -	$ 17,277,090	$ 16,609,999	$ -	$ 16,609,999

The changes in unearned premium reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 17,504,877	$ -	$ 17,504,877	$ 16,458,535	$ -	$ 16,458,535
Provision	18,390,137	-	18,390,137	17,504,890	-	17,504,890
Recovery	(17,504,877)	-	(17,504,877)	(16,458,535)	-	(16,458,535)
Foreign exchange	(8)	-	(8)	(13)	-	(13)
Ending balance	18,390,129	-	18,390,129	17,504,877	-	17,504,877
Less ceded unearned premium reserve:						
Beginning balance	894,878	-	894,878	624,337	-	624,337
Increase	218,161	-	218,161	270,541	-	270,541
Ending balance	1,113,039	-	1,113,039	894,878	-	894,878
Net ending balance	$ 17,277,090	$ -	$ 17,277,090	$ 16,609,999	$ -	$ 16,609,999

2) Loss reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance						
Filed but not paid	$ 2,994,498	$ 35,590	$ 3,030,088	$ 2,437,380	$ 31,200	$ 2,468,580
Not yet filed	26,374	-	26,374	31,859	-	31,859
Individual injury insurance						
Filed but not paid	39,709	-	39,709	40,400	-	40,400
Not yet filed	1,944,744	-	1,944,744	1,855,652	-	1,855,652
Individual health insurance						
Filed but not paid	1,636,337	-	1,636,337	1,282,698	-	1,282,698
Not yet filed	3,212,273	-	3,212,273	3,051,864	-	3,051,864
Group insurance						
Filed but not paid	62,412	-	62,412	60,760	-	60,760
Not yet filed	1,487,129	-	1,487,129	1,592,067	-	1,592,067
Investment-linked insurance						
Filed but not paid	218,021	-	218,021	180,254	-	180,254
Not yet filed	551	-	551	477	-	477
	11,622,048	35,590	11,657,638	10,533,411	31,200	10,564,611
Less ceded loss reserve						
Individual life insurance	46,636	-	46,636	3,074	-	3,074
Individual health insurance	14,721	-	14,721	658	-	658
	61,357	-	61,357	3,732	-	3,732
	$ 11,560,691	$ 35,590	$ 11,596,281	$ 10,529,679	$ 31,200	$ 10,560,879

The changes of loss reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 10,533,411	$ 31,200	$ 10,564,611	$ 8,522,425	$ 9,145	$ 8,531,570
Provision	11,636,942	35,590	11,672,532	10,538,170	31,200	10,569,370
Recovery	(10,533,411)	(31,200)	(10,564,611)	(8,522,425)	(9,145)	(8,531,570)
Foreign exchange	(14,894)	-	(14,894)	(4,759)	-	(4,759)
Ending balance	11,622,048	35,590	11,657,638	10,533,411	31,200	10,564,611
Less ceded loss reserve						
Beginning balance	3,732	-	3,732	8,793	-	8,793
Increase	57,625	-	57,625	-	-	-
Decrease	-	-	-	(5,061)	-	(5,061)
Ending balance	61,357	-	61,357	3,732	-	3,732
Net ending balance	$ 11,560,691	$ 35,590	$ 11,596,281	$ 10,529,679	$ 31,200	$ 10,560,879

3) Policy reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance (Note 1)	$ 5,144,987,292	$ 3,810	$ 5,144,991,102	$ 4,812,427,110	$ 3,747	$ 4,812,430,857
Injury insurance	7,058,104	-	7,058,104	7,268,700	-	7,268,700
Health insurance	793,400,966	-	793,400,966	725,104,907	-	725,104,907
Annuity insurance	1,381,226	14,175,381	15,556,607	1,388,012	20,476,035	21,864,047
Investment-linked insurance	515,821	-	515,821	450,698	-	450,698
Total (Note 2)	5,947,343,409	14,179,191	5,961,522,600	5,546,639,427	20,479,782	5,567,119,209
Less ceded policy reserve						
Life insurance	403,979	-	403,979	421,465	-	421,465
	$ 5,946,939,430	$ 14,179,191	$ 5,961,118,621	$ 5,546,217,962	$ 20,479,782	$ 5,566,697,744

Note 1: Allowance for doubtful account pertinent to 3% of business tax cut and recovery of reserve for catastrophic event is included.

Note 2: Total policy reserve including policy-reserve payables for the insured amounted to $5,961,980,645 thousand and $5,567,592,302 thousand as of December 31, 2020 and 2019, respectively.

The changes of policy reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 5,546,639,427	$ 20,479,782	$ 5,567,119,209	$ 5,181,152,670	$ 25,847,690	$ 5,207,000,360
Provision	663,427,493	157,530	663,585,023	670,669,816	1,043,751	671,713,567
Recovery	(202,828,855)	(6,458,184)	(209,287,039)	(279,755,554)	(6,411,621)	(286,167,175)
Foreign exchange	(59,894,656)	63	(59,894,593)	(25,427,505)	(38)	(25,427,543)
Ending balance	5,947,343,409	14,179,191	5,961,522,600	5,546,639,427	20,479,782	5,567,119,209
Less ceded policy reserve						
Beginning balance	421,465	-	421,465	365,409	-	365,409
Increase	-	-	-	71,881	-	71,881
Decrease	(22,443)	-	(22,443)	-	-	-
Foreign exchange	4,957	-	4,957	(15,825)	-	(15,825)
Ending balance	403,979	-	403,979	421,465	-	421,465
Net ending balance	$ 5,946,939,430	$ 14,179,191	$ 5,961,118,621	$ 5,546,217,962	$ 20,479,782	$ 5,566,697,744

4) Special reserve

	December 31							
	2020				2019			
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Participating policies dividends reserve	$ (53,476)	$ -	$ -	$ (53,476)	$ (56,900)	$ -	$ -	$ (56,900)
Dividend risk reserve	54,928	-	-	54,928	58,200	-	-	58,200
Special reserve for revaluation increments of property	-	-	11,083,324	11,083,324	-	-	11,083,324	11,083,324
	$ 1,452	$ -	$ 11,083,324	$ 11,084,776	$ 1,300	$ -	$ 11,083,324	$ 11,084,624

The changes of special reserve are summarized below:

	For the Year Ended December 31							
	2020				2019			
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Beginning balance	$ 1,300	$ -	$ 11,083,324	$ 11,084,624	$ 930	$ -	$ 11,083,324	$ 11,084,254
Provision for participating policies dividends reserve	14,694	-	-	14,694	17,100	-	-	17,100
Recovery of participating policies dividends reserve	(11,270)	-	-	(11,270)	(11,746)	-	-	(11,746)
Recovery of dividend risk reserve	(3,272)	-	-	(3,272)	(4,984)	-	-	(4,984)
Ending balance	$ 1,452	$ -	$ 11,083,324	$ 11,084,776	$ 1,300	$ -	$ 11,083,324	$ 11,084,624

5) Premium deficiency reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 12,569,742	$ -	$ 12,569,742	$ 18,282,478	$ -	$ 18,282,478
Individual injury insurance	934	-	934	1,078	-	1,078
Individual health insurance	1,225,954	-	1,225,954	1,347,284	-	1,347,284
Group insurance	5,713	-	5,713	48,617	-	48,617
	$ 13,802,343	$ -	$ 13,802,343	$ 19,679,457	$ -	$ 19,679,457

The changes of premium deficiency reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 19,679,457	$ -	$ 19,679,457	$ 22,548,304	$ -	$ 22,548,304
Provision	5,619	-	5,619	148,615	-	148,615
Recovery	(5,716,962)	-	(5,716,962)	(2,893,265)	-	(2,893,265)
Foreign exchange	(165,771)	-	(165,771)	(124,197)	-	(124,197)
Ending balance	$ 13,802,343	$ -	$ 13,802,343	$ 19,679,457	$ -	$ 19,679,457

6) Other reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Other	$ 1,876,925	$ -	$ 1,876,925	$ 1,873,141	$ -	$ 1,873,141

The changes of other reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,873,141	$ -	$ 1,873,141	$ 1,894,570	$ -	$ 1,894,570
Provision	3,784	-	3,784	-	-	-
Recovery	-	-	-	(21,429)	-	(21,429)
Ending balance	$ 1,876,925	$ -	$ 1,876,925	$ 1,873,141	$ -	$ 1,873,141

7) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature	
	December 31	
	2020	2019
Unearned premium reserve	$ 18,390,129	$ 17,504,877
Policy reserve	5,961,980,645	5,567,592,302
Premium deficiency reserve	13,802,343	19,679,457
Other reserve	1,876,925	1,873,141
Book value of insurance liabilities	$ 5,996,050,042	$ 5,606,649,777
Estimated present value of cash flows	$ 5,195,570,713	$ 4,515,206,417
Balance of liability adequacy reserve	$ -	$ -

Note 1: Shown by liability adequacy test range (integrated contract).

Note 2: Loss reserve and special reserve are not included in liability adequacy test. Loss reserve is determined based on claims incurred before valuation date and therefore not included in the test.

Note 3: The Company has settled the acquisition of Global Life and Singfor Life. Thus, the value of acquired business, i.e., other reserve, shall be considered when calculating the book value of insurance liability included in liability adequacy test.

Liability adequacy testing methodology is listed as follows:

	December 31	
	2020	2019
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	Under assets allocation plan on September 30, 2020, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2019, with neutral assumption for discount rates after 30 years.	Under assets allocation plan on September 30, 2019, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2018, with neutral assumption for discount rates after 30 years.

b. Cathay Lujiazui Life

The details of insurance contracts and financial instruments with discretionary participation feature are summarized below:

1) Unearned premium reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual injury insurance	$ 5,362	$ -	$ 5,362	$ 5,461	$ -	$ 5,461
Individual health insurance	33,821	-	33,821	28,293	-	28,293
Group insurance	310,876	-	310,876	268,054	-	268,054
	$ 350,059	$ -	$ 350,059	$ 301,808	$ -	$ 301,808

The changes of unearned premium reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 301,808	$ -	$ 301,808	$ 279,007	$ -	$ 279,007
Provision	372,780	-	372,780	349,388	-	349,388
Recovery	(353,794)	-	(353,794)	(315,792)	-	(315,792)
Reclassification	25,878	-	25,878	-	-	-
Foreign exchange	3,387	-	3,387	(10,795)	-	(10,795)
Ending balance	$ 350,059	$ -	$ 350,059	$ 301,808	$ -	$ 301,808

2) Loss reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance						
Filed but not paid	$ 4,512	$ -	$ 4,512	$ 1,169	$ -	$ 1,169
Not yet filed	12,433	-	12,433	10,535	-	10,535
Individual injury insurance						
Filed but not paid	112	-	112	105	-	105
Not yet filed	5,518	-	5,518	3,424	-	3,424
Individual health insurance						
Filed but not paid	16,011	-	16,011	7,062	-	7,062
Not yet filed	65,990	-	65,990	54,959	-	54,959
Group insurance						
Filed but not paid	6,679	-	6,679	7,848	-	7,848
Not yet filed	375,879	-	375,879	380,909	-	380,909
	487,134	-	487,134	466,011	-	466,011
Less ceded loss reserve						
Individual life insurance	-	-	-	663	-	663
Individual injury insurance	29	-	29	1,063	-	1,063
Individual health insurance	7,193	-	7,193	18,499	-	18,499
Group insurance	3,144	-	3,144	57	-	57
	10,366	-	10,366	20,282	-	20,282
	$ 476,768	$ -	$ 476,768	$ 445,729	$ -	$ 445,729

The changes of loss reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Feature**	**Total**	**Insurance Contracts**	**Financial Instruments with Discretionary Participation Feature**	**Total**
Beginning balance	$ 466,011	$ -	$ 466,011	$ 367,506	$ -	$ 367,506
Provision	477,443	-	477,443	567,060	-	567,060
Recovery	(460,652)	-	(460,652)	(451,874)	-	(451,874)
Foreign exchange	4,332	-	4,332	(16,681)	-	(16,681)
Ending balance	487,134	-	487,134	466,011	-	466,011
Less ceded loss reserve						
Beginning balance	20,282	-	20,282	13,716	-	13,716
Increase	51,934	-	51,934	62,944	-	62,944
Decrease	(61,856)	-	(61,856)	(55,652)	-	(55,652)
Foreign exchange	6	-	6	(726)	-	(726)
Ending balance	10,366	-	10,366	20,282	-	20,282
Net ending balance	$ 476,768	$ -	$ 476,768	$ 445,729	$ -	$ 445,729

3) Policy reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 27,482,482	$ -	$ 27,482,482	$ 19,294,499	$ -	$ 19,294,499
Health insurance	3,115,884	-	3,115,884	1,855,047	-	1,855,047
Investment-linked insurance	787	-	787	2,599	-	2,599
	30,599,153	-	30,599,153	21,152,145	-	21,152,145
Less ceded loss reserve						
Individual life insurance	2,074	-	2,074	-	-	-
Health insurance	19,465	-	19,465	-	-	-
	21,539	-	21,539	-	-	-
	$ 30,577,614	$ -	$ 30,577,614	$ 21,152,145	$ -	$ 21,152,145

The changes of policy reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 21,152,145	$ -	$ 21,152,145	$ 14,909,176	$ -	$ 14,909,176
Provision	10,483,907	-	10,483,907	9,100,795	-	9,100,795
Recovery	(1,468,817)	-	(1,468,817)	(2,100,388)	-	(2,100,388)
Reclassification	92,400	-	92,400	-	-	-
Foreign exchange	339,518	-	339,518	(757,438)	-	(757,438)
Ending balance	30,599,153	-	30,599,153	21,152,145	-	21,152,145
Less ceded loss reserve						
Beginning balance	-	-	-	-	-	-
Increase	89,028	-	89,028	-	-	-
Decrease	(67,853)	-	(67,853)	-	-	-
Foreign exchange	364	-	364	-	-	-
Ending balance	21,539	-	21,539	-	-	-
Ending balance	$ 30,577,614	$ -	$ 30,577,614	$ 21,152,145	$ -	$ 21,152,145

4) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature	
	December 31	
	2020	2019
Unearned premium reserve	$ 350,059	$ 301,808
Policy reserve	30,599,153	21,152,145
Book value of insurance liabilities	$ 30,949,212	$ 21,453,953
Estimated present value of cash flows	$ 24,759,370	$ 17,163,162
Balance of liability adequacy reserve	$ -	$ -

Note 1: Shown by liability adequacy test range (integrated contract).

Note 2: Loss reserve is not included in liability adequacy test. Loss reserve is determined based on claims incurred before valuation date and therefore not included in the test.

Note 3: There is no merger or transfer of insurance contract for Cathay Lujiazui Life. Thus, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

Liability adequacy testing methodology is listed as follows:

	December 31	
	2020	2019
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 the best estimated scenario investment return based on actuary report of 2019, with neutral assumption for discount rates after 30 years.	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2018, with neutral assumption for discount rates after 30 years.

c. Cathay Life (Vietnam)

The details of insurance contracts and financial instruments with discretionary participation feature are summarized below:

1) Unearned premium reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual injury insurance	$ 14,935	$ -	$ 14,935	$ 12,351	$ -	$ 12,351
Individual health insurance	20,826	-	20,826	13,167	-	13,167
	$ 35,761	$ -	$ 35,761	$ 25,518	$ -	$ 25,518

The changes of unearned premium reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 25,518	$ -	$ 25,518	$ 14,775	$ -	$ 14,775
Provision	11,854	-	11,854	11,389	-	11,389
Foreign exchange	(1,611)	-	(1,611)	(646)	-	(646)
Ending balance	$ 35,761	$ -	$ 35,761	$ 25,518	$ -	$ 25,518

2) Loss reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance						
Filed but not paid	$ 3,895	$ -	$ 3,895	$ 2,423	$ -	$ 2,423
Individual injury insurance						
Filed but not paid	991	-	991	275	-	275
Not yet filed	1,952	-	1,952	1,321	-	1,321
Individual health insurance						
Filed but not paid	2,052	-	2,052	2,385	-	2,385
Not yet filed	6,349	-	6,349	3,439	-	3,439
Investment-linked insurance						
Filed but not paid	3,842	-	3,842	2,147	-	2,147
	$ 19,081	$ -	$ 19,081	$ 11,990	$ -	$ 11,990

The changes of loss reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 11,990	$ -	$ 11,990	$ 4,255	$ -	$ 4,255
Provision	7,918	-	7,918	8,071	-	8,071
Foreign exchange	(827)	-	(827)	(336)	-	(336)
Ending balance	$ 19,081	$ -	$ 19,081	$ 11,990	$ -	$ 11,990

3) Policy reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 6,278,493	$ -	$ 6,278,493	$ 4,065,218	$ -	$ 4,065,218
Investment-linked insurance	419,412	-	419,412	169,402	-	169,402
	$ 6,697,905	$ -	$ 6,697,905	$ 4,234,620	$ -	$ 4,234,620

The changes of policy reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 4,234,620	$ -	$ 4,234,620	$ 3,219,759	$ -	$ 3,219,759
Provision	2,754,132	-	2,754,132	1,112,897	-	1,112,897
Foreign exchange	(290,847)	-	(290,847)	(98,036)	-	(98,036)
Ending balance	$ 6,697,905	$ -	$ 6,697,905	$ 4,234,620	$ -	$ 4,234,620

4) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature	
	December 31	
	2020	2019
Unearned premium reserve	$ 35,761	$ 25,518
Policy reserve	6,697,905	4,234,620
Book value of insurance liabilities	$ 6,733,666	$ 4,260,138
Estimated present value of cash flows	$ 5,387,856	$ 3,121,262
Balance of liability adequacy reserve	$ -	$ -

Note 1: Shown by liability adequacy test range (integrated contract).

Note 2: Loss reserve is not included in liability adequacy test. Loss reserve is determined based on claims incurred before valuation date and therefore not included in the test.

Note 3: There is no merger or transfer of insurance contract for Cathay Life (Vietnam). Thus, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

Liability adequacy testing methodology is listed as follows:

	December 31	
	2020	2019
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.

24. RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS

The Company and Cathay Lujiazui Life issued financial instruments without discretionary participation feature and recognized reserve for insurance contracts with the nature of financial products. As of December 31, 2020 and 2019, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

a. The Company

	December 31	
	2020	2019
Life insurance	$ 72,080	$ 75,004
Investment-linked insurance	938,076	926,987
	$ 1,010,156	$ 1,001,991

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 1,001,991	$ 930,654
Claims and payments	(273,584)	(227,022)
Net provision of statutory reserve	294,427	302,968
Foreign exchange	(12,678)	(4,609)
Ending balance	$ 1,010,156	$ 1,001,991

b. Cathay Lujiazui Life

	December 31	
	2020	2019
Life insurance	$ 12,721,352	$ 9,930,017

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 9,930,017	$ 8,388,059
Premiums received	5,195,938	3,853,105
Claims and payments	(3,029,317)	(2,351,066)
Net reserve of statutory reserve	493,002	395,254
Foreign exchange	131,712	(355,335)
Ending balance	$ 12,721,352	$ 9,930,017

25. 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, the Company 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	
	2020	2019
Beginning balance	$ 18,000,877	$ 17,075,289
Provision		
Compulsory reserve	8,433,364	8,765,999
Additional reserve	11,153,852	12,174,679
	19,587,216	20,940,678
Reversal	(22,767,228)	(20,015,090)
Ending balance	$ 14,820,865	$ 18,000,877

During the year ended December 31, 2020, the Company applied for approval and received approval from the FSC to appropriate for a reserve for foreign exchange valuation; the details are as follows:

Date Applied	Approval Number	Amount
April 2020	No. 1090418613	$ 1,000,000
June 2020	No. 1090423624	1,000,000
July 2020	No. 1090425881	3,000,000
September 2020	No. 1090430759	2,000,000
December 2020	No. 1100410400	3,000,000
		$ 10,000,000

c. Effects due to reserve for foreign exchange valuation

	For the Year Ended December 31, 2020		
Items	Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income attributable to owners of the Company	$ 49,200,585	$ 51,744,594	$ 2,544,009
Earnings per share	8.41	8.84	0.43
Reserve for foreign exchange valuation	-	14,820,865	14,820,865
Equity attributable to owners of the Company	721,981,159	713,727,364	(8,253,795)

	For the Year Ended December 31, 2019		
Items	Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income attributable to owners of the Company	$ 38,586,423	$ 37,845,953	$ (740,470)
Earnings per share	6.73	6.60	(0.13)
Reserve for foreign exchange valuation	-	18,000,877	18,000,877
Equity attributable to owners of the Company	599,416,587	588,618,783	(10,797,804)

26. RETAINED EARNED PREMIUM AND RETAINED CLAIM PAYMENTS

a. Retained earned premium

1) The Company

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 567,721,071	$ 165,822	$ 567,886,893	$ 596,188,657	$ 1,098,686	$ 597,287,343
Reinsurance premium	110,139	-	110,139	125,595	-	125,595
Premium income	567,831,210	165,822	567,997,032	596,314,252	1,098,686	597,412,938
Less: Reinsurance expenses	(2,355,053)	-	(2,355,053)	(2,051,751)	-	(2,051,751)
Net changes in unearned premium reserve	(667,099)	-	(667,099)	(775,814)	-	(775,814)
Retained earned premium	$ 564,809,058	$ 165,822	$ 564,974,880	$ 593,486,687	$ 1,098,686	$ 594,585,373

2) Cathay Lujiazui Life

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 12,716,610	$ -	$ 12,716,610	$ 12,004,189	$ -	$ 12,004,189
Reinsurance premium	-	-	-	-	-	-
Premium income	12,716,610	-	12,716,610	12,004,189	-	12,004,189
Less: Reinsurance expenses	(157,133)	-	(157,133)	(139,712)	-	(139,712)
Net changes in unearned premium reserve	(18,986)	-	(18,986)	(33,596)	-	(33,596)
Retained earned premium	$ 12,540,491	$ -	$ 12,540,491	$ 11,830,881	$ -	$ 11,830,881

3) Cathay Life (Vietnam)

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 2,059,694	$ -	$ 2,059,694	$ 1,415,371	$ -	$ 1,415,371
Reinsurance premium	-	-	-	-	-	-
Premium income	2,059,694	-	2,059,694	1,415,371	-	1,415,371
Less: Reinsurance expenses	(504)	-	(504)	(71)	-	(71)
Net changes in unearned premium reserve	(11,854)	-	(11,854)	(11,389)	-	(11,389)
Retained earned premium	$ 2,047,336	$ -	$ 2,047,336	$ 1,403,911	$ -	$ 1,403,911

b. Retained claim payments

1) The Company

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	$ 265,571,820	$ 6,731,051	$ 272,302,871	$ 341,523,358	$ 6,941,553	$ 348,464,911
Reinsurance claim payments	43,045	-	43,045	40,376	-	40,376
Insurance claim payments	265,614,865	6,731,051	272,345,916	341,563,734	6,941,553	348,505,287
Less: Claims recovered from reinsures	(1,304,635)	-	(1,304,635)	(1,079,421)	-	(1,079,421)
Retained claim payments	$ 264,310,230	$ 6,731,051	$ 271,041,281	$ 340,484,313	$ 6,941,553	$ 347,425,866

2) Cathay Lujiazui Life

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	$ 1,892,549	$ -	$ 1,892,549	$ 1,704,179	$ -	$ 1,704,179
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	1,892,549	-	1,892,549	1,704,179	-	1,704,179
Less: Claims recovered from reinsures	(115,987)	-	(115,987)	(116,780)	-	(116,780)
Retained claim payments	$ 1,776,562	$ -	$ 1,776,562	$ 1,587,399	$ -	$ 1,587,399

3) Cathay Life (Vietnam)

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	$ 231,646	$ -	$ 231,646	$ 145,227	$ -	$ 145,227
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	231,646	-	231,646	145,227	-	145,227
Less: Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$ 231,646	$ -	$ 231,646	$ 145,227	$ -	$ 145,227

27. PROVISIONS

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 233,871	$ 225,277
Provision	2,956	-
Reversal	(177,405)	-
Foreign exchange	(3,177)	8,594
Ending balance	$ 56,245	$ 233,871

28. OTHER LIABILITIES

	December 31	
	2020	2019
Advance receipts	$ 341,735	$ 456,211
Deferred fee income	5,548	7,210
Guarantee deposits received	14,233,208	13,315,767
Others (Note)	11,301,064	5,408,207
	$ 25,881,555	$ 19,187,395

Note: CHL recognized liabilities for put options on subsidiaries' shares, amounting to $3,802,965 thousand as of December 31, 2020.

Deferred fee income

The Company issues investment-linked insurance contracts without discretionary participation feature of financial instruments. Deferred fee income related to investment management services of such contracts is summarized below:

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 7,210	$ 18,785
Amortization	(1,722)	(11,390)
Foreign exchange	60	(185)
Ending balance	$ 5,548	$ 7,210

29. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Subsidiaries in mainland China and other foreign countries adopted pension plans, which are defined contribution plans and make contributions in accordance with local government regulations.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company 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	
	2020	2019
Present value of defined benefit obligation	$ 13,423,238	$ 13,641,235
Fair value of plan assets	(19,703,466)	(20,063,648)
Net defined benefit assets	$ (6,280,228)	$ (6,422,413)

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, 2019	$ 13,419,411	$ (19,104,502)	$ (5,685,091)
Service cost			
Current service cost	280,804	-	280,804
Interest expense (income)	116,083	(169,296)	(53,213)
Recognized in profit or loss	396,887	(169,296)	227,591
Return on plan assets (excluding amounts included in net interest)	-	(1,137,289)	(1,137,289)
Actuarial loss			
Changes in financial assumptions	356,936	-	356,936
Experience adjustments	348,923	-	348,923
Recognized in other comprehensive income (loss)	705,859	(1,137,289)	(431,430)
Contributions from the employer	-	(533,483)	(533,483)
Benefits paid	(880,922)	880,922	-
Balance at December 31, 2019	13,641,235	(20,063,648)	(6,422,413)
Service cost			
Current service cost	278,248	-	278,248
Interest expense (income)	90,067	(136,784)	(46,717)
Recognized in profit or loss	368,315	(136,784)	231,531
Return on plan assets (excluding amounts included in net interest)	-	(402,526)	(402,526)
Actuarial loss			
Changes in financial assumptions	427,128	-	427,128
Experience adjustments	300,330	-	300,330
Recognized in other comprehensive income (loss)	727,458	(402,526)	324,932
Contributions from the employer	-	(414,278)	(414,278)
Benefits paid	(1,313,770)	1,313,770	-
Balance at December 31, 2020	$ 13,423,238	$ (19,703,466)	$ (6,280,228)

Through the defined benefit plan under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The discount rate for determining the present value of 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 and operation are all managed by the government. Therefore, the Company has no control over the investment of the retirement fund assets.

2) Interest rate: A decrease in 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 defined benefit obligation, the estimated mortality rate during employee service period is based on 100% of the fifth life table (2011TSO) of the life insurance industry. If the actual mortality rate is lower than the estimated rate, the present value of the defined benefit obligation will increase.

4) Salary adjustment risk: In the calculation of the present value of 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	
	2020	**2019**
Discount rate	0.32%	0.69%
Expected rate of salary increase	1.50%	1.50%

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

	December 31	
	2020	**2019**
Discount rate		
Increase (2020: 0.25%; 2019: 0.5%)	$ (281,888)	$ (586,573)
Decrease (2020: 0.25%; 2019: 0.5%)	$ 295,311	$ 627,497
Expected rate of salary increase		
Increase 0.5%	$ 577,199	$ 613,856
Decrease 0.5%	$ (550,353)	$ (572,932)

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

	December 31	
	2020	2019
Expected contributions to the plans for the next year	$ 417,796	$ 572,248
Average duration of the defined benefit obligation	8.5 years	8.8 years

30. EQUITY

a. Share capital

	December 31	
	2020	2019
Number of shares authorized (in thousands)	10,000,000	10,000,000
Shares authorized	$ 100,000,000	$ 100,000,000
Number of shares issued and fully paid (in thousands)	5,851,527	5,851,527
Shares issued	$ 58,515,274	$ 58,515,274

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and the rights to dividend.

On November 13, 2019, the Company's board of directors (on behalf of the shareholders) resolved to issue 125,000 thousand ordinary shares with a par value of $10, for a consideration of $80 per share which increased the share capital issued and fully paid to $58,515,274 thousand. On November 21, 2019, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be December 4, 2019.

b. Capital surplus

	December 31	
	2020	2019
Additional paid-in capital	$ 59,550,000	$ 59,550,000
Differences between share price and book value from acquisition or disposal of subsidiaries	29,142	29,142
Changes in amount of associates accounted for using the equity method	844,792	845,715
Share-based payments granted by the parent company to the Company's employees	182,599	182,599
	$ 60,606,533	$ 60,607,456

The capital surplus arising from shares issued in excess of par and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus). According to Jin Guan Bao Tsai No. 10202501991 issued by the FSC on February 8, 2013, if a life insurance enterprise intends to distribute its capital surplus by cash to its shareholders in proportion to the number of shares being held by each of them in accordance with Article 241 of the Company Act, it should be approved by the FSC before the shareholders' meeting.

The capital surplus arising from investments accounted for using the equity method and share-based payments granted by the parent company to the Company's employees may not be used for any purpose.

On August 15, 2019, Cathay Financial Holdings' board of directors resolved to increase its capital and retained 10% of the capital increase in accordance with the law for employees of the parent company and subsidiaries' subscription. The Company recognized salary expenses and capital surplus in the amount of $182,599 thousand for share-based payments at fair value of the options at the grant date.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in No. 37 of the Company's Article of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, the payment of preferred dividends also takes precedence in accordance with the dividends policy of the preferred share, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 32 d.

In order for the Company to continue to expand its scale and increase profitability in line with its long-term financial strategy, future demand for capital and meet the dividend needs of ordinary shareholders, the Company adopted a dividend policy in framing a proposal for the distribution of annual earnings for the purpose of sustainable development, whereby share dividends, if declared, shall not be less than 50% of the total ordinary share dividends declared for the year. However, the Company may adjust dividend policy moderately based on the capital needs of business and investment, the approval of dividend appropriation or major regulation amendments, etc.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. Pursuant to Jin Guan Bao Tsai No. 10202501991, if a life insurance enterprise intends to appropriate legal reserve under Article 145-1 of the Insurance Act and to distribute, in accordance with Article 241 of the Company Act, its legal reserve and capital surplus by cash to its shareholders in proportion to the number of shares being held by each of them, it should be approved by the FSC before shareholders' meeting.

According to Jin Guan Bao Tsai No. 10202501992, a life insurance enterprise intending to distribute cash dividends from earnings (not including dividends for preference share liabilities) should notify the FSC and then the FSC approves the distribution of earnings based on its financial position.

The appropriations of earnings for 2019 and 2018 had been approved by the board of directors (on behalf of shareholders) on April 29, 2020 and May 3, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings For the Years Ended December 31	
	2019	**2018**
Legal reserve	$ 6,677,339	$ 2,871,520
Special reserve	59,449,742	12,730,041

The appropriation of earnings and offsetting of the deficits against the legal reserve of $31,181,609 thousand were approved in the board of directors' meeting (on behalf of the shareholders) on April 29, 2020.

The appropriations of earnings for 2020, which were proposed by the Company's board of directors on March 10, 2021, were as follows:

	Appropriation of Earnings
	For the Year Ended December 31, 2020
Legal reserve	$ 10,333,774
Special reserve	70,366,942

In addition, the Company's board of directors resolved to offset the deficit by legal reserve of $1,676,041 thousand and special reserve of $23,690,493 thousand on the same date.

The appropriation of earnings for 2020 will be resolved by the Company's board of directors (on behalf of the shareholders) on April 28, 2021.

d. Special reserves

	December 31	
	2020	2019
Special reserve for catastrophic events and fluctuation of risks (1)	$ 14,908,281	$ 14,552,237
Special reserve for the foreign exchange valuation reserve (2)	33,677,108	11,731,067
Special reserve appropriated at the first-time adoption of IFRSs (3)	47,327,860	47,327,860
Special reserve for investment properties at fair value model in subsequent measurement (4)	148,125,659	147,568,965
Special reserve for gains or losses on disposal of immature debt instruments (5)	25,491,229	-
Others (6)	77,790,075	68,252,401
	$ 347,320,212	$ 289,432,530

1) Special reserve for catastrophic events and fluctuation of risks

According to the revised Regulations Governing the setting aside of Various Reserves by Insurance Enterprise on February 7, 2012, the Company transferred the balance of special reserve for catastrophic events and for fluctuation of risks, net of tax, from liability to special reserve under retained earnings.

In accordance with the rules submitted to the authorities and relevant regulations, the Company reserves special reserve for catastrophic events and special reserve for fluctuation of risks for retained insurance policies with policy periods shorter than one year and injury insurance policies with policy periods longer than one year as follows:

a) Special reserve for catastrophic events

   All types of insurance should follow the reserve rates for catastrophic events set by the authorities. Upon occurrence of the catastrophic events, actual claims on retained business in excess of $30,000 thousand can be withdrawn from the special reserve. If the reserve has been set aside for over 15 years, the Company could plan the recovering process of the reserve through assessment by certified actuarial professionals and submit the plan to the authorities for reference. The post-tax amount of the recovery determined in accordance with IAS 12 "Income Taxes" can be recorded in the special capital reserve for catastrophic events under equity.

b) Special reserve for fluctuation of risks

   When the actual claim payment less the offsetting amount from special reserve for catastrophic events is less than the anticipated claim amount, 15% of this difference should be provided in special reserve for fluctuation of risks.

   When the actual claim payment less the offsetting amount from special reserve for catastrophic events is greater than the anticipated claim amount, the exceeded amount can be used to write down the special reserve for fluctuation of risks. If the total amount of special reserves for fluctuation of risks is not enough to be written down, special reserve for fluctuation of risks for other types of insurance can be used, and the type of insurance and total amount written-down should be reported to the authority. When accumulative amount of special reserve for fluctuation of risks exceeds 30% of retained earned premium at that year, the exceeded amount will be recovered. To promote the sustainable development of insurance industry, the authorities may designate or restrict the use of the abovementioned recovered amount. The post-tax amount of write-down or recovery determined in accordance with the IAS 12 "Income Taxes" can be recorded in the special capital reserve for fluctuation of risks under equity.

For the abovementioned special reserves, the annual provision should be recorded in special reserve under equity, net of tax in accordance with IAS 12 "Income Taxes".

According to Article 23-2 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, life insurance enterprises should recognize the amount equals to initial amount of reserve for foreign exchange valuation transferred from liabilities as special reserve in three years, starting from the implementation. The abovementioned special reserve includes the reduced recover amounts of special reserve for catastrophic events and special reserve for fluctuation of risks, which are calculated in accordance with the Articles 19 and 20, due to transferring to the initial amount of reserve for foreign exchange valuation.

According to Jin Guan Bao Tsai No. 09802513192, the revised Regulations Governing the Setting Aside of Various Reserve by Insurance Enterprise, issued on December 28, 2009, the provision for special reserve for catastrophic events and for fluctuation of risks is recognized at the end of the year and should not be distributed as dividends or be used for any other purposes. The related account balances are summarized as follows:

	December 31, 2020		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Features**	**Total**
Life insurance	$ 114,248	$ -	$ 114,248
Injury insurance	4,829,191	-	4,829,191
Health insurance	5,498,542	-	5,498,542
Group insurance	4,466,300	-	4,466,300
	$ 14,908,281	$ -	$ 14,908,281

	December 31, 2019		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Features**	**Total**
Life insurance	$ 113,087	$ -	$ 113,087
Injury insurance	4,800,448	-	4,800,448
Health insurance	5,324,076	-	5,324,076
Group insurance	4,314,626	-	4,314,626
	$ 14,552,237	$ -	$ 14,552,237

2) Special reserve for foreign exchange valuation reserve

According to Jin Guan Bao Tsai No. 10102501551 issued on February 7, 2012 and Article 9 of the Direction for Reserve for Foreign Exchange Reserve, the Company should appropriate a special reserve of 10% of the profit after tax in order to strengthen the foreign exchange reserve and capital.

According to Jin Guan Bao Tsai No. 10102501551 and Jin Guan Bao Tsai No. 10402026901 issued on May 8, 2015 and Article 8 of the Direction for Reserve for Foreign Exchange Reserve, the Company should set aside special reserve as the amount of hedging expense saved. This special reserve should be set aside in later years if there are no sufficient earnings, and it should only be used for transferring to capital or offsetting deficit.

3) Special reserves appropriated at the first-time adoption of IFRSs

At the first-time adoption of IFRSs, the Company chose to use fair values as the deemed costs of investment properties and 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 at 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. According to 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.

In accordance with Jin Guan Bao Tsai No. 10102515281, special reserves under liabilities due to the first-time adoption of IFRSs are allowed to recover 80% in five years and transferred to special reserve under equity. The limitation of the recoverable amount is $10 billion per year.

4) Special reserve for investment properties at fair value model in subsequent measurement

In accordance with Jin Guan Bao Tsai No. 10402501001, the Company set aside special reserve based on net effect for the first-time adoption of fair value model in subsequent measurement less additional policy reserve of effective contracts, which was measured by the fair value and approved by the authorities, and accumulated net gain on subsequent fair value measurements.

Special reserve for net effect for the first-time adoption of fair value model in subsequent measurement less additional policy reserve of effective contracts, can only be used for compensating deficit of policy reserve of effective contracts, which was measured by fair value and approved by the authorities, and stabilizing future adoption of the second stage of IFRS 4, which means that the Company can only transfer this special reserve with the approval by the authorities to provide enough liabilities in accordance of the second stage of IFRS 4.

When the Company disposes of relevant assets, special reserve for accumulated net gain of subsequent fair value measurements could be reversed in the proportion of initial recognition. The earnings appropriation regarding the reversal of special reserve should be arranged in accordance with Jin Guan Bao Tsai No. 10202501992.

