

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

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2021 and 2020 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
Cathay Financial Holding Co., Ltd.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. and its subsidiaries (collectively, the “Group”) as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the three months then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 13, 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 review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.*

CATHAYFINANCIALHOLDINGCO.,LTD.ANDSUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 28)	\$ 448,129,821	4	\$ 536,716,255	5	\$ 321,229,598	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	152,315,784	1	129,503,924	1	157,221,939	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5, 7, 28 and 29)	1,800,120,582	16	1,748,081,143	16	1,709,967,441	17
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 8, 28 and 29)	1,571,029,708	14	1,562,998,457	14	1,176,111,042	12
DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 9 and 29)	3,186,546,185	29	3,161,044,538	29	3,129,777,159	31
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 5)	146,269	-	146,959	-	1,297,567	-
NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS (Note 4)	50,881,539	-	67,264,342	1	49,363,416	1
RECEIVABLES, NET (Notes 4, 5, 10 and 28)	204,782,871	2	191,916,164	2	192,117,626	2
CURRENT TAX ASSETS	4,309,641	-	4,689,275	-	4,883,309	-
DISCOUNT AND LOANS, NET (Notes 4, 5, 11 and 28)	2,219,536,128	20	2,141,276,205	19	2,038,406,629	20
REINSURANCE CONTRACT ASSETS, NET	10,647,884	-	9,646,628	-	8,952,855	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 13 and 28)	33,444,362	-	33,036,282	-	47,966,691	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 23)	686,655,474	6	660,547,975	6	524,242,723	5
INVESTMENT PROPERTIES, NET (Notes 4, 5, 14, 28 and 29)	422,266,940	4	419,476,228	4	407,461,008	4
PROPERTY AND EQUIPMENT, NET (Notes 4 and 15)	98,352,016	1	98,405,132	1	101,555,464	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 28)	4,145,216	-	4,138,543	-	3,906,709	-
INTANGIBLE ASSETS, NET (Notes 4 and 17)	53,569,485	1	54,002,407	-	50,663,821	1
DEFERRED TAX ASSETS (Note 4)	60,913,785	1	61,507,384	1	44,958,196	-
OTHER ASSETS, NET (Notes 28 and 29)	<u>73,047,890</u>	<u>1</u>	<u>66,074,603</u>	<u>1</u>	<u>68,041,454</u>	<u>1</u>
TOTAL	<u>\$ 11,080,841,580</u>	<u>100</u>	<u>\$ 10,950,472,444</u>	<u>100</u>	<u>\$ 10,038,124,647</u>	<u>100</u>
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 80,305,732	1	\$ 66,131,059	1	\$ 87,131,752	1
DUE TO THE CENTRAL BANK AND BANKS	1,076,000	-	1,076,000	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 7)	130,825,360	1	140,778,098	1	150,262,539	1
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 5)	43,129	-	139,858	-	67,834	-
NOTES AND BONDS SOLD UNDER REPURCHASE AGREEMENTS (Note 4)	17,604,400	-	12,299,564	-	52,251,310	1
COMMERCIAL PAPER PAYABLE, NET (Note 18)	42,609,669	-	39,519,918	1	51,349,599	1
PAYABLES (Note 28)	84,660,437	1	68,696,694	1	80,742,011	1
CURRENT TAX LIABILITIES (Note 4)	29,534,698	-	20,628,900	-	9,299,830	-
DEPOSITS AND REMITTANCES (Notes 19 and 28)	2,654,702,795	24	2,615,799,063	24	2,350,051,515	23
BONDS PAYABLE (Note 20)	147,300,000	1	148,800,000	1	118,900,000	1
OTHER BORROWINGS	819,855	-	1,657,576	-	615,488	-
PROVISIONS (Notes 4, 21 and 22)	6,220,022,671	56	6,117,073,219	56	5,820,174,198	58
OTHER FINANCIAL LIABILITIES (Notes 4 and 23)	719,131,201	7	692,760,284	6	578,638,827	6
LEASE LIABILITIES (Notes 4, 16 and 28)	14,395,259	-	13,011,637	-	12,683,498	-
DEFERRED TAX LIABILITIES (Note 4)	46,046,042	1	67,823,378	1	36,664,448	-
OTHER LIABILITIES (Note 28)	<u>26,939,257</u>	<u>-</u>	<u>39,501,515</u>	<u>-</u>	<u>19,739,508</u>	<u>-</u>
Total liabilities	<u>10,216,016,505</u>	<u>92</u>	<u>10,045,696,763</u>	<u>92</u>	<u>9,368,572,357</u>	<u>93</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 24)						
Share capital						
Ordinary shares	131,692,102	1	131,692,102	1	131,692,102	1
Preference shares	15,333,000	-	15,333,000	-	15,333,000	-
Capital surplus	177,256,371	2	177,256,053	2	177,257,514	2
Retained earnings						
Legal reserve	51,967,688	1	51,967,688	-	46,122,845	1
Special reserve	149,894,910	1	149,894,910	1	221,977,672	2
Unappropriated earnings	227,608,946	2	169,606,342	2	81,367,724	1
Other equity	<u>100,001,617</u>	<u>1</u>	<u>197,311,121</u>	<u>2</u>	<u>(14,302,616)</u>	<u>-</u>
Total equity attributable to owners of the Company	853,754,634	8	893,061,216	8	659,448,241	7
NON-CONTROLLING INTERESTS (Notes 4 and 24)	<u>11,070,441</u>	<u>-</u>	<u>11,714,465</u>	<u>-</u>	<u>10,104,049</u>	<u>-</u>
Total equity	<u>864,825,075</u>	<u>8</u>	<u>904,775,681</u>	<u>8</u>	<u>669,552,290</u>	<u>7</u>
TOTAL	<u>\$ 11,080,841,580</u>	<u>100</u>	<u>\$ 10,950,472,444</u>	<u>100</u>	<u>\$ 10,038,124,647</u>	<u>100</u>

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

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4 and 28)	\$ 51,371,075	27	\$ 53,784,117	33
INTEREST EXPENSE (Notes 4 and 28)	<u>(3,318,945)</u>	<u>(2)</u>	<u>(5,503,960)</u>	<u>(3)</u>
NET INTEREST INCOME	<u>48,052,130</u>	<u>25</u>	<u>48,280,157</u>	<u>30</u>
NET INCOME AND GAINS OTHER THAN INTEREST INCOME				
Net gain on service fee and commission fee (Notes 4, 23, 25 and 28)	2,731,872	1	2,308,494	1
Net income on insurance operations (Notes 4, 25 and 28)	65,230,789	34	79,131,448	49
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Notes 4 and 7)	4,144,013	2	(107,835,296)	(66)
Gain on investment properties (Notes 4, 14 and 28)	2,760,186	1	3,013,470	2
Realized gain on financial assets at fair value through other comprehensive income (Note 4)	8,719,516	5	9,721,823	6
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	20,400,709	11	13,813,137	9
Foreign exchange gain (Note 4)	1,379,781	1	5,470,393	3
Reversal of impairment loss (impairment loss) on assets (Note 4)	904,711	1	(925,804)	(1)
Share of profit (loss) of associates and joint ventures accounted for using the equity method (Notes 4 and 13)	567,054	-	(388,597)	-
Gain on reclassification using the overlay approach (Notes 4 and 7)	33,128,791	18	102,716,385	63
Net other non-interest gain (Note 28)	<u>1,588,301</u>	<u>1</u>	<u>6,786,142</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>189,607,853</u>	<u>100</u>	<u>162,091,752</u>	<u>100</u>
NET CHANGES IN INSURANCE LIABILITY RESERVE (Notes 21 and 25)	<u>(103,848,073)</u>	<u>(55)</u>	<u>(116,254,574)</u>	<u>(72)</u>
PROVISION FOR BAD DEBT, COMMITMENTS AND GUARANTEE RESERVE	<u>(1,321,767)</u>	<u>-</u>	<u>(333,575)</u>	<u>-</u>

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# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING EXPENSES (Notes 25 and 28)				
Employee benefit expenses	\$ (13,657,751)	(7)	\$ (12,134,730)	(8)
Depreciation and amortization expenses	(1,778,417)	(1)	(1,755,306)	(1)
Other general and administrative expenses	<u>(5,138,315)</u>	<u>(3)</u>	<u>(5,303,955)</u>	<u>(3)</u>
Total operating expenses	<u>(20,574,483)</u>	<u>(11)</u>	<u>(19,193,991)</u>	<u>(12)</u>
PROFIT BEFORE INCOME TAX	63,863,530	34	26,309,612	16
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(6,296,930)</u>	<u>(4)</u>	<u>(2,796,298)</u>	<u>(2)</u>
NET INCOME	<u>57,566,600</u>	<u>30</u>	<u>23,513,314</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (Notes 4 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(655)	-	1,126	-
Gain (loss) on equity instruments at fair value through other comprehensive income	9,654,074	5	(11,599,820)	(7)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	456,692	-	1,704,438	1
Share of other comprehensive income of associates and joint ventures accounted for using equity the method for items that will not be reclassified subsequently to profit or loss	231,104	-	91,660	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	(529,912)	-	836,638	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	90,663	-	(1,822,350)	(1)
(Loss) gain on hedging instruments	(146,390)	-	568,776	-
Loss on debt instruments at fair value through other comprehensive income	(91,942,984)	(49)	(40,137,944)	(25)
Share of other comprehensive loss of associates and joint ventures accounted for using equity method for items that may be reclassified subsequently to profit or loss	(169,785)	-	(233,968)	-