5) Special reserve from gains or losses on disposal of immature debt instruments

According to Jin Guan Bao Tsai No. 10804501381 starting from January 1, 2019, a life insurance enterprise should make a special reserve from gains or losses after a tax of 20% on disposals of the following immature debt instruments, which should be amortized and released to distributable earnings in the remaining maturity periods of the disposed debt instruments or in 10 years for those whose remaining maturity periods cannot be determined:

1) Financial assets not measured at fair value

2) Financial assets measured at FVTOCI

3) Financial assets measured at FVTPL using overlay approach

In the calculation of immature debt instruments, beneficiary certificates, short-term notes, preferred shares (classified as equity instrument), and the positions belonging to the segregated assets for participating insurance or interest-sensitive commodities may be excluded.

The changes in the accumulated balance of gains or losses on disposals of debt instruments are as follows:

	For the Year Ended December 31, 2020
Accumulated balance at the end of the previous year	$ 25,491,229
Realized capital gains of $56,820,630 thousand, net of income tax of $11,364,126 thousand	45,456,504
Net amortization for the current year	(3,654,515)
Accumulated balance at the end of the year	$ 67,293,218

As of December 31, 2020, the Company has set aside special reserve of $25,491,229 thousand in accordance with the regulation; in 2021, the board of directors will resolve to set aside special reserve of $41,801,989 thousand according to the changes in the current year. The accumulated balance of special reserve will be at $67,293,218 thousand.

According to the regulation, the amortization table at the end of the previous year and the additions in the current year is as follows:

Year	Net Amortization of the Accumulated Balance of Gains or Losses on Disposal at the End of the Previous Year (1)	Gains or Losses on Disposal After Tax in the Current Year (2)	Net Amortization of the Accumulated Balance of Gains or Losses on Disposal at the End of the Current Year (1)+(2)
2020	$ 1,406,919	$ 2,247,596	$ 3,654,515
2021	1,394,980	2,243,538	3,638,518
2022	1,391,707	2,238,659	3,630,366
2023	1,367,982	2,219,613	3,587,595
2024	1,343,733	2,046,624	3,390,357
2025	1,309,968	2,069,786	3,379,754
2026	1,255,087	1,990,315	3,245,402
2027	1,247,427	1,907,368	3,154,795
2028	1,194,481	1,849,419	3,043,900
2029	1,100,877	1,759,759	2,860,636
2030 to 2039	8,327,573	14,968,119	23,295,692
2040 to 2049	3,972,787	9,050,483	13,023,270
2050 to 2120	177,708	865,225	1,042,933
Total (Note)	$ 25,491,229	$ 45,456,504	$ 67,293,218

Note: Column (1)+(2) does not include the amortization of the accumulated balance of gains or losses on disposal in 2020.

6) Other special reserve mainly included the amount of $34,764,311 thousand transferred from insurance liabilities in accordance with Jin Guan Bao Tsai No. 10402029590.

e. Other equity

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

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ (11,187,030)	$ (10,796,480)
Recognized for the year	(1,540,359)	(523,856)
Share of associates accounted for using the equity method	(239,646)	213,285
Tax effects	32,923	(79,979)
Other comprehensive loss recognized for the year	(1,747,082)	(390,550)
Ending balance	$ (12,934,112)	$ (11,187,030)

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

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 57,531,736	$ (20,547,627)
Recognized for the year	66,141,805	117,889,380
Share of associates accounted for using the equity method	288,649	93,881
Reclassification adjustment		
Disposal of investments in debt instruments	(25,172,380)	(26,039,641)
Tax effects	(6,329,330)	(18,323,515)
Other comprehensive income recognized for the year	34,928,744	73,620,105
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	75,723	4,459,258
Ending balance	$ 92,536,203	$ 57,531,736

3) Gain on hedging instruments

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 331,929	$ 173,288
Recognized for the year	82,834	272,121
Reclassification adjustment		
Hedged item that affects profit or loss	(69,571)	(65,901)
Tax effects	2,679	(47,579)
Other comprehensive income recognized for the year	15,942	158,641
Ending balance	$ 347,871	$ 331,929

4) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 447,694	$ 287,100
Recognized for the year (Note 29)	(324,932)	431,430
Share of associates accounted for using the equity method	48,958	(231,106)
Tax effects	55,038	(39,730)
Other comprehensive loss recognized for the year	(220,936)	160,594
Ending balance	$ 226,758	$ 447,694

5) Property revaluation surplus

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 187,503	$ 187,503
Changes in the year	-	-
Ending balance	$ 187,503	$ 187,503

6) Other comprehensive (loss) income on reclassification using overlay approach

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 57,760,564	$ (52,549,236)
Recognized for the year	123,303,424	157,019,328
Reclassification adjustment		
Disposal of investments in financial instruments	(74,230,963)	(37,016,703)
Tax effects	(4,739,916)	(9,692,825)
Other comprehensive income recognized for the year	44,332,545	110,309,800
Ending balance	$ 102,093,109	$ 57,760,564

7) Other equity - other

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ -	$ -
Initial recognition of put options on subsidiaries' share	(3,944,303)	-
Ending balance	$ (3,944,303)	$ -

f. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 5,899,205	$ 5,536,717
Net income attributed to non-controlling interests		
Net profit for the year	937,519	447,118
Exchange differences on translation of the financial statements of foreign operations	32,027	(202,281)
Other comprehensive (loss) income reclassified using overlay approach	(142,568)	351,131
Acquisition of non-controlling interests in subsidiaries (Note 43)	1,415,021	-
Others	(742,087)	(233,480)
Ending balance	$ 7,399,117	$ 5,899,205

31. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	$ 8.84	$ 6.60

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	2019
Earnings used in the computation of basic earnings per share	$ 51,744,594	$ 37,845,953

Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	5,851,527	5,736,116

If reserve for foreign exchange valuation was excluded, basic earnings per share would be $8.41 and $6.73 for the years ended December 31, 2020 and 2019, respectively.

32. NET PROFIT FOR THE PERIOD

a. Interest income

	For the Year Ended December 31	
	2020	2019
Financial assets at FVTOCI	$ 31,362,610	$ 35,171,001
Financial assets measured at amortized cost	108,727,054	106,159,621
Loans	14,552,318	16,529,838
Others	2,731,266	3,592,325
	$ 157,373,248	$ 161,452,785

b. Expected credit impairment losses and gains on reversal

	For the Year Ended December 31	
	2020	2019
Operating revenues - expected credit impairment losses and gains on reversal from investments		
Debt instrument investments at FVTOCI	$ (346,403)	$ 149,826
Financial assets measured at amortized cost	(1,376,760)	1,071,601
Receivables	-	38,138
Other financial assets	-	594
Loans	64,115	431,236
	(1,659,048)	1,691,395
Operating expenses - expected credit impairment losses from non-investments		
Receivables	(6,308)	(877)
	$ (1,665,356)	$ 1,690,518

c. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term benefits		
Salaries	$ 37,111,842	$ 44,282,394
Labor and health insurance expenses	3,126,805	3,206,531
Post-employment benefits		
Defined contribution plans	1,272,485	1,209,212
Defined benefit plans (Note 29)	231,531	227,591
Remuneration of directors	97,990	83,104
Other employee benefits	1,132,939	1,225,281
	$ 42,973,592	$ 50,234,113
An analysis of employee benefits expense by function		
Operating costs	$ 31,240,136	$ 38,747,674
Operating expenses	11,733,456	11,486,439
	$ 42,973,592	$ 50,234,113

The average numbers of the Group's employees for 2020 and 2019 were 41,300 and 39,723, including 16 and 15 non-executive directors, respectively.

For the years ended December 31, 2020 and 2019, the average employee benefits expense of the Group was $1,039 thousand and $1,263 thousand, respectively, and the average salary expense was $737 thousand and $1,115 thousand, respectively; the average employee salary decreased by 34%.

d. Employees' compensation and remuneration of directors and supervisors

According to the Company's Articles of Incorporation, 0.01% to 0.1% of profit of the current year is distributable as employees' compensation and no more than 0.1% of profit of the current year is distributable as remuneration of directors and supervisors. However, the Company has to first cover accumulated losses, if any. Employees' compensation shall be paid in cash or in shares and resolved by the board of directors in their meeting. The distribution is subject to the attendance of more than two-thirds of the members of the board of directors and the resolution of more than half of the directors present. The resolution shall be reported to the shareholders' meeting.

In compliance with the Company's Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2020 and 2019, respectively, as follows:

	For the Year Ended December 31	
	2020	**2019**
Employees' compensation	$ 4,996	$ 3,961
Remuneration of directors and supervisors	5,400	5,700

If there will be a change in the amounts after the consolidated financial statements are authorized for issue, the differences will be recorded as a change in accounting estimate and adjusted in the next year.

The compensation and remuneration of directors and supervisors for the years ended 2019 and 2018, which were resolved by the board of directors on March 11, 2020 and March 21, 2019, respectively, are as follows:

	2019	**2018**
Employees' compensation	$ 3,961	$ 2,760
Remuneration of directors and supervisors	5,700	5,700

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

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property and equipment	$ 779,901	$ 789,439
Right-of-use assets	592,308	590,102
Intangible assets	2,723,499	2,634,639
	$ 4,095,708	$ 4,014,180
An analysis of depreciation by function		
Operating expenses	$ 1,372,209	$ 1,379,541
An analysis of amortization by function		
Operating expenses	$ 2,723,499	$ 2,634,639

f. Non-operating income and expenses

	For the Year Ended December 31	
	2020	2019
(Loss) gain on disposal of property and equipment	$ (63,484)	$ 11,499
Others	1,652,099	1,698,396
	$ 1,588,615	$ 1,709,895

33. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax benefit (expense) are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	$ (17,925,581)	$ (998,669)
Adjustments for prior years	144,114	18,635
Deferred tax		
In respect of the current year	18,999,500	(42,422)
Adjustments for prior years	(8,782)	-
Other		
Additional income tax under the Alternative Minimum Tax Act	-	(1,961,280)
Tax effect under integrated income tax systems	-	767,741
Income tax benefit (expense) recognized in profit or loss	$ 1,209,251	$ (2,215,995)

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

	For the Year Ended December 31	
	2020	2019
Profit before tax	$ 51,472,862	$ 40,509,066
Income tax expense calculated at the statutory rate	$ 10,294,572	$ 8,101,812
Tax-exempt income	(12,203,282)	(8,776,722)
Nondeductible expenses in determining taxable income	53,701	100,124
Cash dividends	-	966,770
Effect of income tax on deferred tax assets (liabilities)	8,614	29,551
Unrealized loss carryforwards	(102,143)	(32,816)
Unrealized investment credits	(132,945)	-
Withholding tax on foreign investments	3,113	3,040
Land value increment tax	930,091	582,375
Corporate income tax in China	524	545
Investment loss	(571)	(4,512)
Additional income tax under the Alternative Minimum Tax Act	-	1,961,280
Effect of different tax rates of entities in the Group operating in other jurisdictions	74,407	70,924
Tax effect under the integrated income tax system	-	(767,741)
Adjustments for prior years' tax	(135,332)	(18,635)
Income tax (benefit) expense recognized in profit or loss	$ (1,209,251)	$ 2,215,995

Foreign withholding taxes in the amounts of $3,836 thousand and $3,803 thousand were recognized in current tax expense for the years ended December 31, 2020 and 2019, respectively, since the Company evaluated that foreign withholding taxes cannot be used as deduction of taxes.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2020	2019
Current tax		
Derecognition of equity instruments at FVTOCI	$ 35,384	$ 374,914
Deferred tax		
Derecognition of equity instruments at FVTOCI	(35,384)	(374,914)
Capital surplus	-	(32,121)
Total income tax benefit recognized directly in equity	$ -	$ (32,121)

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Deferred tax		
Recognized in other comprehensive income		
Exchange differences on translating financial statements of foreign operations	$ 32,923	$ (79,979)
Gains (losses) on hedging instruments	2,679	(47,579)
Unrealized gains (losses) on equity instruments at FVTOCI	222,081	(564,359)
Losses on debt instruments at FVTOCI	(6,566,673)	(17,757,927)
Remeasurement of defined benefit plans	64,986	(86,286)
Shares of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	5,314	45,327
Other comprehensive loss reclassified using overlay approach	(4,739,916)	(9,692,825)
Total income tax recognized in other comprehensive income	$ (10,978,606)	$ (28,183,628)

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, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Net Foreign Exchange Difference	Other	Closing Balance
Deferred tax assets (liabilities)							
Temporary differences							
Property and equipment	$ 288,086	$ (22,435)	$ -	$ -	$ -	$ -	$ 265,651
Investment property	(26,736,156)	(2,178,518)	-	-	(122)	20,108	(28,894,688)
Financial assets at FVTPL	(5,784,686)	(14,755)	-	-	(195)	-	(5,799,636)
Financial assets at FVTPL applying overlay approach	(6,809,229)	-	(6,435,591)	-	-	-	(13,244,820)
Equity instruments at FVTOCI	(579,515)	-	182,046	-	-	-	(397,469)
Debt instruments at FVTOCI	(11,610,692)	68,080	(6,566,673)	-	-	-	(18,109,285)
Financial assets for hedging	(108,966)	18,661	61,560	-	-	-	(28,745)
Financial assets measured at amortized cost	(93,898)	7,553	-	-	-	-	(86,345)
Financial liabilities at FVTPL	572,859	1,745,678	-	-	-	-	2,318,537
Financial liabilities for hedging	-	86,422	(68,228)	-	-	-	18,194
Rent leveling	(128,645)	(798)	-	-	-	-	(129,443)
Other payables	85,919	25,920	9,347	-	(5,415)	-	115,771
Defined benefit assets	(1,284,482)	(36,549)	64,986	-	-	-	(1,256,045)
Investments accounted for using the equity method	(449,102)	2,679,550	38,237	-	1,692	-	2,270,377
Deferred revenue	-	126,130	-	-	(3,675)	(19,599)	102,856
Lease liabilities	1,839,673	(1,717,246)	-	-	-	-	122,427
Right-of-use assets	(1,787,384)	1,787,384	-	-	-	-	-
Goodwill and franchises	45,436	10,096	-	-	-	-	55,532
Unrealized foreign exchange losses (gains)	26,764,513	22,218,209	1,735,710	(35,384)	-	-	50,683,048
Allowance for doubtful account	231,716	(17,505)	-	-	-	-	214,211
Other	(139,024)	300,396	-	-	17,198	189	178,759
Unused tax losses	6,109,721	(6,095,555)	-	-	(757)	-	13,409
Net deferred tax assets (liabilities)	$ (19,573,856)	$ 18,990,718	$ (10,978,606)	$ (35,384)	$ 8,726	$ 698	$ (11,587,704)
Deferred tax assets	$ 36,156,766						$ 56,690,743
Deferred tax liabilities	$ 55,730,622						$ 68,278,447

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Net Foreign Exchange Difference	Closing Balance
Deferred tax assets (liabilities)						
Temporary differences						
Property and equipment	$ 298,660	$ (10,574)	$ -	$ -	$ -	$ 288,086
Investment property	(25,740,275)	(1,009,964)	-	-	14,083	(26,736,156)
Financial assets at FVTPL	(1,314,436)	(4,470,250)	-	-	-	(5,784,686)
Financial assets at FVTPL applying overlay approach	4,408,705	-	(11,217,934)	-	-	(6,809,229)
Equity instruments at FVTOCI	318,834	-	(544,783)	(353,566)	-	(579,515)
Debt instruments at FVTOCI	6,176,944	(29,709)	(17,757,927)	-	-	(11,610,692)
Financial assets for hedging	(43,323)	(18,064)	(47,579)	-	-	(108,966)
Financial assets measured at amortized cost	(167,189)	73,291	-	-	-	(93,898)
Financial liabilities at FVTPL	5,480,945	(4,908,086)	-	-	-	572,859
Rent leveling	(132,226)	3,581	-	-	-	(128,645)
Other payables	70,057	17,730	-	-	(1,868)	85,919
Defined benefit assets	(1,137,018)	(61,178)	(86,286)	-	-	(1,284,482)
Investments accounted for using the equity method	(319,093)	(63,830)	(34,652)	(32,121)	594	(449,102)
Lease liabilities	-	1,839,673	-	-	-	1,839,673
Right-of-use assets	-	(1,787,384)	-	-	-	(1,787,384)
Goodwill and franchises	35,339	10,097	-	-	-	45,436
Unrealized foreign exchange losses (gains)	14,663,933	10,616,395	1,505,533	(21,348)	-	26,764,513
Allowance for doubtful account	297,447	(65,731)	-	-	-	231,716
Other	97,495	(243,998)	-	-	7,479	(139,024)
Unused tax losses	6,044,437	65,579	-	-	(295)	6,109,721
Net deferred tax assets (liabilities)	$ 9,039,236	$ (42,422)	$ (28,183,628)	$ (407,035)	$ 19,993	$ (19,573,856)
Deferred tax assets	$ 38,252,456					$ 36,156,766
Deferred tax liabilities	$ 29,213,220					$ 55,730,622

e. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the balance sheet

	December 31	
	2020	2019
Loss carryforwards		
Expiry in 2019	$ -	$ 15,129
Expiry in 2023	-	1,908,009
	$ -	$ 1,923,138
Investment credits		
Promotion of private participation in infrastructure projects	$ -	$ 124,952
Biotech and new pharmaceuticals industry	-	7,975
Research and development expenses	-	1,156
	$ -	$ 134,083

The unrecognized investment credit will expire in 2020 to 2022.

f. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were $2,298,804 thousand and $1,930,898 thousand, respectively.

g. Income tax assessments

The tax returns of the Company through 2014 have been assessed by the tax authorities.

34. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and category

Related Party Name	Related Party Category
Cathay Financial Holdings	The Company's parent company
Cathay Securities Investment Consulting	Subsidiary
Cathay Lujiazui Life Insurance Co., Ltd.	Subsidiary
Cathay Life Insurance (Vietnam) Co., Ltd.	Subsidiary
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Subsidiary
Cathay Woolgate Exchange Holding 1 Limited	Subsidiary
Cathay Woolgate Exchange Holding 2 Limited	Subsidiary
Cathay Walbrook Holding 1 Limited	Subsidiary
Cathay Walbrook Holding 2 Limited	Subsidiary
Conning Holdings Limited	Subsidiary
Global Evolution Holding ApS	Subsidiary (subsidiary's associate before June 2020)
Cathay Insurance Company Limited (China)	Associate
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
Greenhealth Water Resources Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate (other related party before May 2020)
CM Energy Co., Ltd.	Associate
Seaward Card Co., Ltd.	Subsidiary of associate
ThinkPower Information Co., Ltd.	Subsidiary of associate
Yua-Yung Marketing (Taiwan) Co., Ltd.	Subsidiary of associate
Hong-Sui Co., Ltd.	Subsidiary of associate
Cathay United Bank Co., Ltd.	Fellow subsidiary
Cathay Century Insurance Co., Ltd.	Fellow subsidiary
Cathay Securities Corporation	Fellow subsidiary
Cathay Venture Inc.	Fellow subsidiary
Cathay Securities Investment Trust Co., Ltd.	Fellow subsidiary
Indovina Bank Limited	Subsidiary of fellow subsidiaries
Cathay Insurance (Vietnam) Co., Ltd.	Subsidiary of fellow subsidiaries
Cathay Futures Co., Ltd.	Subsidiary of fellow subsidiaries
Cathay Private Equity Co., Ltd.	Subsidiary of fellow subsidiaries
Cathay Securities (Hong Kong) Limited	Subsidiary of fellow subsidiaries
Cathay Securities Investment Trust Co., Ltd.'s Fund	Other related party
Private Equity Fund managed by Cathay Private Equity	Other related party
Funds managed by Global Evolution Holdings ApS	Other related party
Funds managed by Octagon Credit Investors, LLC	Other related party
Bonds managed by Octagon Credit Investors, LLC	Other related party
Ally Logistic Property Co., Ltd.	Other related party (subsidiary of associate before January 2020)
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
San Ching Engineering Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party

(Continued)

Related Party Name	Related Party Category
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cymlin Co., Ltd.	Other related party
Hsin Chung Co., Ltd.	Other related party
Liang-Ting Co., Ltd.	Other related party
Retail Forest Co., Ltd.	Other related party
Other (including directors, supervisors, key management personnel and their spouses and relatives within the second-degree of kinship)	Other related party

(Concluded)

b. Significant transactions with related parties:

1) Property transactions

Property transactions between the Group and related parties are in the nature of undertaking contracted projects, trade, lease transactions and software appliance. The terms of such transactions are based on market surveys, the contracted terms of both parties and public bidding.

a) Significant transactions from undertaking contracted projects with related parties are listed below:

	For the Year Ended December 31			
	2020		2019	
Name	Items	Amount	Items	Amount
Subsidiary of associate				
Lin Yuan Property Management Co., Ltd.	Cathay headquarters building, etc.	$ 6,645	-	$ -
Ally Logistic Property Co., Ltd.	-	-	Yangmei Logistics Park, etc.	830,027
		6,645		830,027
Other related party				
Lin Yuan Property Management Co., Ltd.	-	-	Cathay Land Mark, etc.	13,602
Ally Logistic Property Co., Ltd.	Yangmei Logistics Park, etc.	1,142,914	-	-
San Ching Engineering Co., Ltd.	THSR Taoyuan Commercial Park, etc.	1,051,289	THSR Taoyuan Commercial Park, etc.	2,204,548
Cathay Real Estate Development Co., Ltd.	-	-	Minsheng Jingguo building, etc.	306,419
		2,194,203		2,524,569
		$ 2,200,848		$ 3,354,596

As of December 31, 2020 and 2019, the total amounts of contracted projects for real estate between the Group and Ally Logistic Property Co., Ltd. were $2,569,290 thousand and $1,130,238 thousand, respectively.

As of December 31, 2020 and 2019, the total amounts of contracted projects for real estate between the Group and San Ching Engineering Co., Ltd. were $$7,393,657 thousand and $4,196,448 thousand, respectively.

b) Real-estate rental income (from related parties)

Name	For the Year Ended December 31 2020	2019
Parent company		
Cathay Financial Holdings	$ 123,238	$ 100,535
Subsidiary		
Cathay Securities Investment Consulting	9,728	9,245
Associate and its subsidiary		
Symphox Information Co., Ltd.	38,409	49,833
Hong-Sui Co., Ltd.	27,339	12,494
Yua-Yung Marketing (Taiwan) Co., Ltd.	22,003	15,002
Lin Yuan Property Management Co., Ltd.	19,411	-
Ally Logistic Property Co., Ltd.	-	588,833
Cathay Insurance Company Limited (China)	-	10,733
	107,162	676,895
Fellow subsidiaries and its subsidiary		
Cathay United Bank Co., Ltd.	726,237	651,615
Cathay Century Insurance Co., Ltd.	109,922	107,625
Cathay Securities Investment Trust Co., Ltd.	52,898	48,933
Cathay Securities Corporation	48,817	42,776
Cathay Futures Co., Ltd.	7,423	7,029
Cathay Venture Inc.	5,575	4,931
	950,872	862,909
Other related party		
Ally Logistic Property Co., Ltd.	752,523	-
Cathay Medical Care Corp.	191,271	186,848
Cathay Healthcare Management Co., Ltd.	179,016	193,976
Cathay Hospitality Consulting Co., Ltd.	119,033	98,896
Cathay Hospitality Management Co., Ltd.	69,896	68,812
Cathay Real Estate Development Co., Ltd.	19,008	18,097
Retail Forest Co., Ltd.	8,621	-
San Ching engineering Co., Ltd.	5,908	5,658
Cathay United bank foundation	5,249	-
Hsin Chung Co., Ltd.	3,226	-
Liang-Ting Co., Ltd.	3,124	3,088
Lin Yuan Property Management Co., Ltd.	-	5,648
	1,356,875	581,023
	$ 2,547,875	$ 2,230,607

Name	Guarantee Deposits Received December 31 2020	2019
Parent company		
Cathay Financial Holdings	$ 29,781	$ 30,071
Associate and its subsidiary		
Symphox Information Co., Ltd.	8,000	13,070
Hong-Sui Co., Ltd.	5,145	4,645
Yua-Yang Marketing (Taiwan) Co., Ltd.	3,487	3,553
Ally Logistic Property Co., Ltd.	-	123,085
	16,632	144,353
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	186,446	188,158
Cathay Century Insurance Co., Ltd.	26,580	26,580
Cathay Securities Investment Trust Co., Ltd.	11,873	10,991
Cathay Securities Corporation	11,750	10,858
	236,649	236,587
Other related parties		
Cathay Hospitality Management Co., Ltd.	186,584	184,944
Cathay Hospitality Consulting Co., Ltd.	180,473	108,145
Ally Logistic Property Co., Ltd.	142,869	-
Cathay Healthcare Management Co., Ltd.	20,384	16,505
Cathay Medical Care Corp.	11,435	11,393
Retail Forest Co., Ltd.	5,745	-
Cathay Real Estate Development Co., Ltd.	4,090	3,959
Cymlin Co., Ltd.	4,081	-
	555,661	324,946
	$ 838,723	$ 735,957

Lease periods and terms of rental income received are in compliance with the lease contracts. Lease periods are usually between 2 to 5 years and rental income are collected on a monthly basis.

c) Lease arrangements

Name	Acquisition of Right-of-use Assets For the Year Ended December 31 2020	2019
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	$ 58,426	$ 18,400
Other related party		
Cathay Real Estate Development Co., Ltd.	21,585	-
	$ 80,011	$ 18,400

Name	Lease Liabilities December 31 2020	Lease Liabilities December 31 2019
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	$ 42,437	$ 30,983
Other related party		
Cathay Real Estate Development Co., Ltd.	16,478	847
	$ 58,915	$ 31,830

Name	Lease Expense December 31 2020	Lease Expense December 31 2019
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	$ 704	$ 8,913

Name	Guarantee Deposits Paid December 31 2020	Guarantee Deposits Paid December 31 2019
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	$ 12,019	$ 12,019

d) Acquisition of equipment

Computer equipment and software

Name	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Subsidiary of associate		
ThinkPower Information Co., Ltd.	$ 4,625	$ 11,349

2) Shares transactions

a) Issuance of shares for cash by the Company

Name	Items	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Parent company			
Cathay Financial Holdings	Ordinary shares	$ -	$ 10,000,000

b) Acquisition of shares issued by the related parties

Name	Items	For the Year Ended December 31 2020	2019
Subsidiary			
Cathay Securities Investment Consulting	Ordinary shares	$ 230,000	$ -
Associate			
TaiYang Solar Power Co., Ltd.	Ordinary shares	118,150	-
Lin Yuan Property Management Co., Ltd.	Ordinary shares	50,649	-
PSS Co., Ltd.	Ordinary shares	51,386	-
CM Energy Co., Ltd.	Ordinary shares	45,000	-
Greenhealth Water Resources Co., Ltd.	Ordinary shares	-	470,916
		265,185	470,916
Fellow subsidiary			
Cathay Venture Inc.	Ordinary shares	-	1,567,574
		$ 495,185	$ 2,038,490

c) Balance of shares issued by the related parties

Name	Items	December 31 2020	2019
Other related party			
Cathay Real Estate Development Co., Ltd.	Ordinary shares	$ 1,436,792	$ 1,381,665

Refer to Note 12, Table 1 and Table 5 for the balance of investment in associates.

3) Cash in banks

Name	Nature of Transaction	December 31 2020	2019
Fellow subsidiaries			
Cathay United Bank Co., Ltd.	Time deposit	$ 1,068,004	$ 864,340
	Demand deposit	23,114,154	23,881,382
	Checkable deposit	349,239	240,154
	Securities deposit	6	6
Subsidiary of fellow subsidiaries			
Indovina Bank Limited	Time deposit	815,802	485,177
	Demand deposit	19,863	12,042
		$ 25,367,068	$ 25,483,101

For the years ended December 31, 2020 and 2019, the amounts of interest income from Cathay United Bank Co., Ltd. were $47,760 thousand and $84,971 thousand, respectively.

For the years ended December 31, 2020 and 2019, the amounts of interest income from Indovina Bank Limited were $26,147 thousand and $61,057 thousand, respectively.

4) Loans

Name	For the Year Ended December 31, 2020		
	Maximum Balance	Rate	Ending Balance
Other related party	$ 873,711	0.75%-3.17%	$ 801,894

Name	For the Year Ended December 31, 2019		
	Maximum Balance	Rate	Ending Balance
Other related party	$ 1,042,084	1.03%-3.44%	$ 971,199

For the years ended December 31, 2020 and 2019, the amounts of interest income from other related parties were $10,951 thousand and $14,904 thousand, respectively.

5) Balance of bonds managed by related parties

Name	December 31	
	2020	2019
Other related party		
Bonds managed by Octagon Credit Investors, LLC	$ 5,006,641	$ 5,334,030

6) Balance of beneficiary certificates purchased from related parties

Name	Items	December 31	
		2020	2019
Other related party			
Funds managed by Octagon Credit Investors, LLC	Market value	$ 870,939	$ 670,292
	Cost	$ 894,337	$ 679,795
Funds managed by Global Evolution Holding ApS	Market value	$ 2,864,685	$ 2,874,903
	Cost	$ 2,606,653	$ 2,642,230
Cathay Securities Investment Trust Co., Ltd.'s Fund	Market value	$ 68,737,375	$ 61,234,575
	Cost	$ 65,853,768	$ 59,796,572
Private Equity Fund managed by Cathay Private Equity	Market value	$ 1,034,236	$ 490,168
	Cost	$ 989,445	$ 494,150

7) Discretionary account management balance

Name	December 31	
	2020	2019
Subsidiary's associate		
Global Evolution Holding ApS	$ -	$ 22,215,022
Fellow subsidiaries		
Cathay Securities Investment Trust Co., Ltd.	312,835,430	213,072,442
	$ 312,835,430	$ 235,287,464

8) Other receivables

Name	December 31 2020	December 31 2019
Parent company		
Cathay Financial Holdings (Note)	$ -	$ 10,147,500
Fellow subsidiary and its subsidiary		
Cathay United Bank Co., Ltd.	64,684	31,050
Cathay Century Insurance Co., Ltd.	58,764	67,834
Cathay Securities Investment Trust Co., Ltd.	57,735	51,416
Indovina Bank Limited	21,574	31,672
	202,757	181,972
	$ 202,757	$ 10,329,472

Note: The receivables are mainly composed of the refundable taxes under the integrated income tax system.

9) Guarantee deposits paid (deposits for future transactions)

Name	December 31 2020	December 31 2019
Subsidiaries of fellow subsidiaries		
Cathay Futures Co., Ltd.	$ 1,897,019	$ 3,078,757

10) Guarantee deposits received

Name	December 31 2020	December 31 2019
Associate and its subsidiary		
Lin Yuan Property Management Co., Ltd.	$ 5,000	$ -
Ally Logistic Property Co., Ltd.	-	151,275
	5,000	151,275
Other related party		
San Ching Engineering Co., Ltd.	979,284	453,225
Ally Logistic Property Co., Ltd.	293,285	-
Cathay Hospitality Management Co., Ltd.	-	51,000
Lin Yuan Property Management Co., Ltd.	-	5,000
	1,272,569	509,225
	$ 1,277,569	$ 660,500

11) Other payables

Name	December 31 2020	December 31 2019
Parent company		
Cathay Financial Holdings (Note)	$ 6,206,423	$ 65,589
Subsidiaries		
Cathay Securities Investment Consulting	30,788	30,164
Associate		
Symphox Information Co., Ltd.	2,961	4,871
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	350,640	43,208
Cathay Securities Investment Trust Co., Ltd.	17,516	13,412
	368,156	56,620
	$ 6,608,328	$ 157,244

Note: The payables are comprised of remuneration of directors and supervisors, accrued interests of bonds payable and income taxes payable under the integrated system.

12) Bonds payable

Name	December 31 2020	December 31 2019
Parent company		
Cathay Financial Holdings	$ 35,000,000	$ 35,000,000

13) Premium income

Name	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Parent company		
Cathay Financial Holdings	$ 6,393	$ 5,090
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	123,336	67,136
Cathay Century Insurance Co., Ltd.	24,567	20,185
Cathay Securities Investment Trust Co., Ltd.	4,583	4,007
Cathay Securities Corporation	11,454	8,648
	163,940	99,976
Associate		
Lin Yuan Property Management Co., Ltd.	3,098	-
Other related party		
Cathay Medical Care Corp.	50,858	45,671
Cathay Real Estate Development Co., Ltd.	3,332	3,491
San Ching Engineering Co., Ltd.	3,089	2,889
Lin Yuan Property Management Co., Ltd.	-	3,142
Other	447,657	369,504
	504,936	424,697
	$ 678,367	$ 529,763

14) Fee income

Name	For the Year Ended December 31 2020	2019
Fellow subsidiaries		
Cathay Securities Investment Trust Co., Ltd.	$ 62,835	$ 65,352

15) Insurance expenses

Name	For the Year Ended December 31 2020	2019
Fellow subsidiaries		
Cathay Century Insurance Co., Ltd.	$ 115,639	$ 105,568

16) Indemnity income

Name	For the Year Ended December 31 2020	2019
Fellow subsidiaries		
Cathay Century Insurance Co., Ltd.	$ 7,902	$ 12,721

17) Other operating revenue

Name	For the Year Ended December 31 2020	2019
Fellow subsidiaries		
Cathay Securities Investment Trust Co., Ltd.	$ 153,354	$ 138,776

18) Other operating costs

Name	For the Year Ended December 31 2020	2019
Subsidiary's associate		
Global Evolution Holding ApS	$ 14,163	$ 5,219
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	1,070,664	1,163,173
Cathay Securities Investment Trust Co., Ltd.	288,106	182,830
	1,358,770	1,346,003
	$ 1,372,933	$ 1,351,222

19) Finance costs

Name	For the Year Ended December 31 2020	2019
Parent company		
Cathay Financial Holdings	$ 1,260,000	$ 1,260,000

The finance costs were interest expenses of bonds payable issued by the Company.

20) Operating expenses

Name	For the Year Ended December 31 2020	2019
Parent company		
Cathay Financial Holdings	$ 5,630	$ -
Subsidiaries		
Cathay Securities Investment Consulting	124,212	39,566
Associate and its subsidiary		
Lin Yuan Property Management Co., Ltd.	798,050	-
Symphox Information Co., Ltd.	200,032	238,252
Seaward Card Co., Ltd.	69,173	75,246
ThinkPower Information Co., Ltd.	8,920	8,315
	1,076,175	321,813
Fellow subsidiary and its subsidiary		
Cathay United Bank Co., Ltd.	5,483,925	6,178,311
Cathay Securities (Hong Kong) Limited	5,993	6,236
Cathay Futures Co., Ltd.	3,712	6,849
Cathay Venture Inc.	-	11,765
	5,493,630	6,203,161
Other related party		
Cathay Healthcare Management Co., Ltd.	19,086	41,181
San Ching Engineering Co., Ltd.	3,900	3,950
Cathay Real Estate Development Co., Ltd.	3,861	3,857
Lin Yuan Property Management Co., Ltd.	-	767,009
Cathay Charity Foundation	-	5,300
Cathay Medical Care Corp.	2,573	5,071
	29,420	826,368
	$ 6,729,067	$ 7,390,908

21) Non-operating income

Name	For the Year Ended December 31 2020	2019
Parent company		
Cathay Financial Holdings	$ 9,756	$ 8,557
Associate		
Symphox Information Co., Ltd.	2,834	3,358
Fellow subsidiaries and its subsidiary		
Cathay Century Insurance Co., Ltd.	671,489	677,314
Cathay United Bank Co., Ltd.	185,220	168,589
Cathay Securities Corporation	44,614	41,281
Cathay Securities Investment Trust Co., Ltd.	23,475	22,707
Cathay Insurance (Vietnam) Co., Ltd.	6,778	-
	931,576	909,891
Other related party		
Cathay Healthcare Management Co., Ltd.	5,537	5,554
Cathay Medical Care Corp.	3,719	3,719
Hsin Chung Co., Ltd.	3,072	-
	12,328	9,273
	$ 956,494	$ 931,079

The non-operating income was mainly generated from the Group's integrated promotion activities.

22) Others

As of December 31, 2020 and 2019, the nominal amounts of the financial instruments transactions with Cathay United Bank Co., Ltd. are summarized as follows (in thousands of USD):

Name	December 31 2020	December 31 2019
SWAP	US$ 3,498,000	US$ 2,615,000

c. Key management personnel compensation

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Short-term employee benefits	$ 176,759	$ 167,074
Post-employment benefits	2,494	2,413
	$ 179,253	$ 169,487

Key management personnel include the chairman, directors, president, senior executive vice president and senior vice general managers.