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# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
Other comprehensive loss reclassified using the overlay approach	\$ (33,128,791)	(17)	\$(102,716,385)	(63)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 26)	<u>18,846,512</u>	<u>10</u>	<u>17,971,824</u>	<u>11</u>
Total other comprehensive loss for the period, net of income tax	<u>(96,639,472)</u>	<u>(51)</u>	<u>(135,336,005)</u>	<u>(83)</u>
TOTAL COMPREHENSIVE LOSS	<u>\$ (39,072,872)</u>	<u>(21)</u>	<u>\$(111,822,691)</u>	<u>(69)</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 57,366,026	30	\$ 23,289,684	14
Non-controlling interests	<u>200,574</u>	<u>-</u>	<u>223,630</u>	<u>-</u>
	<u>\$ 57,566,600</u>	<u>30</u>	<u>\$ 23,513,314</u>	<u>14</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owner of the Company	\$ (39,295,714)	(21)	\$(112,299,662)	(69)
Non-controlling interests	<u>222,842</u>	<u>-</u>	<u>476,971</u>	<u>-</u>
	<u>\$ (39,072,872)</u>	<u>(21)</u>	<u>\$(111,822,691)</u>	<u>(69)</u>
EARNINGS PER SHARE (Note 27)				
Basic earnings per share	<u>\$ 4.36</u>		<u>\$ 1.77</u>	

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

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company																
											Other Equity						
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) Reclassified Using the Overlay Approach	Other	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Preferred Shares		Legal Reserve	Special Reserve	Unappropriated Earnings											
BALANCE AT JANUARY 1, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,256,976	\$ 46,122,845	\$ 221,977,672	\$ 58,181,890	\$ (13,319,620)	\$ 68,319,953	\$ 331,930	\$ (1,850,508)	\$ (1,507,864)	\$ 11,240,314	\$ 57,968,675	\$ -	\$ 771,747,365	\$ 10,279,814	\$ 782,027,179
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	538	-	-	-	-	-	-	-	-	-	-	-	538	-	538
Net income for the three months ended March 31, 2020	-	-	-	-	-	23,289,684	-	-	-	-	-	-	-	-	23,289,684	223,630	23,513,314
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	(1,930,495)	(42,721,210)	459,181	1,363,550	(9,294)	-	(92,751,078)	-	(135,589,346)	253,341	(135,336,005)
Total comprehensive income (loss) for three months ended March 31, 2020	-	-	-	-	-	23,289,684	(1,930,495)	(42,721,210)	459,181	1,363,550	(9,294)	-	(92,751,078)	-	(112,299,662)	476,971	(111,822,691)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(103,850)	-	103,850	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(652,736)	(652,736)
BALANCE AT MARCH 31, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,257,514	\$ 46,122,845	\$ 221,977,672	\$ 81,367,724	\$ (15,250,115)	\$ 25,702,593	\$ 791,111	\$ (486,958)	\$ (1,517,158)	\$ 11,240,314	\$ (34,782,403)	\$ -	\$ 659,448,241	\$ 10,104,049	\$ 669,552,290
BALANCE AT JANUARY 1, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,256,053	\$ 51,967,688	\$ 149,894,910	\$ 169,606,342	\$ (15,464,009)	\$ 106,207,840	\$ 347,871	\$ (1,478,705)	\$ (1,966,279)	\$ 11,097,089	\$ 102,511,617	\$ (3,944,303)	\$ 893,061,216	\$ 11,714,465	\$ 904,775,681
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	318	-	-	-	-	-	-	-	-	-	-	-	318	-	318
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,186)	(11,186)	-	(11,186)
Net income for the three months ended March 31, 2021	-	-	-	-	-	57,366,026	-	-	-	-	-	-	-	-	57,366,026	200,574	57,566,600
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	66,246	(66,161,518)	(116,194)	365,354	(9,638)	-	(30,805,990)	-	(96,661,740)	22,268	(96,639,472)
Total comprehensive income (loss) for three months ended March 31, 2021	-	-	-	-	-	57,366,026	66,246	(66,161,518)	(116,194)	365,354	(9,638)	-	(30,805,990)	-	(39,295,714)	222,842	(39,072,872)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	636,578	-	(636,578)	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(866,866)	(866,866)
BALANCE AT MARCH 31, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,256,371	\$ 51,967,688	\$ 149,894,910	\$ 227,608,946	\$ (15,397,763)	\$ 39,409,744	\$ 231,677	\$ (1,113,351)	\$ (1,975,917)	\$ 11,097,089	\$ 71,705,627	\$ (3,955,489)	\$ 853,754,634	\$ 11,070,441	\$ 864,825,075

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



# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 63,863,530	\$ 26,309,612
Adjustments for:		
Depreciation expense	977,927	968,702
Amortization expense	800,490	786,604
Bad debt expense	1,321,767	333,575
(Gain) loss on financial assets and liabilities at fair value through profit or loss	(3,044,163)	109,241,365
Interest expense	3,318,945	5,503,960
Net gain on derecognition of financial assets at amortized cost	(20,400,709)	(13,813,137)
Interest income	(51,371,075)	(53,784,117)
Dividend income	(1,571,618)	(1,740,290)
Net change in insurance liabilities	104,110,497	112,664,272
Net changes in other provisions	(1,298,571)	(6,341,870)
Share of (profit) loss of associates accounted for using the equity method	(567,054)	388,597
Gain on reclassification using the overlay approach	(33,128,791)	(102,716,385)
Loss on disposal and retirement of property and equipment	2,720	-
Gain on disposal of investment properties	-	(19,384)
Gain on disposal of investments	(8,603,166)	(9,661,382)
(Reversal of impairment loss) impairment loss on financial assets	(904,711)	925,804
Loss on changes in fair value of investment properties	11,739	-
Net changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(4,150,312)	(1,072,230)
Increase in financial assets at fair value through profit or loss	(31,028,272)	(86,605,099)
Increase in financial assets at fair value through other comprehensive income	(81,323,739)	(34,849,279)
Increase in debt instruments at amortized cost	(4,292,051)	(47,853,288)
Decrease (increase) in financial assets for hedging	191,087	(144,049)
Increase in receivables	(9,647,708)	(6,458,538)
(Increase) decrease in loans	(79,648,758)	28,133,412
Increase in reinsurance assets	(731,332)	(446,630)
Decrease (increase) in other financial assets	3,322,886	(3,553,620)
Decrease in other assets	4,564,931	1,217,212
Increase in deposits from the Central Bank and banks	14,174,673	3,023,624
Decrease in financial liabilities at fair value through profit or loss	(26,854,884)	(33,623,731)
Decrease in financial liabilities for hedging	(433,516)	-
Increase in notes and bonds sold under repurchase agreements	5,304,836	1,972,777
Increase in payables	15,372,649	13,238,252
Increase in deposits and remittances	38,903,732	46,607,699
Decrease in provisions for employee benefits	(4,662)	(32,546)
(Decrease) increase in provisions	(127,736)	58,390

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# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
Decrease in other financial liabilities	\$ (3,059,647)	\$ (3,905,039)
Decrease in other liabilities	<u>(10,274,559)</u>	<u>(10,573,329)</u>
Cash used in operations	(116,224,625)	(65,820,086)
Interest received	48,673,390	53,162,143
Dividends received	1,570,954	1,763,630
Interest paid	(2,981,257)	(4,848,763)
Income tax paid	<u>(414,048)</u>	<u>(909,088)</u>
Net cash used in operating activities	<u>(69,375,586)</u>	<u>(16,652,164)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(11,069,288)	(4,864,137)
Proceeds from disposal of financial assets at fair value through other comprehensive income	10,772,656	3,864,447
Acquisition of financial assets at fair value through profit or loss	(275,974)	(90,738)
Proceeds from disposal of financial assets at fair value through profit or loss	134,908	90,286
Proceeds from capital reduction of financial assets at fair value through profit or loss	14,800	-
Acquisition of investments accounted for using equity method	(135,000)	(321,536)
Proceeds from capital reduction of investments accounted for using equity method	355,611	-
Acquisition of property and equipment	(631,638)	(342,089)
Proceeds from disposal of property and equipment	56	1,496
Acquisition of intangible assets	(92,239)	(127,914)
Acquisition of investment properties	(1,158,161)	(888,795)
Proceeds from disposal of investment properties	-	149,708
Increase in other assets	<u>(12,058,676)</u>	<u>(12,768,226)</u>
Net cash used in investing activities	<u>(14,142,945)</u>	<u>(15,297,498)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payable	3,090,000	(2,670,000)
Repayments of financial debentures	(1,500,000)	-
Decrease in other borrowings	(832,043)	(1,614,032)
Decrease in financial liabilities designated as fair value through profit or loss	-	(5,442,480)
Repayment of the principal portion of lease liabilities	(448,970)	(462,105)
(Decrease) increase in other liabilities	(2,170,866)	154,916
Changes in non-controlling interests	<u>(554,340)</u>	<u>(180,434)</u>
Net cash used in financing activities	<u>(2,416,219)</u>	<u>(10,214,135)</u>

(Continued)

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ (337,430)	\$ 954,913
NET DECREASE IN CASH AND CASH EQUIVALENTS	(86,272,180)	(41,208,884)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>657,824,480</u>	<u>503,214,148</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 571,552,300</u>	<u>\$ 462,005,264</u>
Reconciliation of cash and cash equivalents:		
	March 31	
	2021	2020
Cash and cash equivalents presented in the consolidated balance sheets	\$ 448,129,821	\$ 321,229,598
Due from the Central Bank and call loans to banks qualified for cash and cash equivalents under the definition of IAS 7	72,540,940	91,412,250
Notes and bonds purchased under resale agreements qualified for cash and cash equivalents under the definition of IAS 7	<u>50,881,539</u>	<u>49,363,416</u>
Cash and cash equivalents at the end of the period	<u>\$ 571,552,300</u>	<u>\$ 462,005,264</u>

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

(Concluded)

# **CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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### **1. GENERAL INFORMATION**

On December 31, 2001, Cathay Financial Holding Co., Ltd. (the “Company” or “Cathay Financial Holdings”) was incorporated through a share swap with Cathay Life Insurance Co., Ltd. (“Cathay Life”) pursuant to the Financial Holding Company Act, Company Act and related laws and regulations and Cathay Life became a wholly-owned subsidiary of the Company. On the same day, Cathay Life’s shares were delisted and the Company’s shares have been listed on the Taiwan Stock Exchange.