35. SEPARATE ACCOUNT INSURANCE PRODUCTS

a. The Company

The related accounts of the Company were summarized as follows:

	December 31 2020	December 31 2019
Separate account insurance product assets		
Cash in bank	$ 447,744	$ 518,576
Financial assets at FVTPL	632,843,466	600,237,158
Other receivables	8,264,484	6,668,998
	$ 641,555,694	$ 607,424,732
Separate account insurance product liabilities		
Other payables	$ 701,555	$ 467,361
Reserve for separate account - insurance contracts	277,388,301	244,601,804
Reserve for separate account - investment contracts	363,465,838	362,355,567
	$ 641,555,694	$ 607,424,732

	For the Year Ended December 31	
	2020	2019
Separate account insurance product income		
Premium income	$ 61,477,595	$ 34,766,303
Interest income	1,558	1,593
Gains from financial assets and liabilities at FVTPL	22,709,729	33,575,852
Foreign exchange gains and losses	(10,823,926)	(4,712,309)
	$ 73,364,956	$ 63,631,439
Separate account insurance product expenses		
Claims and payments	$ 8,933,740	$ 9,064,676
Cash surrender value	26,526,902	26,020,768
Withdrawal of separate account reserve	34,035,776	24,989,146
Administrative expenses	4,007,503	3,696,556
Non-operating income and expenses	(138,965)	(139,707)
	$ 73,364,956	$ 63,631,439

For the years ended December 31, 2020 and 2019, the rebates earned from counterparties due to the business of separate account insurance products amounted to were $815,077 thousand and $913,947 thousand, respectively, which were recorded under fee income.

b. Cathay Lujiazui Life

The related accounts of Cathay Lujiazui Life were summarized as follows:

	December 31	
	2020	2019
Separate account insurance product assets		
Cash in bank	$ 4,845	$ 5,231
Financial assets at FVTPL	123,985	112,315
Other	44	156
	$ 128,874	$ 117,702
Separate account insurance product liabilities		
Other payables	$ 1,723	$ (134)
Reserve for separate account	127,151	117,836
	$ 128,874	$ 117,702

	For the Year Ended December 31	
	2020	2019
Separate account insurance product income		
Premium income	$ 150	$ 230
Gains from financial assets and liabilities at FVTPL	31,003	20,839
Interest income	50	145
	$ 31,203	$ 21,214
Separate account insurance product expenses		
Cash surrender value	$ 19,729	$ 9,846
Withdrawal of separate account reserve	8,176	8,660
Administrative expenses	1,581	1,503
Tax expenses	1,717	1,205
	$ 31,203	$ 21,214

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

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

37. PLEDGED ASSETS

a. The Company

The Company provided cash, time deposits and government bonds as collateral for the renting of real estate and as guarantee to the courts for litigations. Moreover, pursuant to Article 141 of the Insurance Act, the Company deposited 15% of its capital in the Central Bank as the insurance operation guarantee deposits. Pledged assets are summarized based on the net carrying amounts as follows:

	December 31	
	2020	2019
Guarantee deposits paid - government bonds	$ 10,553,220	$ 10,315,438
Guarantee deposits paid - time deposits	458,667	458,667
Guarantee deposits paid - others	30,754	39,996
	$ 11,042,641	$ 10,814,101

b. Cathay Lujiazui Life

According to the requirement by the China Insurance Regulatory Commission, the guaranteed deposit is 20% of the registered capital. Details are as follows (in thousands of CNY):

	December 31	
	2020	**2019**
Guarantee deposits paid - time deposits	CNY 600,000	CNY 600,000

c. Cathay Life (Vietnam)

According to the requirement by the Ministry of Finance of Vietnam, the guaranteed deposit is 2% of the legal capital. Details are as follows (in thousands of VND):

	December 31	
	2020	**2019**
Guarantee deposits paid - time deposits	VND 12,000,000	VND 12,000,000

38. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

a. The Company has its own formal control and response policies to manage legal claims. Once the losses can be reasonably estimated based on professional advices, the Company will recognize the losses and adjust negative impacts on financial figures resulting from the claims.

b. As of December 31, 2020, the remaining capital commitments for the contracted private equity fund of the Company were in the amount of NT$1,003,600 thousand, US$3,606,989 thousand, EUR467,845 thousand and GBP1,555 thousand.

39. FINANCIAL INSTRUMENTS

a. The valuation technique and assumptions used in determining the fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between 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 and accounts payable approximate 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 value of equity instruments without an active market (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 marketability, P/E ratio of similar entities and P/B ratio of similar entities).

4) Fair value of debt instruments without an active market is determined based on the counterparty prices or valuation method. The valuation method uses discounted cash flow method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by Taipei Exchange, average prices for fixed rate commercial paper published by Reuters and credit risk information).

5) The fair values of derivatives which are not options and without an active market is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivatives 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 determine their credit value adjustment by multiplying three factors, specifically 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 their debit value adjustment by multiplying three factors, specifically 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 experience 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 at Taipei Exchange.

b. Financial instruments not measured at fair value

Except for the accounts whose carrying amounts approximate their fair values, including cash and cash equivalents, receivables, loans, guarantee deposits paid, payables, bonds payable, 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, 2020

	Carrying Amounts	Fair Values			
		Level 1	Level 2	Level 3	Total
Financial asset					
Financial assets measured at amortized cost (Note)	$ 2,662,376,912	$ 110,930,109	$ 2,945,536,349	$ -	$ 3,056,466,458

December 31, 2019

	Carrying Amounts	Fair Values			
		Level 1	Level 2	Level 3	Total
Financial asset					
Financial assets measured at amortized cost (Note)	$ 2,625,787,121	$ 94,171,514	$ 2,724,567,377	$ -	$ 2,818,738,891

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.

c. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

Items	December 31, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Non-derivative instruments								
Assets								
Financial assets at FVTPL								
Stocks	$ 518,314,424	$ 493,695,475	$ 20,099,118	$ 4,519,831	$ 479,266,326	$ 431,941,221	$ 42,710,567	$ 4,614,538
Bonds	158,415,027	2,509,970	153,149,957	2,755,100	244,924,559	1,966,609	241,202,978	1,754,972
Other	692,352,555	533,713,444	38,923,646	119,715,465	578,577,582	469,343,181	15,113,562	94,120,839
Financial assets at FVTOCI								
Stocks	99,424,711	94,681,296	-	4,743,415	35,629,504	30,306,530	-	5,323,974
Bonds (Note)	1,124,423,298	62,139,588	1,062,283,710	-	819,825,254	42,244,016	777,581,238	-
Derivative instruments								
Assets								
Financial assets at FVTPL	28,053,503	24,109	28,029,394	-	28,259,690	49,353	28,210,337	-
Derivative assets for hedging	146,959	-	146,959	-	548,075	-	548,075	-
Liabilities								
Financial liabilities at FVTPL	11,687,067	-	11,687,067	-	2,974,334	18,016	2,956,318	-
Financial liabilities for hedging	139,858	-	139,858	-	30,894	-	30,894	-

Note: Including those listed as refundable deposits.

Transfers between Level 1 and Level 2:

For the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value on a recurring basis.

2) Reconciliation of Level 3 fair value measurements of financial instruments:

	For the Year Ended December 31, 2020	
	Financial Assets at FVTPL	Financial Assets at FVTOCI
Beginning balance	$ 100,490,349	$ 5,323,974
Recognized in profit or loss		
Gains on financial assets and liabilities at FVTPL	8,232,723	-
Loss on reclassification using overlay approach	(1,992,371)	-
Recognized in other comprehensive income		
Exchange differences on translating financial statements of foreign operations	(122,015)	(281)
Other comprehensive losses reclassified using overlay approach	1,992,371	-
Losses on fair value of equity instruments at FVTOCI	-	(619,576)
Purchases	35,003,065	81,700
Disposals	(15,758,879)	(32,520)
Transfers out of Level 3	(854,847)	(9,882)
Ending balance	$ 126,990,396	$ 4,743,415

	For the Year Ended December 31, 2019	
	Financial Assets at FVTPL	Financial Assets at FVTOCI
Beginning balance	$ 83,474,291	$ 4,076,077
Recognized in profit or loss		
Gains on financial assets and liabilities at FVTPL	4,183,044	-
Gains on reclassification using overlay approach	23,170	-
Recognized in other comprehensive income		
Exchange differences on translating financial statements of foreign operations	(37,159)	(96)
Other comprehensive gain reclassified using overlay approach	(23,170)	-
Gains on changes in fair value of equity instruments at FVTOCI	-	1,037,046
Purchases	27,910,155	258,400
Disposals	(15,016,833)	(47,453)
Transfers out of Level 3	(23,149)	-
Ending balance	$ 100,490,349	$ 5,323,974

Regarding the above amounts recognized in profit or loss for the years ended December 31, 2020 and 2019, unrealized losses of $532,032 thousand and unrealized losses of $1,114,661 thousand were related to financial assets 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 are as follows:

	December 31, 2020			
Items	**Valuation Techniques**	**Significant Unobservable Inputs**	**Interval (Weighted-average)**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	11%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	20%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-32%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	85%-140%	The higher the dividend payout ratio, the higher the fair value estimates

	December 31, 2019			
Items	**Valuation Techniques**	**Significant Unobservable Inputs**	**Interval (Weighted-average)**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	11%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	23%-39%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-265%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	0%-140%	The higher the dividend payout ratio, the higher the fair value estimates

4) Valuation process for Level 3 fair value measurement

The Group' risk management department is responsible for validating the fair value measurements of financial assets and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. To ensure the fair value measurement is reasonable, the department analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed at each reporting date according to the Group's accounting policies.

d. Categories of financial instruments

Items	December 31 2020	December 31 2019
Financial assets		
Financial assets at FVTPL	$ 1,397,135,509	$ 1,331,028,157
Financial assets at FVTOCI	1,222,686,258	854,341,271
Measured at amortized cost		
Cash and cash equivalents (Note 1)	514,857,014	401,792,808
Receivables (Note 2)	69,178,243	72,320,392
Financial assets measured at amortized cost	2,652,985,443	2,616,585,170
Loans	479,791,100	513,380,541
Guarantee deposits paid	24,070,098	23,151,476
Financial assets for hedging	146,959	548,075
Financial liabilities		
Financial liabilities at FVTPL	11,687,067	2,974,334
Financial liabilities at amortized cost		
Payables (Note 2)	23,904,883	30,964,602
Bonds payable	80,000,000	80,000,000
Lease liabilities	10,522,490	10,381,894
Guarantee deposits received	14,233,208	13,315,767
Financial liabilities for hedging	139,858	30,894

Note 1: Cash on hand was excluded.

Note 2: Income tax refund receivable and payable were excluded.

e. Financial risk management objectives and policies

The Company's 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) Sources of market risk

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

The Group assesses, monitors, and manages market risks completely and effectively by applying Value at Risk ("VaR") and stress testing consistently.

a) Value at Risk

VaR is the maximum loss on the portfolio at a given confidence level and over a given period. Currently, the Group adopts one-week VaR at 95% and 99% confidence level to measure market risk.

b) Stress testing

The Group evaluates the potential risks occurred in extreme and abnormal events regularly in addition to VaR models.

The Group performs stress testing on positions regularly by applying simple sensitivity test and scenario analysis. Such tests cover the losses on positions resulted from a change in specific risk factors in various kinds of historical scenarios.

i. Simple sensitivity test

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

ii. Scenario analysis

Scenario analysis is to measure the changes in the total value of investment positions caused by hypothetical stress events, including the following scenarios:

i) Historical scenario

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

ii) Hypothetical scenario

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

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

Table of Stress Testing

		For the Year Ended December 31	
Risk Factors	**Changes (+/-)**	**2020**	**2019**
Equity risk (stock price index)	-10%	$ (57,825,161)	$ (48,324,062)
Interest rate risk (yield curve)	+100bps	(148,426,208)	(107,250,216)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(9,747,740)	(11,428,906)

Note 1: Impacts of credit spread changes were not included.

Note 2: Effects of hedging were considered.

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

c) Sensitivity analysis

Summary of Sensitivity Analysis

Risk Factors	For the Year Ended December 31, 2020		
	Variables (+/-)	Changes in Profit or Loss	Changes in Equity
Foreign currency risk	USD/NTD appreciates 1%	$ 5,000,932	$ 4,844,285
	CNY (CNH)/USD appreciates 1%	1,192,325	316,591
	HKD/USD appreciates 1%	(388)	247,411
	EUR/USD appreciates 1%	(2,740)	210,729
	GBP/USD appreciates 1%	(149)	291,831
Interest rate risk	Yield curve (USD) parallel shifts up 1bp	74	(1,245,536)
	Yield curve (CNY) parallel shifts up 1bp	-	(47,559)
	Yield curve (EUR) parallel shifts up 1bp	2,453	(7,561)
	Yield curve (GBP) parallel shifts up 1bp	-	(3,708)
	Yield curve (NTD) parallel shifts up 1bp	-	(337,406)
Equity price risk	Equity price increases 1%	(105,682)	5,916,482

Risk Factors	For the Year Ended December 31, 2019		
	Variables (+/-)	Changes in Profit or Loss	Changes in Equity
Foreign currency risk	USD/NTD appreciates 1%	$ 6,971,123	$ 4,572,072
	CNY (CNH)/USD appreciates 1%	1,273,520	377,983
	HKD/USD appreciates 1%	(1,447)	350,916
	EUR/USD appreciates 1%	410,075	163,587
	GBP/USD appreciates 1%	78,732	296,052
Interest rate risk	Yield curve (USD) parallel shifts up 1bp	(111)	(846,435)
	Yield curve (CNY) parallel shifts up 1bp	-	(14,547)
	Yield curve (EUR) parallel shifts up 1bp	-	(14,281)
	Yield curve (GBP) parallel shifts up 1bp	-	(9,463)
	Yield curve (NTD) parallel shifts up 1bp	147	(74,278)
Equity price risk	Equity price increases 1%	(70,248)	4,933,391

Note 1: Impacts of credit spread changes were not included.

Note 2: Effects of hedging were considered.

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

Note 4: Provision or reversal of reserve for foreign exchange valuation changes was not considered in profit or loss due to foreign currency risk.

Note 5: Information of subsidiaries was not disclosed due to immaterial impacts on disclosures for consolidation of subsidiaries.

2) Credit risk

a) Sources of credit risk

When engaged in financial transactions, the Company is exposed to credit risks, including issuer credit risk, counterparty credit risk and credit risk of underlying assets as follows:

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

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

iii. Credit risk of underlying assets is the risk that the Company 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 of credit risk

i. Regional distribution of maximum risk exposure for the Company's financial assets:

	December 31, 2020					
Financial Assets	**Taiwan**	**Asia**	**Europe**	**North America**	**Emerging Markets and Others**	**Total**
Cash and cash equivalents	$ 390,017,117	$ 11,072,417	$ 173,264	$ 83,058,513	$ 19,456,840	$ 503,778,151
Financial assets at FVTPL	55,583,687	22,875,926	49,567,018	28,446,882	27,752,478	184,225,991
Financial assets at FVTOCI	44,744,477	45,223,287	163,314,323	489,450,958	380,528,502	1,123,261,547
Financial assets for hedging	74,724	-	-	72,235	-	146,959
Financial assets measured at amortized cost	152,627,614	180,749,168	427,807,550	1,224,717,193	663,462,282	2,649,363,807
	$ 643,047,619	$ 259,920,798	$ 640,862,155	$ 1,825,745,781	$ 1,091,200,102	$ 4,460,776,455
Proportion	14.4%	5.8%	14.4%	40.9%	24.5%	100%

	December 31, 2019					
Financial Assets	**Taiwan**	**Asia**	**Europe**	**North America**	**Emerging Markets and Others**	**Total**
Cash and cash equivalents	$ 261,553,382	$ 27,832,083	$ 185,653	$ 86,397,047	$ 16,115,903	$ 392,084,068
Financial assets at FVTPL	43,409,974	31,448,394	113,252,004	46,690,879	56,395,527	291,196,778
Financial assets at FVTOCI	39,964,295	37,498,812	166,000,546	353,996,509	221,251,605	818,711,767
Financial assets for hedging	87,793	-	362,869	97,413	-	548,075
Financial assets measured at amortized cost	175,262,332	173,472,898	434,046,724	1,167,292,440	663,869,507	2,613,943,901
	$ 520,277,776	$ 270,252,187	$ 713,847,796	$ 1,654,474,288	$ 957,632,542	$ 4,116,484,589
Proportion	12.6%	6.6%	17.3%	40.2%	23.3%	100%

ii. Regional distribution of maximum risk exposure for the Company's secured loans:

	December 31, 2020				
Location of Collaterals	**Northern and Eastern Areas**	**Central Area**	**Southern Area**	**Overseas**	**Total**
Secured loans	$ 210,393,088	$ 41,501,050	$ 59,563,296	$ 2,697,023	$ 314,154,457
Non-accrual receivables	163,381	30,890	47,059	1,800,141	2,041,471
	$ 210,556,469	$ 41,531,940	$ 59,610,355	$ 4,497,164	$ 316,195,928
Proportion	66.6%	13.1%	18.9%	1.4%	100%

Location of Collaterals	December 31, 2019 Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	$ 234,560,225	$ 40,573,607	$ 63,399,966	$ 6,598,385	$ 345,132,183
Non-accrual receivables	453,880	78,936	124,981	-	657,797
	$ 235,014,105	$ 40,652,543	$ 63,524,947	$ 6,598,385	$ 345,789,980
Proportion	68%	11.8%	18.4%	1.8%	100%

iii. Categories for credit risk quality

The Company 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 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 an insufficient ability to perform financial commitment. The capability to perform the 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 the Company evaluates the potential losses and determines it as impaired.

iv. Determination on the credit risk that has increased significantly since initial recognition

i) The Company 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, the Company 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, 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.

v. The definition of default and credit-impaired financial assets

The Company’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:

- The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.

- The issuers or borrower fail to pay interest or principal according to the issue terms and conditions.

- The collaterals of the borrowers are provisionally seized or enforced.

- 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 the Company, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

vi. Measurement of expected credit loss

i) The methodology and assumption applied

For financial instruments on which the credit risk has not increased significantly since initial recognition, the Company 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, the Company 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 resulted from a default of issuers, guarantee agencies or borrowers. Loss given default used by the Company in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of financial assets.

ii) Forward-looking information considerations

The Company takes forward-looking information into consideration while measuring expected credit losses of financial assets.

vii. Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i) Financial assets of the Company

	December 31, 2020					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVTOCI	$ 1,119,207,518	$ -	$ -	$ -	$ -	$ 1,119,207,518
Financial assets measured at amortized cost	2,635,142,149	-	-	-	(1,726,558)	2,633,415,591
Non-investment grade						
Debt instruments at FVTOCI	3,995,777	58,252	-	-	-	4,054,029
Financial assets measured at amortized cost	13,064,695	3,730,378	-	-	(846,857)	15,948,216

	December 31, 2019					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVTOCI	$ 806,786,368	$ -	$ -	$ -	$ -	$ 806,786,368
Financial assets measured at amortized cost	2,586,272,855	-	-	-	(988,749)	2,585,284,106
Non-investment grade						
Debt instruments at FVTOCI	11,734,687	190,712	-	-	-	11,925,399
Financial assets measured at amortized cost	25,743,796	3,124,271	-	-	(208,272)	28,659,795

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

ii) Secured loans and overdue receivables of the Company

	December 31, 2020						
			Stage 3				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Secured loans and non-accrual receivables	$ 308,159,666	$ 46,631	$ 7,989,631	$ -	$ (640,289)	$ (4,093,427)	$ 311,462,212

	December 31, 2019						
			Stage 3				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Secured loans and non-accrual receivables	$ 337,652,839	$ 141,286	$ 7,995,855	$ -	$ (1,232,047)	$ (3,593,929)	$ 340,964,004

viii. Reconciliation for loss allowance is summarized below:

i) Debt instrument investments at FVTOCI

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2020	$ 337,078	$ 9,666	$ -	$ -	$ 346,744
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(1,821)	1,821	-	-	-
New financial assets originated or purchased	430,775	-	-	-	430,775
Financial assets that have been derecognized during the period	(263,331)	(334,637)	-	-	(597,968)
Changes in models/risk parameters	217,772	332,427	-	-	550,199
Foreign exchange and other movements	(30,389)	(6,214)	-	-	(36,603)
December 31, 2020	$ 690,084	$ 3,063	$ -	$ -	$ 693,147

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2019	$ 468,280	$ 17,049	$ 12,339	$ -	$ 497,668
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(3,441)	3,441	-	-	-
New financial assets originated or purchased	148,212	-	7	-	148,219
Financial assets that have been derecognized during the period	(271,945)	(86,404)	(12,462)	-	(370,811)
Changes in models/risk parameters	2,062	75,028	-	-	77,090
Foreign exchange and other movements	(6,090)	552	116	-	(5,422)
December 31, 2019	$ 337,078	$ 9,666	$ -	$ -	$ 346,744

ii) Financial assets measured at amortized cost

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Asset	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2020	$ 1,043,037	$ 153,984	$ -	$ -	$ 1,197,021
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(8,617)	8,617	-	-	-
New financial assets originated or purchased	385,394	-	-	-	385,394
Financial assets that have been derecognized during the period	(337,526)	(990,101)	-	-	(1,327,627)
Changes in models/risk parameters	774,325	1,680,246	-	-	2,454,571
Foreign exchange and other movements	(81,441)	(54,503)	-	-	(135,944)
December 31, 2020	$ 1,775,172	$ 798,243	$ -	$ -	$ 2,573,415

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Asset	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2019	$ 904,430	$ 705,622	$ 710,444	$ -	$ 2,320,496
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(2,069)	2,069	-	-	-
New financial assets originated or purchased	471,829	-	-	-	471,829
Financial assets that have been derecognized during the period	(363,639)	(533,832)	(658,551)	-	(1,556,022)
Changes in models/risk parameters	55,156	(18,543)	-	-	36,613
Foreign exchange and other movements	(22,670)	(1,332)	(51,893)	-	(75,895)
December 31, 2019	$ 1,043,037	$ 153,984	$ -	$ -	$ 1,197,021

iii) Other financial assets

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Asset	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2019	$ 594	$ -	$ -	$ -	$ 594
Financial assets derecognized during the period	(667)	-	-	-	(667)
Foreign exchange and other movements	73	-	-	-	73
December 31, 2019	$ -	$ -	$ -	$ -	$ -

iv) Secured loans and non-accrual receivables

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Total
January 1, 2020	$ 84,809	$ 299	$ 1,146,939	$ -	$ 1,232,047	$ 3,593,929	$ 4,825,976
Changes due to financial instruments recognized as at January 1							
Transfer to lifetime expected credit losses	(9)	9	-	-	-	-	-
Transfer to credit-impaired financial assets	(3,194)	(68)	3,262	-	-	-	-
Transfer to 12-month expected credit losses	607	(86)	(521)	-	-	-	-
New financial assets originated or purchased	59,347	-	10,691	-	70,038	-	70,038
Financial assets derecognized during the period	(38,899)	(130)	(298,466)	-	(337,495)	-	(337,495)
Difference from impairment accrued in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	499,498	499,498
Changes in models/risk parameters	(69,377)	8	(254,932)	-	(324,301)		(324,301)
December 31, 2020	$ 33,284	$ 32	$ 606,973	$ -	$ 640,289	$ 4,093,427	$ 4,733,716

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
January 1, 2019	$ 90,567	$ 201	$ 591,486	$ -	$ 682,254	$ 5,126,352	$ 5,808,606
Changes due to financial instruments recognized as at January 1							
Transfer to lifetime expected credit losses	(18)	894	(876)	-	-	-	-
Transfer to credit-impaired financial assets	(4,613)	(76)	4,689	-	-	-	-
Transfer to 12-month expected credit losses	1,397	(74)	(1,323)	-	-	-	-
New financial assets originated or purchased	3,918	-	11,254	-	15,172	-	15,172
Financial assets derecognized during the period	(13,573)	(33)	(229,458)	-	(243,064)	-	(243,064)
Difference from impairment accrued in accordance with Regulations Governing the Procedures to Evaluate Assets	-	-	-	-	-	(1,532,423)	(1,532,423)
Changes in models/risk parameters	7,131	(613)	771,167	-	777,685	-	777,685
December 31, 2019	$ 84,809	$ 299	$ 1,146,939	$ -	$ 1,232,047	$ 3,593,929	$ 4,825,976

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

ix. Exposure to credit risk and loss allowance of receivables

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

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	**1-3 Months**	**3-6 Months**	**Over 6 Months**	**Total**
December 31, 2020					
Gross carrying amounts (Note)	$ 16,155,217	$ 57,342	$ 4,641	$ -	$ 16,217,200
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,147	464	-	1,611

Note: Notes receivable of $81,757 thousand and other receivables of $16,135,443 thousand were included.

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	**1-3 Months**	**3-6 Months**	**Over 6 Months**	**Total**
December 31, 2019					
Gross carrying amounts (Note)	$ 14,553,629	$ 74,573	$ 495	$ -	$ 14,628,697
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,491	50	-	1,541

Note: Notes receivable of $80,968 thousand and other receivables of $14,547,729 thousand were included.

The reconciliation of loss allowance is as follows:

	For the Year Ended December 31	
	2020	**2019**
Beginning balance	$ 1,541	$ 2,346
Provision (reversal) for the period	70	(805)
Ending balance	$ 1,611	$ 1,541

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 the Company 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 the Company sells or offsets its positions during a market disorder or a lack of sufficient market depth.

b) Liquidity risk management

The Company assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, the Company manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions symmetrically.

The Company 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 the Company makes an emergency operating procedure to deal with significant liquidity risks.

The analysis of cash outflows to the Group is listed below and based on the residual terms to maturity on the consolidated 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 and derivative financial liabilities were based on the agreed repayment dates.

	December 31, 2020				
	Less than 6 Months	**Due in 6-12 Months**	**Due in 1-2 Years**	**Due in 2-5 Years**	**Over 5 Years**
Non-derivative financial liabilities					
Payables (Note 1)	$ 22,135,418	$ 326,161	$ 466,043	$ 973,975	$ 3,287
Bonds payable (Note 2)	559,620	1,194,411	2,715,000	8,145,000	84,770,000
Lease liabilities (Note 3)	317,787	458,732	689,696	1,400,670	17,942,761
Derivative financial liabilities					
SWAP	2,664,438	1,258,529	-	-	-
Forward	13,569,120	224,100	-	-	-
CCS	-	-	10,673	42,933	90,971

	December 31, 2019				
	Less than 6 Months	**Due in 6-12 Months**	**Due in 1-2 Years**	**Due in 2-5 Years**	**Over 5 Years**
Non-derivative financial liabilities					
Payables	$ 29,055,173	$ 281,015	$ 385,835	$ 1,195,135	$ 47,444
Bonds payable (Note 2)	561,650	1,194,411	2,715,000	8,145,000	87,485,000
Lease liabilities (Note 3)	297,218	358,116	568,511	1,375,285	18,287,241
Derivative financial liabilities					
SWAP	1,834,039	298,058	-	-	-
Forward	1,231,198	-	-	-	-
IRS	1,481	1,517	3,410	1,259	-
Option	18,016	-	-	-	-

Note 1: The tax payable under the integrated income tax system was excluded.

Note 2: For the bonds without maturity dates, the remaining period used to calculate the contractual cash flows was 10 years.

Note 3: For the lease liabilities, the remaining period used to calculate the contractual cash flows ranged from 1 to 43 years.

f. Hedge accounting disclosures

Cash flow hedges

The future cash flows of the bond investments held by the Group may fluctuate due to the changes in market interest rates and thus lead to risks. Accordingly, the Group held derivative instruments to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

1) Hedging instruments

	December 31, 2020				
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument: Assets	Carrying Amounts of the Hedging Instrument: Liabilities	Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period
IRS	$ 4,000,000	$ 146,959	$ -	Financial assets for hedging	$ 31,333
IRS	1,086,868	-	48,887	Financial liabilities for hedging	(20,076)

	December 31, 2019				
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument: Assets	Carrying Amounts of the Hedging Instrument: Liabilities	Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period
IRS	$ 6,800,000	$ 185,206	$ -	Financial assets for hedging	$ 34,498
IRS	1,317,138	-	30,894	Financial liabilities for hedging	(31,677)

2) 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
December 31, 2020					
IRS					
Nominal principal	$ -	$ -	$ 195,993	$ 4,890,875	$ -
Average fixed rate	-	-	2.5%	1.7%-2.5%	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
December 31, 2019					
IRS					
Nominal principal	$ -	$ -	$ 2,922,306	$ 5,194,832	$ -
Average fixed rate	-	-	1.6%-2.5%	1.7%-2.5%	-

3) Hedged items

	For the Year Ended December 31, 2020							
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year	**Cash Flow Hedge Reserve**	**Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable**	**Changes 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 Items Affected in Profit or Loss Because of the Reclassification**
Floating-rate bonds	$ (31,333)	$ 146,959	N/A	$ 31,333	$ -	$ -	$ (69,581)	Finance costs
Payables	20,076	(48,887)	N/A	(20,076)	-	-	-	Finance costs
Discontinued hedge - bond investments	N/A	N/A	(252)	N/A	N/A	N/A	10	Finance costs

	For the Year Ended December 31, 2019							
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year	**Cash Flow Hedge Reserve**	**Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable**	**Changes 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 Items Affected in Profit or Loss Because of the Reclassification**
Floating-rate bonds	$ (34,498)	$ 185,206	N/A	$ 34,498	$ -	$ -	$ (65,902)	Finance costs
Payables	31,677	(30,894)	N/A	(31,677)	-	-	-	Finance costs
Discontinued hedge - bond investments	N/A	N/A	(275)	N/A	N/A	N/A	1	Finance costs

4) Reconciliation of equity component that applied hedge accounting and related other comprehensive income is summarized below:

	For the Year Ended December 31	
	2020	**2019**
Beginning balance	$ 116,268	$ 173,288
Gross amounts recognized in other comprehensive income (loss)		
Changes in the values of the hedging instruments recognized in other comprehensive income	11,271	2,545
Amount reclassified from cash flow hedge reserve to profit or loss	(69,571)	(65,901)
Income tax	16,992	6,336
Ending balance	$ 74,960	$ 116,268

Fair value hedges

The book value of the foreign currency denominated assets held by the Company may fluctuate due to the changes in market exchange rates and thus lead to risk. Accordingly, the Company held derivative instruments related to exchange rates to hedge risks arising from changes in exchange rates. Information of hedge accounting is as follows:

1) Hedging instruments

	December 31, 2020				
		Carrying Amounts of the Hedging Instrument			
Hedging Instrument	**Nominal Amount of the Hedging Instrument**	**Assets**	**Liabilities**	**Line Items in Balance Sheet Where the Hedging Instrument Is Included**	**Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Year**
CCS	$ 4,825,692	$ -	$ 90,971	Financial liabilities for hedging	$ (525,402)

Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument: Assets	Carrying Amounts of the Hedging Instrument: Liabilities	Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Year
	December 31, 2019				
CCS	$ 9,742,013	$ 362,869	$ -	Financial assets for hedging	$ 93,293

2) 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
December 31, 2020					
CCS					
Nominal principal	$ -	$ -	$ -	$ -	$ 4,825,692
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285

	Period Till Maturity: 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
December 31, 2019					
CCS					
Nominal principal	$ -	$ -	$ -	$ -	$ 9,742,013
Interest rate	-	-	-	-	2.20%-2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285-1.1353

3) Hedged items

	Book Value of Hedged Items: Assets	Book Value of Hedged Items: Liabilities	Cumulative Adjustment for Changes in Fair value of Hedged Items Included in Book Value of Hedged Items: Assets	Cumulative Adjustment: Liabilities	Line Item in Statement of Financial Position That Includes Hedged Items	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness
	For the Year Ended December 31, 2020							
Oversea bonds	$ 4,825,692	$ -	$ 525,402	$ -	Financial assets measured at amortized cost	$ 525,402	$ -	$ -

	Book Value of Hedged Items: Assets	Book Value of Hedged Items: Liabilities	Cumulative Adjustment for Changes in Fair value of Hedged Items Included in Book Value of Hedged Items: Assets	Cumulative Adjustment: Liabilities	Line Item in Statement of Financial Position That Includes Hedged Items	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness
	For the Year Ended December 31, 2019							
Oversea bonds	$ 9,742,013	$ -	$ (93,293)	$ -	Financial assets measured at amortized cost	$ (93,293)	$ -	$ -

4) Reconciliation of equity component that applied hedge accounting and related other comprehensive income were summarized below:

	For the Year Ended December 31	
	2020	2019
Foreign currency basis-related period		
Beginning balance	$ 215,661	$ -
Gross amounts recognized in other comprehensive income (loss)		
Changes in the values of the hedging instruments recognized in other comprehensive income	71,563	269,576
Tax effects	(14,313)	(53,915)
Ending balance	$ 272,911	$ 215,661

g. Offsetting of financial assets and financial liabilities

The Group engages 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, 2020

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
				Relevant Amount That Has Not Been Offset on Balance Sheet (d)		
Item	Gross Amounts of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b)	Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b)	Financial Instruments	Cash Collateral Received	Net Amount (e)=(c)-(d)
Derivative financial instruments	$ 28,176,353	$ -	$ 28,176,353	$ 10,405,202	$ 12,169,879	$ 5,601,272

Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
				Relevant Amount That Has Not Been Offset on Balance Sheet (d)		
Item	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b)	Net Financial Liabilities Recognized on Balance Sheet (c)=(a)-(b)	Financial Instruments	Cash Collateral Paid	Net Amount (e)=(c)-(d)
Derivative financial instruments	$ 11,778,038	$ -	$ 11,778,038	$ 10,405,202	$ 270,595	$ 1,102,241

December 31, 2019

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement

Item	Gross Amounts of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b)	Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on Balance Sheet (d) Financial Instruments	Relevant Amount That Has Not Been Offset on Balance Sheet (d) Cash Collateral Received	Net Amount (e)=(c)-(d)
Derivative financial instruments	$ 28,758,412	$ -	$ 28,758,412	$ 2,952,747	$ 13,341,124	$ 12,464,541

Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement

Item	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b)	Net Financial Liabilities Recognized on Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on Balance Sheet (d) Financial Instruments	Relevant Amount That Has Not Been Offset on Balance Sheet (d) Cash Collateral Paid	Net Amount (e)=(c)-(d)
Derivative financial instruments	$ 2,956,318	$ -	$ 2,956,318	$ 2,952,747	$ -	$ 3,571

40. RISK MANAGEMENT AND INSURANCE RISK INFORMATION

a. Risk management objectives, policies, procedures and methods

1) Objectives of risk management

The Company’s risk management policy aims to promote operational efficiency, ensure asset safety, increase shareholders’ value, and comply with applicable domestic and oversea laws and regulations for the purpose of steady growth and sustainable management.

2) Framework, organizational structure and responsibilities of risk management

a) 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 the Company 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.

b) Risk management committee

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

ii. The committee should execute the risk management policies set by the board of directors and review the development, build-up and performance of overall management mechanisms regularly.

iii. The committee should assist and monitor the risk management activities.

iv. The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.

v. The committee should enhance cross-department interaction and communication.

c) 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 the Company.

ii. The chief risk officer should be able to access any business information which may have an impact on risk overview of the Company.

iii. The chief risk officer should be in charge of overall risk management of the Company.

iv. The chief risk officer should participate in the Company's important decision-making process and, as appropriate, provide opinions from a risk management perspective.

d) 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:

i) Propose and execute the risk management policies set by the board of directors.

ii) Propose the risk limits based on risk appetite.

iii) Summarize the risk information provided by each department, negotiate and communicate with each departments to facilitate the execution of the policies and the risk limits.

iv) Regularly present risk management reports.

v) Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.

vi) Assist to execute stress testing.

vii) Execute back testing if necessary.

viii) Other risk management related issues.

e) 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:

i) Identify and measure risks and report risk exposures and potential impacts on time.

ii) 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.

iii) Assist to develop the risk model and ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.

iv) Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.

v) Assist to collect data related to operational risk.

vi) Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to such risks.

vii) Manager of a business unit should supervise the unit to summit risk management information regularly to the risk management department.

f) Audit department

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

g) Subsidiary

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 the Company's risk management committee for future reference.

3) Range and nature of risk assessment or risk reporting

The Company's risk management procedures include risk identification, risk measurement, risk control and risk reporting. The Company sets its management standards for market risk, credit risk, country risk, liquidity risk, operational risk, insurance risk, and asset and liability matching risk, capital adequacy, as well as for information security and personal data management. The Company also develops methods of assessment and evaluation, monitors its risks and regularly provides the risk management reports.

a) Market risk

Market risk is the risk of losses in value of the Company's financial assets arising from the changes in market prices of financial instruments. The Company adopts measurement indicators for market risk based on VaR and reviews regularly. In addition, the Company performs back testing to ensure the accuracy of the market risk model regularly. Furthermore, the Company 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, the Company determines the ceiling of foreign exchange risk, implements warning system and monitors foreign exchange risk regularly.

b) Credit risk

Credit risk is the risk of losses on the Company's rights due to that the counterparty or debtor does not perform the contractual obligation. The Company applies credit rating, credit concentration and VaR of credit as measurement indicators which are reviewed regularly. Furthermore, the Company applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly.

c) Country risk

Country risk is the risk that the Company 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. The Company 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. The Company reviews and adjusts the indicator on a regular basis.

d) Liquidity risk

Liquidity risk is comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Company is not capable of performing matured commitment because its fails to realize assets or obtain sufficient funds. The Company has established measurement indicators of funding liquidity risk and reviews the indicators regularly. In addition, 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, cash flow analysis model has been applied and monitored regularly, and improvements should be made once unusual events occur. 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 the Company sells or offsets its positions during a market disorder or a lack of sufficient market depth. The Company 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.

e) Operational risk

Operational risk is the risk of losses caused by misconducts or errors of internal process, personnel, and system by external issues. Operational risk includes legal risk but excludes strategic risk and reputation risk. The Company 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 the Company's operation and ability to provide customer services while minimizing the losses under a major crisis, the Company has established emergency handling mechanism and information system damage responses.

f) Insurance risk

The Company assumes certain risks which is transferred from policyholders after the collection of premiums from policyholders, and the Company 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.

g) Asset and liability matching risk

This risk resulted from the differences between the changes in values of assets and those of liabilities. The Company measures the risk with capital costs, duration, cash flow management and scenario analysis.

h) Risk-based capital (RBC) ratio

The RBC ratio is the total capital of the Company divided by its risk-based capital, as regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies. The Company regards such ratio as a management indicator for capital adequacy.

i) Risk of information security and personal data management

The risk of information security and personal data management refers to the damage resulted from confidentiality, accuracy and availability of information asset, or damage caused by stealing, tampering, damaging, losing or leaking personal data. The Company has a security and personal data management policy to reduce the impact of information security incidents and personal data damages.

4) The process of assuming, measuring, monitoring and controlling risks and the underwriting policies to determine the proper risk classification and premium levels

a) The process of assuming, measuring, monitoring and controlling insurance risks

i. Stipulate the Company'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 a 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 the Company and that of Cathay Financial Holdings.

b) 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 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. The Company has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards.

iii. The Company has set up a special panel for large policies to enhance risk management over large policies and avoid adverse selection and moral hazard.

5) The scope of insurance risk assessment and management from a company-wide perspective

a) 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 the Company's credit rating or solvency.

v. Claim risk: This risk arises from mishandling claims.

vi. Reserve-related risk: This risk occurs when the Company does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.

b) The scope of management of insurance risk

i. Develop a risk control framework of the Company's insurance risk to empower related development to execute risk management.

ii. Establish the Company'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 the Company'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.

6) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

   The Company limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed considering the Company'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, the Company has established reinsurer selection standards.