On April 22, 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay Commercial Bank Co., Ltd. (“Cathay Bank”) became wholly-owned subsidiaries of the Company through share swaps. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (“UWCCB”) also became a wholly-owned subsidiary of the Company through a share swap. On October 27, 2003, UWCCB was merged with Cathay Bank in accordance with the Financial Institutions Merger Act and related laws and regulations; UWCCB was the surviving company and was re-named to Cathay United Bank Co., Ltd. (“Cathay United Bank”). The Company acquired all issued shares of Lucky Bank Inc. through a share swap on August 25, 2006. To expand its business scale and improve competitiveness, Cathay United Bank merged with Lucky Bank Inc. on January 1, 2007 and acquired specific assets, liabilities, and business of China United Trust & Investment Corporation on December 29, 2007.

On May 12, 2004, the Company incorporated Cathay Securities Corporation (“Cathay Securities”) as a wholly owned subsidiary. Cathay Venture Inc. (“Cathay Venture”) was incorporated on April 10, 2003; as resolved by the board of directors on August 10, 2009, Cathay Venture was merged with Cathay VC Inc., Cathay II NC Inc. and Cathay Capital Management Inc., in which Cathay Venture was the surviving company. On June 13, 2011, the Company was approved to acquire Cathay Securities Investment Trust Co., Ltd. (“Cathay Securities Investment Trust”) by the Financial Supervisory Commission (“FSC”) and acquired all issued shares of Cathay Securities Investment Trust by cash on June 24, 2011.

Cathay Life participated in and won the bid for the takeover of the assets, liabilities and operations of Global Life Insurance Co., Ltd. (“Global Life”) and Singfor Life Insurance Co., Ltd. (“Singfor Life”), which was held by the Taiwan Insurance Guaranty Fund. Cathay Life entered into the general assignment and assumption agreement on March 27, 2015. Cathay Life assumed all assets, liabilities and operations of Global Life and Singfor Life, except for their reserved assets and liabilities on July 1, 2015.

Since July 29, 2003, the Company has listed a portion of its ordinary shares on the Luxembourg Stock Exchange in the form of Global Depositary Shares (GDSs). The Company’s registered office and the main business location is at No. 296, Jen Ai Road, Section 4, Taipei, R.O.C. The Company is mainly engaged in the business of financial holding company.

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

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on May 13, 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”):

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

The Group elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

- b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“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 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 6)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 7)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 8)

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 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: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.
- Note 7: 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 8: 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 that will supersede IFRS 4. The main standards and amendments of IFRS 17 are as follows:

Level of aggregation

IFRS 17 requires the Group to identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. 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 that at initial recognition have 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 which are decided to be issued shall apply the recognition and measurement of IFRS 17.

Recognition

The Group shall recognize a group of insurance contracts issued 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 a group. The fulfilment cash flows comprises 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 the 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 initial recognition date of the following:
  - a) The acquisition of all insurance cash flows; and
  - b) The remaining cash flow of all asset or liability previously recognized from a group of 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 the date of initial recognition if the fulfilment cash flows allocated to insurance contracts, all previously recognized acquisition cash flows and all cash flows arising from the contract at the date of initial recognition in total are 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 a 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 is:

- 1) The initial recognition of the premiums;
- 2) Minus all insurance acquisition cash flows; and
- 3) Plus or minus the derecognition at the initial recognition date of the following:
  - a) The acquisition of all insurance cash flows; and
  - b) A remaining cash flow of all asset or liability previously recognized from a group of 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 service provided in that period, and minus all investment component paid or transferred to the liability for incurred claims.

#### Investment contracts with discretionary participation features

An investment contract with discretionary participation features is a financial instrument and it does not include a transfer of significant insurance risk. 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.

#### Modification and derecognition

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.

#### Transition

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**

##### **Statement of Compliance**

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Statements by Insurance Companies, Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Statements by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and IAS 34 “Interim Financial Reporting” 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 consolidated financial statements.

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and investment properties which are measured at fair value, and net defined benefit assets which are measured at the fair value of plan assets less the present value of the defined benefit obligation.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

##### **Basis of Consolidation**

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

Income and expenses of subsidiaries acquired or disposed of during the 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 intragroup transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 12 for the detailed information of subsidiaries, including the percentage of ownership and main business.

## **Business Combinations**

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

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

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

## **Foreign Currencies**

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

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

Non-monetary items 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 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.

## **Investments in Associates**

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

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

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

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

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

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

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

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

## **Property and Equipment**

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

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

Except for its own land, depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

## **Investment Properties**

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

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

Investment properties under construction, of which their fair values are not reliably measurable, are measured at cost less accumulated impairment loss until such time as either the fair value becomes reliably measureable or the construction is completed (whichever comes earlier).

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

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

## **Goodwill**

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

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

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

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

### **Intangible Assets**

#### **a. Intangible assets acquired separately**

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

#### **b. Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

#### **c. Derecognition of intangible assets**

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

### **Impairment of Property and Equipment, Right-of-use Assets and Intangible Assets Other Than Goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Financial Instruments**

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

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### **a. Financial assets**

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

#### **1) Measurement category**

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

##### **a) Financial assets at FVTPL**

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 36.

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

- i. The financial assets are held in respect of activities related to IFRS 4;
- ii. The financial assets are measured at FVTPL under IFRS 9, but would not have been measured at FVTPL under IAS 39; and
- iii. The financial assets are designated to apply overlay approach at the first application of IFRS 9, in the initial recognition of a new financial asset or when a financial asset starts to meet the conditions.

b) Financial assets at amortized cost

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

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

Cash and cash equivalents include cash on hand, cash in banks and time deposits or investments which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Time deposits with maturities within 12 months, which are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value are classified as cash equivalents.

c) Investments in debt instruments at FVTOCI

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

- i. The debt instrument is held within a business model which is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

## 2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses 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 expected credit losses (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 measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The Group uses the total carrying amount of financial assets at amortized cost (including receivables and loans), investments in debt instruments at FVTOCI, and off balance sheet commitments to measure the amount of exposure at default (EAD).

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

In addition, in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, Cathay Life and Cathay Century classify their credit assets as normal ("First Category"), special mention ("Second Category"), substandard ("Third Category"), doubtful ("Fourth Category") and losses ("Fifth Category") based on the borrower's financial conditions and the delay for payment of principal and interests as well as the status of the loan collaterals and the length of time overdue. The minimum amounts of allowance for bad debts are based upon each of the following category for allowance of uncollectible accounts:

- a) The sum of 0.5% of the first category loan assets excluding life insurance policy loans, premium loans and loans to government agencies, 2% of the second category of loan assets, 10% of the third category of loan assets, as well as 50% and 100% of the fourth and fifth category loan assets.
- b) 1% of the sum of all five categories of loan assets excluding life insurance policy loans, premium loans and loans to government agencies.
- c) Total unsecured portion of non-performing loans and non-accrual loans.



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

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

Cathay United Bank and its subsidiaries write off credits deemed uncollectable after the write-off is proposed and approved by the board of directors. Recoveries of credits written off are recognized as a reversal of loss provision in current period.

### 3) Derecognition of financial assets

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

On derecognition of financial assets 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 investment in debt instruments 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 investment in equity instruments at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

### 4) Offsetting of financial instruments

Financial assets and financial liabilities are offset and presented in net in the consolidated balance sheet only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

## b. Equity instruments

Debt and equity instruments issued by a group entity 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 a group entity are recognized at the proceeds received, net of direct issue costs.

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, issue or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

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

Financial liabilities at FVTPL

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

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

Financial liabilities may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

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

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which does not incorporate any interest or dividends paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 36.

Financial guarantee contracts

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

e. Modification of financial instrument

When a financial instrument is modified, the Group assesses whether the modification will result in derecognition. If modification of a financial instrument results in derecognition, it is accounted for as derecognition of financial assets or liabilities. If the modification does not result in derecognition, the Group recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liability based on the modified cash flows discounted at the original effective interest rate with any modification gain or loss recognized in profit or loss. The cost incurred is adjusted to the carrying amount of the modified financial asset or financial liability and amortized over the modified remaining period.

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Group elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Group first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

## **Hedge Accounting**

The Group designates certain hedging instruments, which include derivatives, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

a. Fair value hedges

Gains and losses of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The changes in the fair value of the hedging instrument and the changes in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

b. Cash flow hedges

The effective portion of gains and losses of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the related hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the 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.

c. Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The gains and losses on the hedging instrument relating to the effective portion of the hedge, which were accumulated in the foreign currency translation reserve, are reclassified to profit or loss on the disposal or partial disposal of a foreign operation.