7) Asset/liability management

   a) The Company 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 the Company faces.

   b) 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 the Company. Furthermore, the annual report is delivered to the risk management committee of the Cathay Financial Holdings.

   c) When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of the Company and that of Cathay Financial Holdings.

8) The procedures to manage, monitor and control a special event for which the Company is committed to assuming additional liabilities or funding addition capital

   Pursuant to the applicable laws and regulations, the Company's RBC ratio and equity ratio should be higher than a certain number. In order to enhance the Company's capital management and to maintain a proper RBC ratio and equity ratio, the Company has established a set of capital adequacy management standards as follows:

   a) Capital adequacy management

      i. Regularly provide capital adequacy management reports and analysis to the finance department of Cathay Financial Holdings.

      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 and related control standards to ensure a solid capital adequacy management.

   b) Exception management process

      When RBC ratio exceeds the internal risk criteria or other exceptions occur, the Company 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.

9) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments

a) The Company 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 the Company's investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.

b) Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. The Company 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.

c) The Company 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.

10) The policies and procedures against the concentration of credit and investment risks

Considering the credit risk factors, the Company has set up the measurement indicators for credit and investment positions by business groups, industries and countries. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, the Company shall not grant loans or make investment in general. However, if the Company has to undertake the business under certain circumstances, the Company 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".

b. Information of insurance risk

1) Sensitivity of insurance risk - insurance contracts and financial instruments with discretionary participation features

a) The Company

For the Year Ended December 31, 2020					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 2,923,953	Decrease (increase)	$ 2,339,162
Expense	×1.05 (×0.95)	Decrease (increase)	3,054,024	Decrease (increase)	2,443,220
Surrender rate	×1.05 (×0.95)	Increase (decrease)	358,110	Increase (decrease)	286,488
Rate of return	+0.1%	Increase	6,236,991	Increase	4,989,593
Rate of return	-0.1%	Decrease	6,243,108	Decrease	4,994,486

For the Year Ended December 31, 2019					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 2,886,583	Decrease (increase)	$ 2,309,267
Expense	×1.05 (×0.95)	Decrease (increase)	3,493,065	Decrease (increase)	2,794,452
Surrender rate	×1.05 (×0.95)	Increase (decrease)	624,863	Increase (decrease)	499,891
Rate of return	+0.1%	Increase	5,701,927	Increase	4,561,541
Rate of return	-0.1%	Decrease	5,707,518	Decrease	4,566,014

b) Cathay Lujiazui Life

For the Year Ended December 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	$ 153,298	Decrease (increase)	$ 114,973
Expense	×1.05 (×0.95)	Decrease (increase)	88,596	Decrease (increase)	66,447
Surrender rate	×1.10 (×0.90)	Increase (decrease)	82,159	Increase (decrease)	61,619
Rate of return	+0.25%	Increase	117,068	Increase	87,801
Rate of return	-0.25%	Decrease	117,349	Decrease	88,012

For the Year Ended December 31, 2019					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	$ 156,997	Decrease (increase)	$ 117,748
Expense	×1.05 (×0.95)	Decrease (increase)	86,067	Decrease (increase)	64,550
Surrender rate	×1.10 (×0.90)	Increase (decrease)	93,335	Increase (decrease)	70,001
Rate of return	+0.25%	Increase	97,631	Increase	73,223
Rate of return	-0.25%	Decrease	97,869	Decrease	73,402

c) Cathay Life (Vietnam)

For the Year Ended December 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 2,484	Decrease (increase)	$ 1,987
Expense	×1.05 (×0.95)	Decrease (increase)	62,745	Decrease (increase)	50,196
Surrender rate	×1.05 (×0.95)	Increase (decrease)	16,325	Increase (decrease)	13,060
Rate of return	+0.1%	Increase	15,464	Increase	12,371
Rate of return	-0.1%	Decrease	15,479	Decrease	12,383

For the Year Ended December 31, 2019					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 1,330	Decrease (increase)	$ 1,064
Expense	×1.05 (×0.95)	Decrease (increase)	47,212	Decrease (increase)	37,770
Surrender rate	×1.05 (×0.95)	Increase (decrease)	8,291	Increase (decrease)	6,633
Rate of return	+0.1%	Increase	13,402	Increase	10,722
Rate of return	-0.1%	Decrease	13,415	Decrease	10,732

i. Changes in income before tax listed above referred to the effects of income before tax for the years ended December 31, 2020 and 2019. The changes in equity of the Company, 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 liability adequacy test, the result of the test is still adequate for the Company 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

i) 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.

ii) 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.

iii) Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.

iv) Rate of return sensitivity test is executed by adjusting 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 × (Net investment - Finance costs)/(The beginning balance of available funds + The ending balance of available funds - net incomes (losses) on investment + Finance costs)

2) Concentration of insurance risks

The Company'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). The Company reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

In principle, the Company considers the hazard and its ability to assume risk, and performs an evaluation of insurance risks according to the retention risks, which is submitted for approval by authority. The Company cedes the excess of insurance risks over the retention risks to reinsurers. At the same time, the Company considers unexpected human and natural disasters to estimate the reasonable maximum of losses according to the retained risks in each year; the Company determines whether it is necessary to adjust the reinsured amount or catastrophe reinsurance according to the hazard and its ability to assume risks. Hence, the insurance risks to some degree have been 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.

3) Claim development trend

a) The Company

i. 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		
2014	$ 14,671,864	$ 17,805,516	$ 18,119,932	$ 18,201,745	$ 18,198,744	$ 18,219,624	$ 18,236,609	$ -	$ -
2015	15,353,566	18,647,560	18,975,168	19,056,336	19,103,869	19,131,408	19,149,290	17,882	17,918
2016	15,940,308	19,566,897	19,885,388	19,971,081	20,016,631	20,043,203	20,061,493	44,862	44,953
2017	17,297,974	21,370,269	21,769,245	21,867,634	21,915,103	21,943,902	21,963,962	96,328	96,521
2018	19,438,330	23,925,964	24,359,320	24,469,094	24,521,809	24,553,301	24,575,720	216,400	216,833
2019	21,412,454	26,422,361	26,891,979	27,013,109	27,071,040	27,105,140	27,129,381	707,020	708,434
2020	21,393,621	26,252,160	26,715,129	26,834,046	26,892,097	26,926,609	26,950,827	5,557,206	5,568,320

Expected future payments	$ 6,652,979
Add: Assumed reserve for claims not yet filed	18,092
Reserve for claims not yet filed	6,671,071
Add: Claims filed but not yet paid	4,986,567
Loss reserve balance	$ 11,657,638

ii. 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		
2014	$ 14,772,070	$ 17,947,230	$ 18,265,698	$ 18,348,342	$ 18,346,033	$ 18,367,050	$ 18,384,126	$ -	$ -
2015	15,474,235	18,809,508	19,140,593	19,222,947	19,270,603	19,298,248	19,316,200	17,952	17,989
2016	16,051,766	19,702,389	20,024,753	20,110,678	20,156,445	20,183,105	20,201,455	45,010	45,101
2017	17,425,760	21,529,927	21,929,989	22,028,646	22,076,519	22,105,459	22,125,612	96,966	97,160
2018	19,559,154	24,057,586	24,492,262	24,603,059	24,656,598	24,688,475	24,711,140	218,878	219,316
2019	21,440,110	26,462,299	26,933,107	27,054,705	27,113,053	27,147,360	27,171,732	709,433	710,852
2020	21,422,045	26,290,445	26,754,598	26,873,992	26,932,474	26,967,203	26,991,559	5,569,514	5,580,653

Expected future payments	$ 6,671,071
Add: Claims filed but not yet paid	4,925,210
Retained loss reserve balance	$ 11,596,281

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 claims filed and adjusted for related expenses; reserve for claims filed but not yet paid is provided on a case-by-case basis. Loss reserve is the sum of the above reserve, and 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 the Company 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 judgement; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. 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.

b) Cathay Lujiazui Life

i. Direct business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2014	$ 355,210	$ 571,024	$ 606,823	$ 616,181	$ 616,181	$ 616,181	$ 616,181	$ -
2015	208,476	390,186	417,580	438,329	438,329	438,329	438,329	-
2016	247,382	424,511	477,165	530,075	530,075	530,075	530,075	-
2017	254,508	482,618	538,460	538,460	538,460	538,460	538,460	-
2018	314,434	369,007	410,008	426,692	426,692	426,692	426,693	16,685
2019	423,580	600,072	657,117	683,857	683,857	683,857	683,858	83,786
2020	456,989	718,937	787,282	819,319	819,319	819,319	819,320	362,331

Expected future payments	$ 462,802
Less: Assumed reserve for claims not yet filed	(2,982)
Reserve for claims not yet filed	459,820
Add: Claims filed but not yet paid	27,314
Loss reserve balance	$ 487,134

ii. Retained business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2014	$ 354,379	$ 562,712	$ 598,471	$ 607,826	$ 607,826	$ 607,826	$ 607,826	$ -
2015	186,831	368,136	395,509	398,600	398,600	398,600	398,600	-
2016	244,886	421,650	474,304	516,992	516,992	516,992	516,992	-
2017	242,798	470,908	525,569	525,569	525,569	525,569	525,569	-
2018	306,017	358,223	421,439	433,093	433,093	433,093	433,093	11,654
2019	420,027	595,039	658,770	676,986	676,986	676,986	676,987	81,948
2020	453,303	717,217	794,034	815,990	815,990	815,990	815,991	362,688

Expected future payments	$ 456,290
Less: Expected claims filed but not yet paid	(2,982)
Add: Claims filed but not yet paid	23,460
Retained loss reserve balance	$ 476,768

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 judgement; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. 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.

c) Cathay Life (Vietnam)

i. Direct business development trend

Accident Year	Development Year				
	1	2	3	4	5
2016	1,985	2,386	2,386	2,386	2,386
2017	13,905	16,892	16,892	16,953	16,953
2018	80,604	92,569	92,617	92,862	92,862
2019	97,065	117,682	117,730	118,042	118,042
2020	271,451	322,085	322,217	323,069	323,069

ii. Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2016	1,985	2,386	2,386	2,386	2,386
2017	13,905	16,892	16,892	16,953	16,953
2018	80,604	92,569	92,617	92,862	92,862
2019	97,065	117,682	117,730	118,042	118,042
2020	271,451	322,085	322,217	323,069	323,069

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in a specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in a specific accident year.

Cathay Life (Vietnam) provides loss reserve for claims filed but not paid and claims not yet filed. Reserve for claims not yet filed is estimated by multiplying the loss ratio of earned premiums by loss ratio based upon the past loss experiences instead of loss triangle method, which was approved by local authorities in Vietnam; therefore, provision for loss reserve is not determined by the above table. Estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgement; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments.

c. Credit risk, liquidity risk, and market risk for insurance contracts

1) 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, the Company chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with the Company’s Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of the Company’s reinsurers are above a certain level, which complied with the Company’s internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively insignificant to the Company’s total assets; therefore, no significant credit risk exists.

2) 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 Billions of New Taiwan Dollars

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	Within 1 Year	**1 to 5 Years**	**Over 5 Years**
December 31, 2020	$ (102.5)	$ 448.1	$ 18,222.8
December 31, 2019	(166.5)	301.2	17,932.0

Note: Separate account products were not included.

3) Market risk

The Company 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 the Company's valid insurance contacts 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 the Company. 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.

41. SEGMENT INFORMATION

The Group operates life insurance business in accordance with Insurance Act. In accordance with IFRS 8, since the Group only provides insurance policy products and the chief operating decision maker allocates the resources to the Group as a whole, the Group is considered as a single operating segment.

42. CAPITAL MANAGEMENT

a. Management objectives

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

b. Management policies

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

In accordance with Regulations Governing Capital Adequacy of Insurance Companies, the components of owned capital and risk-based capital are as follows:

1) Owned capital

Owned capital is the insurance companies' capital as admitted by the authorities, which includes:

a) Admitted owner's equity.

b) Other adjustments prescribed by the authorities.

Calculation of owned capital should comply with requirements regulated by the authorities.

2) Risk-based capital

Risk-based capital is calculated according to the risks occurring in the business of an insurance enterprise, including:

a) Asset risk.

b) Insurance risk.

c) Interest rate risk.

d) Other risk.

Calculation of risk-based capital should comply with requirements regulated by the authorities.

c. Management procedures

1) Periodical calculation

To implement management of RBC, the RBC ratio is inspected periodically. In accordance with cash flow of current contracts and assets, future target of new contracts, and the assumptions of best estimates, the Company estimates RBC ratio for the incoming year through the asset/liability model and analyzes the solvency if the expected ratio deviates from the control criteria, the Company decreases risk exposures or increases capital in response.

2) Aperiodic calculation

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

d. Current status of RBC ratio

The Company's RBC ratio, which is calculated in accordance with Regulations Governing Capital Adequacy of Insurance Companies, is above 200% during the past three years, which complies with the regulations.

43. BUSINESS COMBINATIONS - SUBSIDIARIES ACQUIRED

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Global Evolution Holding ApS	Holding Company	June 25, 2020	53	$ 781,317

On June 25, 2020, CHL acquired 8% equity shares of Global Evolution Holding ApS, which increased its ownership interest from 45% to 53% and obtained control over Global Evolution Holding ApS.

b. Assets acquired and liabilities assumed at the date of acquisition

	Global Evolution Holding ApS and its Subsidiaries
Current assets	
Cash and cash equivalents	$ 628,816
Other	519,684
Intangible assets - customer relationships	2,467,576
Non-current assets	108,667
Current liabilities	(596,864)
	$ 3,127,879

c. Non-controlling interests

The non-controlling interest (47% ownership interest in Global Evolution Holding ApS) recognized at the acquisition date was measured by reference to the proportionate share of the identifiable net assets.

d. Goodwill recognized on acquisitions

	Global Evolution Holding ApS and its Subsidiaries
Consideration transferred	$ 781,317
Plus: Non-controlling interests (47% ownership interest in Global Evolution Holding ApS)	1,415,021
Plus: Fair value of 45% share in equity	4,394,897
	6,591,235
Less: Fair value of identifiable net assets acquired	(3,127,879)
Goodwill recognized on acquisitions	$ 3,463,356

e. Net cash outflow on the acquisition of subsidiaries

	Global Evolution Holding ApS and its Subsidiaries
Consideration paid in cash	$ 781,317
Less: Cash and cash equivalent balance acquired	(628,816)
	$ 152,501

44. OTHERS

a. Impact of the COVID-19 Pandemic

The Group had evaluated the economic impact caused by the COVID-19 pandemic, and as of the date of approval of this consolidated financial report, there were no significant impact on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

b. Significant assets and liabilities denominated in foreign currencies

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

	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 123,894,660	28.508000	$ 3,531,988,978
CNY	30,125,259	4.381330	131,988,703
AUD	5,080,277	21.972541	111,626,591
Non-monetary items			
USD	10,727,658	28.508000	305,824,083
HKD	6,727,699	3.677503	24,741,130
Investments accounted for the using equity method			
CNY	425,032	4.359200	1,852,798
PHP	27,703,366	0.593700	16,447,489
Financial liabilities			
Monetary items			
USD	896,804	28.508000	25,566,094

	December 31, 2019		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 111,963,979	30.106000	$ 3,370,787,537
CNY	16,076,378	4.323121	69,500,132
AUD	3,791,660	21.101295	80,008,942
Non-monetary items			
USD	8,811,685	30.106000	265,284,585
HKD	9,076,942	3.866013	35,091,580
Investments accounted for the using equity method			
CNY	410,632	4.321700	1,774,628
PHP	26,747,682	0.594200	15,893,473
IDR	6,526,743,236	0.002172	14,176,087
Financial liabilities			
Monetary items			
USD	395,619	30.106000	11,910,495

Note: Impacts of foreign currencies other than functional currencies of subsidiaries are immaterial; therefore, information of subsidiaries is not disclosed.

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

	December 31, 2020		
Items	**Recovery/ Settlement within 12 Months**	**Recovery/ Settlement Over 12 Months**	**Total**
Cash and cash equivalents	$ 515,120,301	$ -	$ 515,120,301
Receivables	69,175,904	2,339	69,178,243
Investments			
Financial assets at FVTPL	61,331,184	1,335,804,325	1,397,135,509
Financial assets at FVTOCI	16,333,144	1,206,353,114	1,222,686,258
Financial assets measured at amortized cost	33,005,844	2,619,979,599	2,652,985,443
Financial assets for hedging	-	146,959	146,959
Investments accounted for using the equity method	-	29,380,517	29,380,517
Investment property	-	496,163,021	496,163,021
Investment property under construction	-	1,528,547	1,528,547
Prepayments for buildings and land - investments	-	3,131,915	3,131,915
Loans	6,593,856	473,197,244	479,791,100
Total investments	117,264,028	6,165,685,241	6,282,949,269

(Continued)

Items	December 31, 2020 Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Reinsurance assets	$ 590,412	$ 1,610,279	$ 2,200,691
Property and equipment	-	29,453,426	29,453,426
Right-of-use assets	-	1,675,209	1,675,209
Intangible assets	-	44,070,838	44,070,838
Deferred tax assets	-	56,690,743	56,690,743
Other assets	7,584,854	24,951,183	32,536,037
Separate account insurance product assets	8,717,117	632,967,451	641,684,568
Total assets	$ 718,452,616	$ 6,957,106,709	$ 7,675,559,325
Payables	$ 28,767,319	$ 1,404,228	$ 30,171,547
Current tax liabilities	477,145	-	477,145
Financial liabilities at FVTPL	11,633,462	53,605	11,687,067
Financial liabilities for hedging	-	139,858	139,858
Bonds payable	-	80,000,000	80,000,000
Insurance liabilities			
Unearned premium reserve	-	18,775,949	18,775,949
Loss reserve	-	12,163,853	12,163,853
Policy reserve	-	5,999,277,703	5,999,277,703
Special reserve	-	11,084,776	11,084,776
Premium deficiency reserve	-	13,802,343	13,802,343
Other reserve	-	1,876,925	1,876,925
Total insurance liabilities	-	6,056,981,549	6,056,981,549
Reserve for insurance contracts with the nature of financial products	-	13,731,508	13,731,508
Reserve for foreign exchange valuation	-	14,820,865	14,820,865
Provisions	-	56,245	56,245
Lease liabilities	769,379	9,753,111	10,522,490
Deferred tax liabilities	-	68,278,447	68,278,447
Other liabilities	4,427,430	21,454,125	25,881,555
Separate account insurance product liabilities	703,278	640,981,290	641,684,568
Total liabilities	$ 46,778,013	$ 6,907,654,831	$ 6,954,432,844

(Concluded)