**Notes and Bonds Purchased/Sold Under Resale/Repurchase Agreements**

Notes and bonds purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resale agreements or interest incurred on repurchase agreements is recognized as interest revenue or interest expense over the life of each agreement.

**Separate Accounts**

The Group sells separate account insurance products. The insurance premiums according to agreed terms paid by proposers, net of the expenses incurred by the insurer, are invested in separate accounts at allocation agreed with or directed by the proposers. The separate account assets is measured at fair value on the valuation date and in compliance with the relevant regulations and Template of Accounting Systems for Life Insurance Enterprises.

In accordance with the Regulation Governing the Preparation of Financial Reports by Insurance Enterprises, the assets and liabilities of separate accounts, which are generated either from insurance contracts or from insurance contracts with features of financial instrument, are recorded in separate account insurance product assets and separate account insurance product liabilities. The revenue and expenses of separate accounts, pursuant to IFRS 4, are recorded in separate account insurance product revenue and separate account insurance product expenses.

## Insurance Liability Reserves

### a. Cathay Life

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

#### 1) Unearned premium reserve

For an unexpired in-force contract with a policy period shorter than one year or an injury insurance policy with a policy period longer than one year, the calculation of unearned premium reserve is based on the unexpired risk of each insurance.

#### 2) Loss reserve

Loss reserve is provided for claims filed but not yet paid and claims not yet filed. The reserve for claims filed but not yet paid is assessed based on the actual relevant information of each case and provided by insurance type. The reserve for claims not yet filed is provided based on the past experiences of actual claims and expenses in line with the actuarial principles for injury insurance and health or life insurance policies with a policy period shorter than one year.

#### 3) Policy reserve

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

Starting from 2003 policy year, for in-force contracts 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 properties at fair value, it should also measure its insurance liabilities at fair value. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds their book value, the insurance enterprise must set aside the difference to policy reserve and decrease retained earnings. Cathay Life changed its accounting policy for subsequent measurement of investment properties from the cost method to the fair value method starting from 2014. In accordance with Jin Guan Bao Tsai No. 10302501161 issued on March 21, 2014, the fair value of insurance liabilities measured did not exceed their book value and no additional insurance liabilities should be provided accordingly.

#### 4) Special reserve

When selling participating life insurance policies, according to the Regulation for Allocation of Revenue and Expenses related to Participating/Nonparticipating Policy reported to the authority, Cathay Life is required to set aside a special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from special reserve - participating policies dividends reserve. The excess dividends should be accounted as special reserve - provisions for risk of dividends.

According to Article 32 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the increments due to measuring the property at fair value, except for the portion in offsetting adverse effects of the first-time adoption of IFRSs on other accounts, the excess should be set aside as special reserve for revaluation increments of property under insurance liabilities.

#### 5) Premium deficiency reserve

For life insurance, health insurance and annuity insurance policies with policy periods longer than one year commencing from 2001, when the gross premium is less than the net premium used in the calculation of policy reserve, a deficiency reserve is required to set aside such deficiencies for remaining payment periods as a premium deficiency reserve. The premium deficiency reserve of each life insurance category should be calculated and recorded according to the specific method reported to the authorities.

In addition, for unexpired in-force contracts with policy periods shorter than one year and injury insurance policies with policy periods longer than one year, if the probable claims and expenses are greater than the aggregate of unearned premium reserves and estimated future premiums, the premium deficiency reserve is set aside based on the deficiencies by insurance type.

#### 6) Other reserves

Pursuant to IFRS 3 “Business Combinations”, Cathay Life recognizes other reserves to reflect the fair value of the life insurance contracts assumed at the time when the identifiable assets and assumed liabilities acquired from the business combination are recognized at fair value.

#### 7) Liability adequacy reserve

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

#### b. Cathay Lujiazui Life Insurance Co., Ltd. (“Cathay Lujiazui Life”)

In accordance with the Insurance Act of the People’s Republic of China, the insurance liabilities (including unearned premium reserves, loss reserves and policy reserves) are required and calculated based on the actuarial reports approved by China Insurance Regulatory Commission.

#### c. Cathay Life Insurance (Vietnam) Co., Ltd. (“Cathay Life (Vietnam)”)

In accordance with the Insurance Act of Vietnam, the insurance liabilities (including unearned premium reserves, loss reserves and policy reserves) are required and calculated based on the actuarial reports approved by Vietnam government.

d. Cathay Century and its subsidiaries

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

The descriptions of these reserves are as follows:

1) Unearned premium reserve

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

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

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

Unearned premiums reserve for Nuclear Energy Insurance contracts is provided in conformity with the Regulations for the Reserves of Nuclear Energy Insurance.

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

2) Loss reserve

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

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

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

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

3) Special reserve

Special reserves are comprised of special reserves for catastrophic event, fluctuation of risk and other special purpose.

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

Furthermore, according to the Notice for the improvement of the reserves of natural disaster insurances (commercial-business earthquake, typhoon and flood insurances enterprises) issued by the Financial Supervisory Commission on November 9, 2012, except for those special reserves of compulsory automobile insurances, nuclear energy insurances, residential earthquake insurances, commercial-business earthquake insurances and typhoon and flood insurances, the special reserves recognized as liabilities before December 31, 2012 were used to compensate the deficiencies of commercial-business earthquake insurances and typhoon and flood insurances to the required level and recognized as liabilities. The remaining special reserves were reclassified as equity, net of tax according to IAS 12 starting from January 1, 2013. The write off and recovery of special reserves for catastrophic event and fluctuation of risk that provided under liabilities should be in conformity with the notice mentioned above.

4) Premium deficiency reserve

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

5) Policy reserve

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

6) Liability adequacy reserve

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

### **Liability Adequacy Test**

Liability adequacy test is based on all insurance contracts and related requirements of ASP of IFRS 4 - contract classification and liability adequacy test announced by Actuarial Institute of Chinese Taipei. In this test, the amount of insurance liabilities net of deferred acquisition costs and related intangible assets is compared with the estimated present values of insurance contract cash flow at each reporting date. If the net book values are lower than the estimated present values, all insufficient amounts should be recognized in profit or loss.

### **Reserve for Insurance Contracts with the Nature of Financial Products**

For non-separate account insurance products classified as financial instruments without discretionary participation features, the reserve should be recognized in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and depository accounting.



## **Reserve for Foreign Exchange Valuation**

Cathay Life calculates foreign exchange volatility reserve of all its foreign investments in accordance with the Regulations Governing the Setting Aside of various Reserve by Insurance Enterprises and Direction for Foreign Exchange Volatility Reserve by Life Insurance Enterprises.

## **Revenue and the Related Expenses Recognition**

### **a. Cathay Life and its subsidiaries**

- 1) For Cathay Life's insurance contracts and financial instruments with discretionary participation features, the initial and renewal premium are only recognized as revenue collection and underwriting procedures finished, and subsequent collection on the appointed dates, respectively. The relevant acquisition costs, such as commission expenses and underwriting expenses, are recognized as current expenses when the insurance contracts become effective.

For non-separate account insurance products classified as financial instruments without discretionary participation features, the insurance premium collected is recognized as reserves for insurance contract with the nature of financial products on the balance sheet.

For separate account insurance products classified as financial instruments without discretionary participation features, the insurance premium collected net of preprocessing expense or investment management fees is entirely recognized as separate account insurance product liabilities on the balance sheet. The acquisition costs incurred due to investment management services for such insurance products, such as commissions and incremental costs directly attributable to the issue of new contracts, are deferred and recorded under deferred acquisition costs and amortized on a straight-line basis over the service period. The amortization is recognized under other operating costs.

### **2) Cathay Lujiazui Life**

In accordance with the related accounting laws and regulations issued by the local government, Cathay Lujiazui Life records direct premiums as revenue at premium received and invoices issued. Related expenses, such as commissions and underwriting fees, are recognized on an accrual basis.

### **3) Cathay Life (Vietnam)**

In accordance with the related accounting laws and regulations issued by the local government, Cathay Life (Vietnam) records direct premiums as revenue at premium received and invoices issued. Related expenses, such as commissions and underwriting fees, are recognized on an accrual basis.

### **b. Cathay United Bank and its subsidiaries**

#### **1) Recognition of interest revenue and expense**

Except for the financial assets and liabilities at FVTPL, the interest revenue and interest expense arising from all interest-bearing financial instruments are calculated using the effective interest method in accordance with the relevant provisions and recognized in the consolidated statement of profit or loss under "interest revenue" and "interest expense" items.

## 2) Recognition of service fee revenue and expense

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

## 3) Customer loyalty program

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

### c. Cathay Century and its subsidiaries

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

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

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

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

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

Provision for loss reserve is not discounted.

### d. Cathay Securities and its subsidiaries

Revenue are mainly generated from brokerage, underwriting and advisory services. The services are based on stand-alone or negotiated pricing and provided based on the number of times services are provided. These services belong to the category where performance obligations are fulfilled at a point in time; thus, revenue is recognized when performance obligations are fulfilled.

## **Classification of Insurance Products**

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

Insurance contracts with features of financial instruments are contracts that transfer significant financial risks. Financial risks refer to the risks that the changes in one or more specific indicators may cause, including interest rates, financial commodity prices, product prices, exchange rates, price index, rate index, credit ratings and other indicators. If the above indicators are not financial, these indicators exist in both sides under the contracts.

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

Insurance contracts and those with features of financial instruments are further classified into separate categories depending on whether or not the contracts have discretionary participation features. Discretionary participation features refers to a contractual right to receive additional payments in addition to guaranteed payments from the contract. The contractual rights have the following characteristics:

- a. Additional payments as a percentage of total contractual payments may be significant.
- b. In accordance with the contract, the amount and date of payment for additional payments are at the Group's discretion.
- c. In accordance with the contract, additional payments are handed out based on one of the following matters:
  - 1) The performance of specific contracts or specific combination of contracts.
  - 2) Return on investment from a portfolio of specific assets held by the Group.
  - 3) Profit and loss from the Group, funds, or other entities.

When the embedded derivative instrument has economic characteristics and risks not closely related to those of the primary contracts, it should be recorded separately from the primary contracts and measured at fair value with changes in fair values recognized in profit or loss when incurred. However, if the embedded derivative instrument meets the definition of an insurance contract or the whole contract is measured at fair value with changes in fair values recognized in profit or loss when incurred, the Group does not separately recognize the embedded derivative instrument and the insurance contract.

## **Reinsurance**

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

The Group holds the rights over the reinsurer including reinsurance assets, claims and payments recoverable from reinsurers and net due from reinsurers and ceding companies, and regularly assesses if the rights are impaired or unrecoverable. If objective evidence, which occurred after initial recognition of reinsures assets, shows that the Group may not receive all amounts of receivables from the reinsurer and the unrecoverable amount can be reasonably estimated, the Group recognizes the difference between the recoverable amount of reinsurance assets and carrying value as an impairment loss.

For the classification of reinsurance contracts, the Group assesses whether or not such contracts transfer significant insurance risk to the reinsurer. If the reinsurance contract does not transfer a significant insurance risk to the reinsurer, the contract is recognized and measured in accordance with deposit accounting.

For a reinsurance contract that transfers a significant insurance risk, if the Group can measure its saving element separately, the insurance element and the saving element of the reinsurance contract are recognized separately. That is, the Group recognizes the contract premium received (or paid) less the amount of insurance as financial liabilities (or assets) rather than income (or expenses). The financial liabilities (or assets) are recognized at the fair values based on the present values of future cash flows.

## **Provisions**

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of each balance sheet date, taking into account the risks and uncertainty of the obligation.

## **Leases**

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

### **a. The Group as lessor**

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

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

### **b. The Group as lessee**

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

Right-of-use assets are initially measured at cost, and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to the accounting policies for investment properties.

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

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

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

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

## **Employee Benefits**

### **a. Short-term employee benefits**

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

### **b. Retirement benefits**

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plans.

Pension costs for an interim period are calculated on a year-to-date basis by using the actuarially determined pension cost rate as determined at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

### **c. Termination benefits**

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

d. Employee preferential interest rate deposits

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

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

## **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period’s per-tax income the tax rate that would be applicable to expected total annual earnings.

a. 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 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 subsidiaries jointly filed income tax returns and surtax on unappropriated retained earnings since 2002 under the integrated income tax system with the Company as the tax payer. Such effects on current tax and deferred tax are accounted for as receivables or payables.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all temporary differences and loss carryforwards which are probably deductible.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in the subsidiary.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the 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 loans

The estimated impairment of loans is made with reference to the collateral status of the credit assets, the amount of the accumulated principal and interest due, and the length of the overdue period. The loans are classified after considering the changes in the credit of individual credit assets and the collection status. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment assessment, based on the Group's historical experience, existing market conditions as well as forward looking estimates (i.e. probability of default and expected credit loss rates) as of the end of each reporting period. Refer to Note 36 for the key assumptions and inputs used.

b. Fair value measurements and valuation processes

Where some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group, in accordance with relevant regulations or based on own judgment, determines the appropriate valuation techniques for the fair value measurements and whether to engage third party qualified valuers.

Where Level 1 inputs are not available, the Group or engaged valuers determine the appropriate inputs by referring to the analyses of the financial position and the operating results of the investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, and valuation multiples of comparable entities/market prices or rates and specific features of derivatives, the existing lease contracts and rentals of similar properties in the vicinity of the Group's investment properties. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of the fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 14 and 36.

c. Valuation of insurance contract liabilities

1) Cathay Life and its subsidiaries

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

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

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

2) Cathay Century and its subsidiaries

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

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 19,380,321	\$ 18,412,103	\$ 19,498,614
Cash in banks	134,703,601	166,785,873	113,147,056
Time deposits	197,502,569	252,042,783	136,651,003
Checks for clearing	2,212,369	2,628,849	2,098,846
Cash equivalents	29,160,965	46,599,213	6,742,091
Due from banks	65,192,235	50,269,827	43,097,944
Less: Loss allowance	<u>(22,239)</u>	<u>(22,393)</u>	<u>(5,956)</u>
	<u>\$ 448,129,821</u>	<u>\$ 536,716,255</u>	<u>\$ 321,229,598</u>



## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets mandatorily classified as at FVTPL</u>			
Stocks	\$ 601,416,122	\$ 538,241,070	\$ 544,098,445
Funds and beneficiary certificates	661,707,221	681,814,769	577,589,225
Government bonds	27,034,356	35,857,067	44,438,722
Corporate bonds	10,124,694	8,251,384	8,420,777
Financial debentures	26,490,081	20,556,752	22,814,056
Overseas bonds	206,809,769	148,917,957	223,147,453
Short-term notes	179,586,717	195,725,296	180,434,414
Futures trading margin	663,520	1,329,790	2,394,998
Structured time deposits	18,051,345	18,027,331	10,067,661
Derivative instruments	<u>68,236,757</u>	<u>99,359,727</u>	<u>96,561,690</u>
	<u>\$ 1,800,120,582</u>	<u>\$ 1,748,081,143</u>	<u>\$ 1,709,967,441</u>

### Financial liabilities at FVTPL

Designated as at FVTPL			
Bonds	\$ 42,722,501	\$ 44,204,582	\$ 52,503,297
Held for trading			
Derivative instruments	81,902,898	81,426,781	92,148,679
Security lending payable (non-hedging)	5,943,978	14,909,925	5,147,130
Security lending payable (hedging)	<u>255,983</u>	<u>236,810</u>	<u>463,433</u>
	<u>\$ 130,825,360</u>	<u>\$ 140,778,098</u>	<u>\$ 150,262,539</u>

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

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets mandatorily classified as at FVTPL</u>			
Stocks	\$ 584,756,231	\$ 523,742,759	\$ 537,051,647
Funds and beneficiary certificates	618,163,385	635,702,636	557,784,005
Financial debentures	10,650,432	10,675,230	15,313,742
Overseas bonds	205,016,309	147,576,634	222,114,422
Structured time deposits	<u>18,051,345</u>	<u>18,027,331</u>	<u>10,067,661</u>
	<u>\$ 1,436,637,702</u>	<u>\$ 1,335,724,590</u>	<u>\$ 1,342,331,477</u>

Reclassifications from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the three months ended March 31, 2021 and 2020 are as below:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Gain (loss) due to application of IFRS 9 to profit or loss	\$ 20,734,594	\$ (79,047,705)
Gain if applying IAS 39 to profit or loss	<u>(53,863,385)</u>	<u>(23,668,680)</u>
Gain reclassified due to application of overlay approach	<u>\$ (33,128,791)</u>	<u>\$ (102,716,385)</u>

Due to application of overlay approach, the amounts of gain and loss on financial assets and liabilities at FVTPL for the three months ended March 31, 2021 and 2020 had increased from gain of \$4,144,013 thousand to gain of \$37,272,804 thousand, and decreased from loss of \$107,835,296 thousand to loss of \$5,118,911 thousand, respectively.

b. Financial liabilities designated as at FVTPL

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

In December 2014, Cathay United Bank was authorized to issue unsubordinated financial debentures amounting to US\$180 million (thirty years), which were subsequently issued on March 30, 2015. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity; the bonds were issued in the form of zero-coupon bonds, and the internal rate of return is 4.20%. The bonds were redeemed on March 30, 2020.

In March 2017, Cathay United Bank was authorized to issue unsubordinated financial debentures amounting to US\$195 million (thirty years), which were subsequently issued on April 11, 2017. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity; the bonds were issued in the form of zero-coupon bonds, and the internal rate of return is 4.30%. The bonds were all redeemed on April 13, 2020.

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

Cathay United Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the three months ended March 31, 2021 and 2020, such interest rate swaps were valued at a net loss of \$1,512,498 thousand and net gain of \$3,558,508 thousand, respectively.

c. As of March 31, 2021 and 2020, no financial assets at FVTPL of Cathay United Bank and its subsidiaries were sold under repurchase agreements.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2021	December 31, 2020	March 31, 2020
Investments in equity instrument at FVTOCI			
Stocks	\$ 151,421,188	\$ 123,365,677	\$ 65,981,905
Investments in debt instrument at FVTOCI			
Government bonds	89,245,130	121,984,303	123,127,188
Corporate bonds	95,266,830	104,379,875	55,376,796
Financial debentures	78,150,525	82,202,742	80,579,552
Overseas bonds	1,122,624,956	1,078,517,070	735,564,827
Asset-backed securities	7,073,191	14,299,523	28,314,266
Negotiable certificates of deposits	24,714,162	39,411,018	88,309,034
Discount notes	3,667,607	-	-
Less: Litigation deposits	(45,888)	(46,761)	(46,844)
Less: Deposits to the Central Bank	(1,087,993)	(1,114,990)	(1,095,682)
	<u>1,419,608,520</u>	<u>1,439,632,780</u>	<u>1,110,129,137</u>
	<u>\$ 1,571,029,708</u>	<u>\$ 1,562,998,457</u>	<u>\$ 1,176,111,042</u>