Items	December 31, 2019 Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	$ 402,051,684	$ -	$ 402,051,684
Receivables	82,456,625	11,289	82,467,914
Investments			
Financial assets at FVTPL	49,497,161	1,281,530,996	1,331,028,157
Financial assets at FVTOCI	6,707,439	847,633,832	854,341,271
Financial assets measured at amortized cost	39,592,170	2,576,993,000	2,616,585,170
Financial assets for hedging	21,093	526,982	548,075
Investments accounted for using the equity method	-	44,557,549	44,557,549
Investment property	-	483,871,717	483,871,717
Investment property under construction	-	4,546,717	4,546,717
Prepayments for buildings and land - investments	-	1,152,363	1,152,363
Loans	6,233,423	507,147,118	513,380,541
Total investments	102,051,286	5,747,960,274	5,850,011,560
Reinsurance assets	357,722	1,386,210	1,743,932
Property and equipment	-	32,271,269	32,271,269
Right-of-use assets	-	1,577,679	1,577,679
Intangible assets	-	41,346,899	41,346,899
Deferred tax assets	-	36,156,766	36,156,766
Other assets	7,154,019	23,299,350	30,453,369
Separate account insurance product assets	7,187,575	600,354,859	607,542,434
Total assets	$ 601,258,911	$ 6,484,364,595	$ 7,085,623,506
Payables	$ 29,430,865	$ 1,533,737	$ 30,964,602
Current tax liabilities	635,483	-	635,483
Financial liabilities at FVTPL	2,966,992	7,342	2,974,334
Financial liabilities for hedging		30,894	30,894
Bonds payable	-	80,000,000	80,000,000
Insurance liabilities			
Unearned premium reserve	-	17,832,203	17,832,203
Loss reserve	-	11,042,612	11,042,612
Policy reserve	-	5,592,979,067	5,592,979,067
Special reserve	-	11,084,624	11,084,624
Premium deficiency reserve	-	19,679,457	19,679,457
Other reserve	-	1,873,141	1,873,141
Total insurance liabilities	-	5,654,491,104	5,654,491,104

(Continued)

Items	December 31, 2019 Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Reserve for insurance contracts with the nature of financial products	$ -	$ 10,932,008	$ 10,932,008
Reserve for foreign exchange valuation	-	18,000,877	18,000,877
Provisions	-	233,871	233,871
Lease liabilities	655,334	9,726,560	10,381,894
Deferred tax liabilities	-	55,730,622	55,730,622
Other liabilities	271,043	18,916,352	19,187,395
Separate account insurance product liabilities	467,361	607,075,073	607,542,434
Total liabilities	$ 34,427,078	$ 6,456,678,440	$ 6,491,105,518

(Concluded)

d. Information on discretionary investments

1) As of December 31, 2020 and 2019, the Company entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

Items	December 31 2020	2019
Domestic stocks	$ 165,441,030	$ 110,798,703
Overseas stocks	73,520,629	51,029,574
Repurchase bonds	20,066,000	14,812,000
Cash in banks	51,308,069	35,979,663
Beneficiary certificates	1,997,792	17,180
Futures and options	501,910	435,322
	$ 312,835,430	$ 213,072,442

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

2) As of December 31, 2020 and 2019, the discretionary investment limits are as follows (in thousands):

	December 31 2020	2019
Monetary items		
NTD	$ 84,358,163	$ 64,358,163
USD	1,462,200	952,200
HKD	74,084	544,084

e. Structured entities

1) Consolidated structured entities

The consolidated structured entities in the Group's consolidated financial statements are the real estate investment and management organizations. As of December 31, 2020 and 2019, the Group provided loans amounting to GBP345,000 thousand as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

a) The Group holds interests in structured entities which are not consolidated in the Group's consolidated financial statements and the Group does 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 the Group. The information of these unconsolidated structured entities is disclosed as follows:

Types of Structured Entity	Nature and Purpose	Interests Owned
Private equity fund	Investment in private equity funds issued by external third parties to receive returns	Investment in units or limited partnership interests issued by the funds
Securitization vehicle	Investment in securitization vehicle to receive returns	Investment in asset-backed securities issued by the entities

b) As of December 31, 2020 and 2019, the carrying amounts of the Group's assets related to its interests in unconsolidated structured entities are disclosed as follows:

	December 31, 2020	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	$ 119,715,465	$ 40,232,961
Financial assets at FVTOCI	-	66,528,618
Financial assets measured at amortized cost	-	119,025,227
	$ 119,715,465	$ 225,786,806

	December 31, 2019	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	$ 94,120,839	$ 33,447,848
Financial assets at FVTOCI	-	47,465,038
Financial assets measured at amortized cost	-	191,072,559
	$ 94,120,839	$ 271,985,445

45. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

No.	Description	Explanation
1	Acquisition of individual real estate at price over $100 million or 20% of the paid-in capital.	Table 3
2	Disposal of individual real estate at price over $100 million or 20% of the paid-in capital.	Table 4
3	Engage in core business transactions with related parties amounting over $100 million or 20% of the paid-in capital.	Note 34
4	Receivables from related parties amounting over $100 million or 20% of the paid-in capital.	Note 34
5	Trading in derivative instruments.	Notes 8, 10 and 39

b. Information of investees

No.	Description	Explanation
1	Information on investee, including name, location and etc.	Table 1
2	Financing provided to others.	N/A
3	Endorsements/guarantees provided.	N/A
4	Marketable securities held.	Table 2
5	Marketable securities acquired or disposed of at accumulated amounts over $100 million or 20% of the paid-in capital.	N/A
6	Acquisition of individual real estate at price over $100 million or 20% of the paid-in capital.	N/A
7	Disposal of individual real estate at price over $100 million or 20% of the paid-in capital.	N/A
8	Engage in core business transactions with related parties and transaction amounting over $100 million or 20% of the paid-in capital	Note 34
9	Receivables from related parties amounting over $100 million or 20% of the paid-in capital.	N/A
10	Trading in derivative instruments.	N/A

c. Information on investments in Mainland China

No.	Description	Explanation
1	Name, 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 mainland China. If the investee belongs to the insurance industry, the location, status of capital funds and related income, provision methodology and balances of insurance policy reserves, percentage of insurance income and percentage of insurance benefits and claims should also be revealed.	Table 5
2	Significant transaction, with investee in mainland China, directly or indirectly through a third region including transaction prices, payment conditions, and unrealized gains or losses.	N/A
3	Mutual transactions in core business areas, such as the underwriting of insurance policy contracts where the policyholder is the investee, the amount of such transactions and their percentages, and the end-of-period balances of the related payables and receivables and their percentages.	N/A
4	The amount of property transactions and the amount of the resulting gains or losses.	N/A
5	The highest balance, the end-of-period balance, the interest rate range, and total interest in the current period with respect to the financing of funds.	N/A
6	Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.	N/A

d. The important intercompany transactions among the Group are disclosed in Table 6 following the notes to the consolidated financial statements.

e. Information on major shareholders: For all shareholders with ownership of 5% or greater, the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder should be disclosed: N/A.

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars/In Thousands Share of Ordinary Shares)

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	Shareholding Ratio (%)	Carrying Amount			
Cathay Life Insurance Co., Ltd.	Conning Holdings Limited	UK	Holding company	$ 15,723,539	$ 15,723,539	2,029	100.00	$ 12,733,098	$ 2,850,659	$ 2,657,933	Subsidiary (Note 2)
	Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	Life insurance	9,090,730	9,090,730	-	100.00	10,981,537	(1,135,846)	(1,135,846)	Subsidiary (Note 2)
	Cathay Woolgate Exchange Holding 1 Limited	Jersey Island	Real estate investment and operation management	16,654,013	16,654,013	326,700	100.00	13,371,694	(345,219)	(345,219)	Subsidiary (Note 1)
	Cathay Woolgate Exchange Holding 2 Limited	Jersey Island	Real estate investment and operation management	168,222	168,222	3,300	100.00	133,199	(4,604)	(4,604)	Subsidiary (Note 1)
	Cathay Walbrook Holding 1 Limited	Jersey Island	Real estate investment and operation management	10,189,090	10,189,090	213,750	100.00	8,868,043	(26,630)	(26,630)	Subsidiary (Note 1)
	Cathay Walbrook Holding 2 Limited	Jersey Island	Real estate investment and operation management	536,268	536,268	11,250	100.00	462,050	(2,824)	(2,824)	Subsidiary (Note 1)
	Rizal Commercial Banking Corporation	Philippines	Banking	15,683,953	15,683,953	452,019	23.35	16,447,489	2,991,904	698,687	Associate (Note 2)
	PT Bank Mayapada Internasional Tbk	Indonesia	Banking	13,317,536	13,317,536	2,550,767	37.33	-	(2,537,727)	(13,980,277)	Associate (Note 2)
	Cathay Securities Investment Consulting Co., Ltd.	Taiwan	Securities investment consulting services	300,000	70,000	30,000	100.00	637,478	215,045	215,045	Subsidiary (Note 1)
	Symphox Information Co., Ltd	Taiwan	Wholesale of information software	404,432	404,432	24,511	49.12	403,866	(12,491)	(6,135)	Associate (Note 2)
	WK Technology Fund VI Co., Ltd.	Taiwan	Venture investment	108,372	108,372	10,837	21.43	58,499	(1,894)	(406)	Associate (Note 2)
	Dasheng Venture Capital Co., Ltd.	Taiwan	Venture investment	753,562	957,118	75,356	25.00	2,042,511	1,560,206	390,051	Associate (Note 2)
	Dasheng IV Venture Capital Co., Ltd.	Taiwan	Venture investment	712,500	750,000	71,250	21.43	760,743	33,673	7,216	Associate (Note 2)
	CMG International One Co., Ltd.	Taiwan	Lease and development of residence and buildings	675,000	675,000	67,500	45.00	674,804	(2,581)	(1,161)	Associate (Note 2)
	CMG International Two Co., Ltd.	Taiwan	Lease and development of residence and buildings	675,000	675,000	67,500	45.00	671,916	(4,866)	(2,190)	Associate (Note 2)
	CM Energy Co., Ltd.	Taiwan	Energy technical services	315,000	270,000	31,500	45.00	329,516	27,332	12,300	Associate (Note 2)
	Neo Cathay Power Corp.	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	704,798	60,983	27,442	Associate (Note 2)
	Cathay Sunrise Corporation	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	728,790	94,993	42,746	Associate (Note 2)
	DingTeng Co., Ltd.	Taiwan	Sewage treatment	756,116	756,116	41,137	27.36	830,172	142,458	38,980	Associate (Note 2)
	PSS Co., Ltd.	Taiwan	Parking space management	832,750	781,364	14,186	36.22	911,004	144,733	52,659	Associate (Note 2)
	Greenhealth Water Resources Co., Ltd.	Taiwan	Sewage treatment	470,916	470,916	45,600	30.00	455,862	(46,214)	(13,864)	Associate (Note 2)
	Cathay Venture Inc.	Taiwan	Venture investment	1,567,574	1,567,574	121,059	25.00	1,666,380	377,075	94,269	Associate (Note 1)
	Lin Yuan Property Management Co., Ltd.	Taiwan	Property management services	63,636	-	1,470	49.00	56,461	62,913	22,215	Associate (Note 2)
	TaiYang Solar Power Co., Ltd.	Taiwan	Self-usage power generation equipment utilizing renewable energy	148,000	-	14,800	37.00	147,430	(2,330)	(142)	Associate (Note 2)
Conning Holdings Limited	Global Evolution Holding ApS	Denmark	Holding company	(Note 3)	2,679,234	(Note 3)	(Note 3)	(Note 3)	377,280	148,045	(Note 3)

Note 1: Share of profit or loss is recognized on the basis of the financial statements audited by an independent auditor.

Note 2: Share of profit or loss is recognized on the basis of the unaudited financial statements by an independent auditor.

Note 3: CHL originally held 45% equity shares in Global Evolution Holding ApS, which were recorded as investments accounted for using the equity method. On June 25, 2020, CHL acquired a further 8% equity shares, increased the ownership interest from 45% to 53%, and obtained control over Global Evolution Holding ApS.

TABLE 2

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars/In Thousands of Ordinary Shares)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statements Accounts	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Preference shares							
Conning Inc.	Centerprise Services Inc.	N/A	Financial assets at FVTOCI	400	$ 5,426	1.76	$ 5,426	
	Stocks							
Symphox Information Co., Ltd.	Appworks Fund I Co., Ltd.	N/A	Financial assets at FVTOCI	24	188	0.63	188	
	Fashionguide Co., Ltd.	N/A	Financial assets at FVTOCI	1,293	19,646	7.72	19,646	
	Buyforyou Co., Ltd.	N/A	Financial assets at FVTOCI	117	-	10.00	-	
	Seaward Card Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	3,000	55,498	100.00	55,498	
	Thinkpower Information Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	5,975	337,252	71.08	337,252	
	Bowl Cut Entertainment Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	500	7,237	100.00	7,237	
Greenhealth Water Resources Co., Ltd.	Lung Chuan Water Resources Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	152,000	1,485,177	100.00	1,485,177	

TABLE 3

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount (Note 1)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Land located at Sanmin Section, Taoyuan City	2020.01.20	$ 474,182	Installment payments according to contracts	King Kong Zen Temple	Non-related party	-	-	-	$ -	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Hecuo Section, Taichung City	2020.04.21	201,344	Installment payments according to contracts	10 people surnamed He and Hui Tak Industrial Co., Ltd.	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Shangshibei Section, Taichung City	2020.05.14	427,978	Installment payments according to contracts	Natural person surnamed You	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Property located at Bade Section, Taoyuan City	2020.10.23	4,680,000	Installment payments according to contracts	Pao Fong Asset Management Co., Ltd.	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Shitou Section, Taoyuan City	2020.10.23	1,018,880	Installment payments according to contracts	Hai Hwa Construction Corp.	Non-related party	-	-	-	-	Valuation report of appraisers	Owner-occupied	None
	Land located at Guangming Section, Situn Section and Shangshibei Section,, Taichung City	2020.12.18	163,748	Installment payments according to contracts	Kuan-Pin Company	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None

Note 1: The transaction amount is the total contract price, not including the land registration fee, transcript expense, typing fee 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.

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain or Loss on Disposal	Counterparty	Relationship	Purposes of Disposal	Pricing Reference	Other Terms
The Company	Land located at Tongan Section, Taoyuan City	2020.5.22 2020.5.25	2019.7.24	$ 186,541	$ 186,541	(Note 3)	(Note 3)	Taoyuan City Government R.O.C.	Non-related party	(Note 3)	(Note 3)	None

Note 1: The transaction amount is the total contract price, not including the land registration fee, transcript fee, typing fee, and stamp duty.

Note 2: The term “event date” refers to the date of contract signing, date of collection, date of consignment trade, date of transfer, date of board of directors’ resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

Note 3: The Company donated the land to the Taoyuan City government and the Republic of China for use in the transfer of offices.

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investee Company	Principal business activities	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	$ 13,497,155	(a)	$ 6,748,578	$ -	$ -	$ 6,748,578	$ 1,489,585	50.0	$ 744,792 (Note 2,b,2)	$ 6,016,144	$ -
Cathay Insurance Company Limited (China)	Property insurance	12,196,844	(a)	2,943,663	-	-	2,943,663	267,783	24.5	65,606 (Note 2,b,3)	1,852,798	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office leasing	7,223,435	(a)	7,223,435	-	-	7,223,435	161,413	100.0	145,371 (Note 2,b,2)	7,631,432	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$16,915,676 (Including the amounts of CNY2,845,000 thousand and US$106,352 thousand)	$17,978,094 (Including the amounts of CNY3,090,000 thousand and US$106,352 thousand)	$428,236,418

Note 1: The 3 methods of investment are as follows:

a. Direct investment in China.
b. Reinvestment in China through the third-region companies.
c. Others.

Note 2: The column of investment profit or loss for the period:

a. If it is in preparation, there are no investment gains and losses, it should be noted.

b. The recognition basis for investment gain (loss) are as follows:

1) Financial statement is audited by an international. CPA firms with the cooperation of the ROC CPA firm.
2) Financial statement is audited by the parent company's CPA firm in Taiwan.
3) Other.

Note 3: Information on investments in mainland China

On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs ("MOEAIC") authorized the Company 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 MOEAIC on December 20, 2010. Also, MOEAIC authorized the Company to remit US$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized the Company 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. The Company's subsidiary, Cathay Life Insurance Ltd. (China) 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. The Company remitted US$48,330 thousand to the subsidiary as of December 31, 2009. The Company injected additional US$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized the Company to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of December 31, 2020, the Company's remittances to the subsidiary amounted to a total of approximately CNY900,000 thousand and US$78,210 thousand.

(Continued)

On October 17, 2007, MOEAIC authorized the Company 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 the Company to increase the remittances from US$26,390 thousand to US$28,960 thousand. On August 15, 2008, MOEAIC further authorized the Company 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 the Company and Cathay Century Insurance in Shanghai acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized the Company to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized the Company to remit CNY245,000 thousand on December 6, 2018. On November 26, 2019, MOEAIC authorized the Company to remit CNY245,000 thousand to increase the share capital. As of December 31, 2020, the Company's remittances to this general insurance company amounted to approximately CNY445,000 thousand and US$28,140 thousand.

On November 1, 2011 and April 11, 2012, MOEAIC authorized the Company 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. The Company's subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized the Company to remit CNY700,000 (US$111,000) thousand to increase the share capital. As of December 31, 2020, the Company's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. amounted to approximately CNY1,500,000 thousand.

(Concluded)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Operating Revenue or Assets (Note 3)
0	Cathay Life Insurance Co., Ltd.	Cathay Walbrook Holding 1 Limited	a	Other loans	$ 12,757,610	Equivalent to general conditions of transactions	0.17
		Cathay Walbrook Holding 1 Limited	a	Other receivables	12,278	Equivalent to general conditions of transactions	-
		Cathay Walbrook Holding 1 Limited	a	Interest income	405,931	Equivalent to general conditions of transactions	0.04
		Cathay Walbrook Holding 2 Limited	a	Other loans	671,453	Equivalent to general conditions of transactions	0.01
		Cathay Walbrook Holding 2 Limited	a	Other receivables	646	Equivalent to general conditions of transactions	-
		Cathay Walbrook Holding 2 Limited	a	Interest income	21,365	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Processing fee expense	1,245,469	Equivalent to general conditions of transactions	0.13
		Conning Holdings Limited	a	Other payables	318,750	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Prepaid expense	1,464	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Administrative expense	5,847	Equivalent to general conditions of transactions	-
		Global Evolution Holding ApS		Processing fee expense	41,003	Equivalent to general conditions of transactions	-
1	Lin Yuan (Shanghai) Real Estate	Cathay Lujiazui Life Insurance Co., Ltd.	c	Guarantee deposits received	10,069	Equivalent to general conditions of transactions	-
		Cathay Lujiazui Life Insurance Co., Ltd.	c	Rental income	39,596	Equivalent to general conditions of transactions	-
		Cathay Life Insurance Co., Ltd.	b	Guarantee deposits received	279	Equivalent to general conditions of transactions	-
		Cathay Life Insurance Co., Ltd.	b	Rental income	1,098	Equivalent to general conditions of transactions	-

Note 1: Parent is numbered 0; subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationships:

a. Parent to subsidiary.
b. Subsidiary to parent.
c. Between subsidiaries.

Note 3: Percentage of transaction amount to total consolidated operating revenue or assets is calculated as follows:

For balance sheet accounts: Transaction amount ÷ Total consolidated assets
For income statement accounts: Accumulated transaction amount in current period ÷ Total consolidated operating revenues.

Note 4: Terms and conditions of related party transactions are made on arm’s length basis. There is no difference in terms and conditions between related parties and non-related parties transactions.