- a. These investments in equity instruments are not held for trading and thus were designated as financial assets at FVTOCI.
- b. Dividend income recognized relating to investments in equity instruments at FVTOCI for the three months ended March 31, 2021 and 2020 were \$116,350 thousand and \$60,441 thousand, respectively. Those related to investment derecognized for the three months ended March 31, 2021 and 2020 were \$4,488 thousand and \$4 thousand, respectively.
- c. In consideration of the investment strategy, the Group sold equity instruments at FVTOCI at fair value of \$4,430,227 thousand and \$14,645,072 thousand at the time of sale, and transferred unrealized gain of \$636,578 thousand and unrealized loss \$103,850 thousand from other equity to retained earnings for the three months ended March 31, 2021 and 2020, respectively.
- d. As of March 31, 2021, December 31, 2020 and March 31, 2020, certain financial assets at FVTOCI of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$13,778,932 thousand, \$9,074,539 thousand and \$47,203,774 thousand, respectively. The proceeds amounting to \$13,639,111 thousand, \$9,175,931 thousand and \$46,052,260 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$13,656,321 thousand, \$9,189,593 thousand and \$46,081,670 thousand before the end of August 2021, June 2021 and May 2020, respectively.
- e. As of March 31, 2021, December 31, 2020 and March 31, 2020, Cathay Securities and its subsidiaries sold certain debt instrument at FVTOCI under repurchase agreements with notional amounts of \$2,500,000 thousand, \$2,200,000 thousand and \$2,900,000 thousand, respectively.
- f. Refer to Note 29 for the financial assets at FVTOCI that were pledged as collateral.
- g. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at FVTOCI.

## 9. DEBT INSTRUMENTS AT AMORTIZED COST

	March 31, 2021	December 31, 2020	March 31, 2020
Time deposits	\$ 3,978,650	\$ 2,553,632	\$ 2,420,502
Financial debentures	59,985,185	52,527,979	61,273,937
Corporate bonds	43,386,530	43,041,834	37,934,039
Government bonds	56,827,735	50,605,910	57,356,625
Overseas bonds	2,551,783,180	2,555,705,009	2,557,252,361
Financial asset beneficiary certificates	445,000	445,000	964,631
Asset-backed securities	47,636,699	32,298,469	46,761,334
Short-term notes	434,228,090	436,402,937	377,694,093
Less: Litigation deposits	(1,352,998)	(1,353,429)	(1,343,504)
Less: Deposits in the Central Bank	(8,543,275)	(8,546,113)	(8,554,744)
Less: Loss allowance (Note)	<u>(1,828,611)</u>	<u>(2,636,690)</u>	<u>(1,982,115)</u>
	<u>\$ 3,186,546,185</u>	<u>\$ 3,161,044,538</u>	<u>\$ 3,129,777,159</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of March 31, 2021, December 31, 2020 and March 31, 2020, the amounts were \$1,235 thousand, \$1,258 thousand and \$821 thousand, respectively.

- a. For the three months ended March 31, 2021 and 2020, the Group disposed of bonds before maturity due to increases in credit risk, which resulted in gain on disposal of \$2,611,182 thousand and loss on disposal of \$188,944 thousand, respectively; disposal of bonds before maturity because of infrequent sales or sales insignificant in value (either individually or in aggregate) resulted in gains on disposal of \$17,079,470 thousand and \$13,683,900 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in gain on disposal of \$710,057 thousand and loss on disposal of \$59,707 thousand, respectively.
- b. As of March 31, 2021, December 31, 2020 and March 31, 2020, certain debt instruments at amortized cost of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$1,643,286 thousand, \$1,095,769 thousand and \$3,500,314 thousand, respectively. The proceeds amounting to \$1,348,223 thousand, \$916,127 thousand and \$3,210,933 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$1,348,134 thousand, \$915,796 thousand and \$3,212,828 thousand before the end of May 2021, January 2021 and May 2020, respectively.
- c. Refer to Note 29 for information relating to debt instruments at amortized cost pledged as collateral.
- d. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at amortized cost.

## 10. RECEIVABLES, NET

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	\$ 400,380	\$ 448,479	\$ 397,962
Accounts receivable	100,926,969	107,627,139	90,178,948
Interest receivables	56,695,830	53,277,785	54,971,188
Acceptances	1,090,454	1,074,796	834,059
Factoring receivables	4,530,549	4,924,287	2,639,380
Others	<u>43,764,214</u>	<u>27,171,566</u>	<u>45,625,931</u>
	207,408,396	194,524,052	194,647,468
Less: Loss allowance	<u>(2,625,525)</u>	<u>(2,607,888)</u>	<u>(2,529,842)</u>
	<u>\$ 204,782,871</u>	<u>\$ 191,916,164</u>	<u>\$ 192,117,626</u>

- a. The Group set aside an appropriate loss allowance for receivables and the movements in loss allowance for receivables were as follows:

### For the three months ended March 31, 2021

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
<u>Receivables</u>						
Balance at the beginning of the period	\$ 465,842	\$ 202,476	\$ 1,731,461	\$ 2,399,779	\$ 62,941	\$ 2,462,720
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(5,363)	92,066	(3,442)	83,261	-	83,261
Transferred to credit-impaired financial assets	(694)	(9,586)	86,244	75,964	-	75,964
Transferred to 12-month ECLs	4,182	(81,945)	(1,905)	(79,668)	-	(79,668)
Derecognition of financial assets in current period	(80,541)	(40,146)	(91,309)	(211,996)	-	(211,996)
New financial assets purchased or originated	105,728	28,922	119,613	254,263	-	254,263
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	776	776
Written off as bad debt expense	-	-	(102,429)	(102,429)	-	(102,429)
Effects of exchange rate changes and others	<u>(15,697)</u>	<u>(23,743)</u>	<u>32,508</u>	<u>(6,932)</u>	<u>-</u>	<u>(6,932)</u>
Balance at the end of the period	<u>\$ 473,457</u>	<u>\$ 168,044</u>	<u>\$ 1,770,741</u>	<u>\$ 2,412,242</u>	<u>\$ 63,717</u>	<u>\$ 2,475,959</u>

For the three months ended March 31, 2020

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
<u>Receivables</u>						
Balance at the beginning of the period	\$ 509,882	\$ 154,306	\$ 1,660,104	\$ 2,324,292	\$ 52,976	\$ 2,377,268
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(4,259)	99,912	(6,296)	89,357	-	89,357
Transferred to credit-impaired financial assets	(501)	(5,837)	79,659	73,321	-	73,321
Transferred to 12-month ECLs	3,333	(65,473)	(2,627)	(64,767)	-	(64,767)
Derecognition of financial assets in current period	(106,991)	(35,924)	(66,890)	(209,805)	-	(209,805)
New financial assets purchased or originated	55,031	23,407	125,834	204,272	-	204,272
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	(70)	(70)
Written off as bad debt expense	-	-	(133,177)	(133,177)	-	(133,177)
Effects of exchange rate changes and others	8,209	(24,857)	68,396	51,748	175	51,923
Balance at the end of the period	<u>\$ 464,704</u>	<u>\$ 145,534</u>	<u>\$ 1,725,003</u>	<u>\$ 2,335,241</u>	<u>\$ 53,081</u>	<u>\$ 2,388,322</u>

- b. Loss allowance for other receivables is provided by simplified approach and the reconciliation was as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 145,168	\$ 159,212
Provision (reversal) for the current period	4,194	(9,114)
Amounts written off	-	(8,574)
Foreign exchange	<u>204</u>	<u>(4)</u>
Ending balance	<u>\$ 149,566</u>	<u>\$ 141,520</u>

## 11. DISCOUNTS AND LOANS, NET

	March 31, 2021	December 31, 2020	March 31, 2020
Export negotiations	\$ 1,510,698	\$ 1,492,261	\$ 1,145,508
Loans	2,245,095,958	2,166,663,868	2,063,910,793
Overdrafts	950,805	1,557,418	1,801,907
Overdue loans	<u>6,082,623</u>	<u>4,546,927</u>	<u>4,027,723</u>
	2,253,640,084	2,174,260,474	2,070,885,931
Less: Loss allowance	<u>(34,103,956)</u>	<u>(32,984,269)</u>	<u>(32,479,302)</u>
	<u>\$ 2,219,536,128</u>	<u>\$ 2,141,276,205</u>	<u>\$ 2,038,406,629</u>

- As of March 31, 2021, the gross amount of domestic discounts and loans and the related loss allowance belonging to Cathay United Bank amounted to \$1,595,447,095 thousand and \$26,514,584 thousand, respectively.
- Refer to Note 36 for information relating to the credit risk management and impairment of discounts and loans.

## 12. SUBSIDIARIES

- Subsidiaries included in the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			March 31, 2021	December 31, 2020	March 31, 2020	
The Company	Cathay Life	Life Insurance	100.00	100.00	100.00	
The Company	Cathay United Bank	Banking	100.00	100.00	100.00	
The Company	Cathay Century	Property insurance	100.00	100.00	100.00	
The Company	Cathay Securities	Security	100.00	100.00	100.00	
The Company and Cathay Life	Cathay Venture	Venture capital	100.00	100.00	100.00	
The Company	Cathay Securities Investment Trust	Entrusted investments	100.00	100.00	100.00	
Cathay Life	Cathay Lujiazui Life	Life insurance	50.00	50.00	50.00	
Cathay Life	Cathay Life (Vietnam)	Life insurance	100.00	100.00	100.00	
Cathay Life	Lin Yuan (Shanghai) Real Estate Co., Ltd. ("Lin Yuan")	Office leasing	100.00	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Conning Holdings Limited ("CHL")	Holding company	100.00	100.00	100.00	
Cathay Life	Cathay Industrial Research and Design Center Co., Ltd. ("Cathay Industrial R&D Center")	Real estate investment and management	99.00	-	-	Note 1
CHL	Conning U.S. Holdings, Inc.	Holding company	100.00	100.00	100.00	
CHL	Conning Asset Management Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Conning (Germany) GmbH	Risk management software services	100.00	100.00	100.00	
The Company and CHL	Conning Asia Pacific Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Conning Japan Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Global Evolution Holding ApS	Holding company	53.13	53.13	45.00	Note 2
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	100.00	100.00	
Conning Holdings Corp.	Conning & Company ("C&C")	Holding company	100.00	100.00	100.00	
C&C	Conning Inc.	Asset management services	100.00	100.00	100.00	
C&C	Goodwin Capital Advisers, Inc.	Asset management services	100.00	100.00	100.00	
C&C	Conning Investment Products, Inc.	Securities services	100.00	100.00	100.00	
C&C	Octagon Credit Investors, LLC ("Octagon")	Asset management services	86.34	85.67	83.03	
Octagon	Octagon Credit Opportunities GP, LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP II LLC	Fund management services	100.00	100.00	100.00	

(Continued)

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			March 31, 2021	December 31, 2020	March 31, 2020	
Global Evolution Holding ApS	Global Evolution Financial ApS	Asset management services	99.72	99.72	-	
Global Evolution Financial ApS	Global Evolution Fondsmæglerselskab A/S	Asset management services	100.00	100.00	-	
Global Evolution Financial ApS	Mogambo2 Holding ApS	Asset management services	100.00	100.00	-	
Global Evolution Financial ApS	Global Evolution Manco S.A.	Asset management services	90.00	90.00	-	
Global Evolution Fondsmæglerselskab A/S	Global Evolution USA, LLC	Asset management services	100.00	100.00	-	
Global Evolution Fondsmæglerselskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	100.00	-	
Cathay Century	Cathay Insurance (Vietnam) Co., Ltd. ("Cathay Insurance (Vietnam)")	Property insurance services	100.00	100.00	100.00	
Cathay United Bank	Indovina Bank Limited ("Indovina Bank")	Banking	50.00	50.00	50.00	
Cathay United Bank	Cathay United Bank (Cambodia) Corporation Limited ("CUBC Bank")	Banking	100.00	100.00	100.00	
Cathay United Bank	Cathay United Bank (China) Co., Ltd. ("CUBCN Bank")	Banking	100.00	100.00	100.00	
Cathay Securities	Cathay Futures Co., Ltd. ("Cathay Futures")	Futures services	99.99	99.99	99.99	
Cathay Securities	Cathay Securities (Hong Kong) Co., Ltd. ("Cathay Securities (Hong Kong)")	Securities services	100.00	100.00	100.00	
Cathay Securities (Hong Kong)	Cathay Capital (Asia) Limited ("Cathay Capital (Asia)")	Investment service	100.00	100.00	100.00	Note 3
Cathay Venture	Cathay Investment Inc. ("Cathay Investment")	Venture capital	100.00	100.00	100.00	
Cathay Securities Investment Trust	Cathay Private Equity Co., Ltd. ("Cathay Private Equity")	Private equity	100.00	100.00	100.00	

(Concluded)

Note 1: It was jointly established by Cathay Life and Ally Logistic Property Co., Ltd. on January 8, 2021.

Note 2: CHL originally held 45% equity shares in Global Evolution Holding ApS, which were recorded as investments accounted for using the equity method. On June 25, 2020, CHL acquired a further 8% equity shares, and increased its ownership interest from 45% to 53%, and CHL obtained the control of Global Evolution Holding ApS.

Note 3: It was established by Cathay Securities (Hong Kong) on February 24, 2020.

b. Subsidiaries excluded from the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			March 31, 2021	December 31, 2020	March 31, 2020	
Cathay Life	Cathay Securities Investment Consulting Co., Ltd. ("Cathay Securities Investment Consulting")	Security investment consulting services	100.00	100.00	100.00	

The consolidated financial statements did not include the above-mentioned subsidiary because its total assets and operating revenue were insignificant to the total assets and operating revenue of the Group.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	March 31, 2021	December 31, 2020	March 31, 2020
Investments in unconsolidated subsidiaries	\$ 705,291	\$ 637,478	\$ 616,777
Investments in associates	<u>32,739,071</u>	<u>32,398,804</u>	<u>47,349,914</u>
	<u>\$ 33,444,362</u>	<u>\$ 33,036,282</u>	<u>\$ 47,966,691</u>



a. Investments in unconsolidated subsidiaries

	March 31, 2021	December 31, 2020	March 31, 2020
Cathay Securities Investment Consulting	\$ 705,291	\$ 637,478	\$ 616,777

b. Investments in associates

	March 31, 2021	December 31, 2020	March 31, 2020
Rizal Commercial Banking Corporation	\$ 16,465,626	\$ 16,447,489	\$ 16,130,576
Cathay Insurance Company Limited (China)	4,693,633	4,621,539	4,378,370
Dasheng Venture Capital Co., Ltd.	2,022,752	2,042,511	1,804,938
Taiwan Finance Corp.	1,796,439	1,765,602	1,705,452
PSS Co., Ltd.	950,246	911,004	894,249
Dasheng IV Venture Capital Co., Ltd.	847,715	760,743	901,855
Ding Teng Co., Ltd.	828,332	830,172	793,144
Cathay Sunrise Corporation	742,835	728,790	687,170
Neo Cathay Power Corp.	724,298	704,798	687,928
CMG International One Corp.	673,833	674,804	675,016
CMG International Two Corp.	670,663	671,916	672,799
CM Energy Co., Ltd.	465,495	329,516	283,660
Greenhealth Water Resources Co., Ltd.	454,802	455,862	467,620
CDBS Cathay Asset Management Co., Ltd.	403,825	407,101	408,384
Symphox Information Co., Ltd.	398,585	403,866	456,664
TaiYang Solar Power Co., Ltd.	145,940	147,430	70,457
Tien-Tai Optronics Corporation	144,605	141,287	140,425
Tiantai II Optoelectronics Co., Ltd.	139,421	135,982	-
Taiwan Real-estate Management Corp.	96,406	97,567	100,298
Lin Yuan Property Management Co., Ltd.	62,843	56,461	-
Tien-Tai Management Consulting Co., Ltd.	6,487	5,865	5,569
WK Technology Fund VI Co., Ltd.	4,290	58,499	58,233
RI-Zhao Energy Corp.	-	-	47,818
Dun-Yang Energy Corp.	-	-	45,012
Yong-Chang Energy Corp.	-	-	43,357
PT Bank Mayapada Internasional Tbk	-	-	12,967,085
Global Evolution Holding ApS	-	-	2,923,835
	<u>\$ 32,739,071</u>	<u>\$ 32,398,804</u>	<u>\$ 47,349,914</u>

Aggregate information of associates that are not individually material

	For the Three Months Ended March 31	
	2021	2020
The Group's share of:		
Net income (loss)	\$ 499,600	\$ (442,121)
Other comprehensive income (loss)	<u>60,960</u>	<u>(142,472)</u>
Total comprehensive income (loss) for the period	<u>\$ 560,560</u>	<u>\$ (584,593)</u>

As the individual associates are not significant, the related financial information is disclosed aggregately. The amounts of the share of profit or loss and other comprehensive income (loss) of associates were based on non-audited financial statements.

The investments in associates were not pledged.

#### 14. INVESTMENT PROPERTY

	<b>Investment Property</b>		<b>Investment Property Under Construction</b>	<b>Prepayments for Buildings and Land - Investments</b>	<b>Total</b>
	<b>Land</b>	<b>Buildings</b>			
Balance at January 1, 2020	\$ 298,205,802	\$ 104,791,226	\$ 4,546,717	\$ 1,152,363	\$ 408,696,108
Additions	-	-	366,900	521,895	888,795
Disposals	(129,794)	(530)	-	-	(130,324)
Other reclassification	520,127	-	-	(520,127)	-
Foreign exchange	(737,055)	(1,256,516)	-	-	(1,993,571)
Balance at March 31, 2020	<u>\$ 297,859,080</u>	<u>\$ 103,534,180</u>	<u>\$ 4,913,617</u>	<u>\$ 1,154,131</u>	<u>\$ 407,461,008</u>
Balance at January 1, 2021	\$ 302,181,742	\$ 112,634,024	\$ 1,528,547	\$ 3,131,915	\$ 419,476,228
Additions	1,675,410	-	493,280	414,881	2,583,571
Disposals	3,279,159	5,440	(5,440)	(3,279,159)	-
Other reclassification	(6,299)	(5,440)	-	-	(11,739)
Foreign exchange	<u>87,192</u>	<u>131,688</u>	<u>-</u>	<u>-</u>	<u>218,880</u>
Balance at March 31, 2021	<u>\$ 307,217,204</u>	<u>\$ 112,765,712</u>	<u>\$ 2,016,387</u>	<u>\$ 267,637</u>	<u>\$ 422,266,940</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Rental income from investment property	\$ 2,771,925	\$ 2,999,214
Less: Direct operating expense from investment properties that generate rental income	(128,612)	(150,286)
Less: Direct operating expense from investment properties that do not generate rental income	<u>(28,852)</u>	<u>(24,949)</u>
	<u>\$ 2,614,461</u>	<u>\$ 2,823,979</u>

- Certain properties are held to earn rental or for capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component could not be sold separately, it would be classified as investment property only when owner occupation is lower than 5% of the property.
- As of March 31, 2021, the investment properties (excluding investment property under construction and prepayment for buildings and land - investments) belonging to Cathay Life amounted to \$380,855,922 thousand. 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 the lease agreements are the same as general lease agreements. Rents from investment property are received annually, semi-annually, quarterly, monthly or in one lump sum. Investment properties held by the Group were not pledged.
- The ownership of the Group's investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other's debts; the ownership of its trust property is not subject to restrictions. Besides, the Group is not involved in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.

- d. Valuation on the investment property of Cathay Life and its subsidiaries has been carried out by the following appraisers of joint appraisal firms that met the qualification requirements for real estate appraisers in the R.O.C., with valuation dates on December 31, 2020 and 2019. The appraisers had reviewed the effectiveness of the original valuation reports and clarified that the fair values at December 31, 2020 and 2019 were still in effect on March 31, 2021 and 2020, respectively.

<b>Name of Appraiser Firm</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
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	Guang-ping, Dai; Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang
REPro Knight Frank 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 Sinyi Real Estate Appraiser Firm	Hong-yuan, Wang Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Hong-yuan, 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; Chih-wei, Li

On May 11, 2020, the Insurance Bureau of the FSC issued Jin Guan Bao Tsai No. 10904917641 to amend some of the provisions of the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, which should be applied in the preparation of the financial report beginning in the first quarter of 2020. However, Cathay Life’s investment properties were mainly recognized at fair value subsequent to initial recognition before the amendment issued on May 11, 2020, and, according to the amendment, the previously-adopted appraisal approaches are applied for such assets to maintain the consistency and comparability of the financial reports for the years before and after the amendment.

The fair value is supported by observable evidence in the market. The main appraisal approaches applied include the sales comparison approach, income approach - direct capitalization method, income approach - discounted cash flow method, cost approach and the method of land development analysis. Commercial office buildings and residences are mainly valued by the sales comparison approach and income approach because of the market liquidity and comparable sales and rental cases in the neighboring areas. Hotels, department stores and marketplaces are mainly valued by the income approach - direct capitalization method and income approach - discounted cash flow method because of the stable rental income in the long term. Industrial plants for lease are valued by the sales comparison approach and cost approach. Wholesale stores located in industrial districts are valued by the cost approach since the buildings are constructed for specific purposes because fewer similar transactions could be referred to in the market. Vacant land and buildings under construction of logistics parks located in industrial and commercial integrated district are valued by cost approach. Land under construction with building permit is mainly valued by comparison approach and land development analysis. Urban renewal land under construction with building permit is valued based by comparison approach and income approach based on the allocated real estates (office buildings, hotels, etc.) under the urban renewal program.

The main inputs used are as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
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 the market extraction method, search several comparable properties which are identical with or similar to the subject property, consider the liquidity risk and risk premium when disposed of in the future, to decide the direct capitalization rate and discount rate.

Cathay Life and its subsidiaries recognized their investment property at fair value subsequent to initial recognition and related fair value are categorized as level 3 of fair value hierarchy. The fair value of investment property will decrease as either one of the main inputs, direct capitalization rate and discount rate, of the direct capitalization method increases. On the contrary, the fair value of investment property will increase if any of the main input decreases.

- e. Cathay United Bank's investment properties were appraised by qualified real estate appraisers in Taiwan according to the Technical Rules for Real Estate Valuation. The valuation dates were December 31, 2020 and 2019, respectively. The appraisers had reviewed the original valuation reports issued on the aforementioned valuation dates and clarified that the valuation reports were in effect on March 31, 2021 and 2020, respectively.

<b>Name of Appraiser Office</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
REPro Knight Frank Real Estate Appraiser Firm	Hsiang-yi, Hsu; Yu-hsiang, Tsai	Hong-xu, Wu; Yu-hsiang, Tsai

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

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

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

According to the R.O.C. Real Estate Appraisers Association Gazette No. 5, the house tax is determined based on the reference tables of current house values assessed for each city/county to estimate the total current house value assessed. House tax is calculated based on the tax rates in the House Tax Act and the actual payment data.

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

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

The main inputs used are as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Direct capitalization rates	1.93%-3.79%	1.98%-5.76%
Overall capital interest rate	0.67%-1.93%	0.76%-2.89%

- 2) For reserved areas in hillside land, scenic land site and areas for agriculture, animal husbandry and forestry, there are few market transactions due to regulatory regulations, and low development efficiency, resulting in no significant change that would affect the related property market in the near future. Their fair values are determined by comparison approach.
- f. Valuation on the investment property of Cathay Securities and its subsidiaries has been performed by the appraiser from Elite Real Estate Appraiser Firm (Yi-huei Luo and Yu-lin Chen) that met the qualification requirements for real estate appraisers in the ROC, with valuation dates on December 31, 2020 and 2019. The appraiser reviewed the original valuation reports issued on December 31, 2020 and 2019 and clarified that the valuation reports were still in effect on March 31, 2021 and 2020, respectively.

The fair value of investment property is determined by income approach with significant assumptions as follows. If estimated future cash inflows increase or discount rate decreases, the fair value will increase.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Estimated future cash inflows	\$ 445,029	\$ 435,307
Estimated future cash outflows	<u>(14,672)</u>	<u>(16,601)</u>
Estimated net cash inflows	<u>\$ 430,357</u>	<u>\$ 418,706</u>
Discount rate	2.295%	2.045%
Direct capitalization rate	2.56%	2.56%

The market rentals ranged from \$4,000 to \$6,000 per pyeong in the areas where the investment property is located.

The investment properties were entirely leased under operating leases, and generated rental income of \$1,789 thousand and \$1,790 thousand, respectively, for the three months ended March 31, 2021 and 2020.

The estimated future cash inflows consist of rental income, interest of deposit and value of disposal at the end of the period. Rental income is estimated for the current rent and the annual growth rate of the rent. The period of benefit analysis is estimated for 10 years. Interest of deposit is estimated based on the interest rate on a 1-year time deposit of the 5 largest banks for the past five years. The value of disposal at the end of the period is estimated using the direct capitalization method. The estimated future cash outflows consist of land tax, property tax, and replacement allowance, which are estimated on the basis of current expenditures, adjustments to the future announced land value, and tax rates in accordance with the House Tax Act.

The discount rate is determined based on the interest rate on a 2-year time deposit of petty cash plus 5 and 3 quarters percentage points as posted by Chunghwa Post Co., Ltd., plus the risk premium, respectively.

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

	For the Three Months Ended March 31	
	2021	2020
Beginning balance	\$ 398,420,117	\$ 390,874,044
Amount recognized in profit or loss		
Loss from investment property	(11,739)	-
Amount recognized in other comprehensive (loss) income		
Exchange differences resulting from translating the financial statements of foreign operations	218,880	(1,993,571)
Disposals	-	(121,501)
Transfers from investment property under construction	<u>5,440</u>	<u>-</u>
Ending balance	<u>\$ 398,632,698</u>	<u>\$ 388,758,972</u>

The above amount excludes those measured at cost.

- h. Refer to Table 3 for the acquisition of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital of the Group.
- i. See Note 29 for information relating to investment properties pledged as collateral for short-term bank borrowings.

## 15. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvements	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
<b>Cost</b>								
Balance at January 1, 2020	\$ 71,692,186	\$ 46,606,608	\$ 8,673,295	\$ 1,098,481	\$ 127,383	\$ 12,503,689	\$ 791,729	\$ 141,493,371
Additions	-	-	71,570	5,627	2,108	107,814	154,970	342,089
Disposals	-	-	(78,502)	-	(2,919)	(48,412)	-	(129,833)
Reclassification	-	-	45,519	507	-	42,220	(93,479)	(5,233)
Others	(600)	-	-	-	-	-	-	(600)
Foreign exchange	2,800	(23,832)	6	(5,621)	516	721	191	(25,219)
Balance at March 31, 2020	<u>71,694,386</u>	<u>46,582,776</u>	<u>8,711,888</u>	<u>1,098,994</u>	<u>127,088</u>	<u>12,606,032</u>	<u>853,411</u>	<u>141,674,575</u>
<b>Depreciation and impairment</b>								
Balance at January 1, 2020	103,134	22,932,481	5,883,294	685,957	86,835	9,946,299	-	39,638,000
Depreciation	-	231,449	192,650	29,045	2,537	162,824	-	618,505
Disposals	-	-	(78,043)	-	(2,919)	(47,975)	-	(128,937)
Foreign exchange	-	(2,881)	(1,500)	(4,074)	340	(342)	-	(8,457)
Balance at March 31, 2020	<u>103,134</u>	<u>23,161,049</u>	<u>5,996,401</u>	<u>710,928</u>	<u>86,793</u>	<u>10,060,806</u>	<u>-</u>	<u>40,119,111</u>
Carrying amount at March 31, 2020	<u>\$ 71,591,252</u>	<u>\$ 23,421,727</u>	<u>\$ 2,715,487</u>	<u>\$ 388,066</u>	<u>\$ 40,295</u>	<u>\$ 2,545,226</u>	<u>\$ 853,411</u>	<u>\$ 101,555,464</u>
<b>Cost</b>								
Balance at January 1, 2021	\$ 68,732,685	\$ 46,246,545	\$ 9,188,997	\$ 1,227,787	\$ 124,239	\$ 12,732,934	\$ 1,039,671	\$ 139,292,858
Additions	-	120	201,029	59,991	3,630	103,769	265,049	633,588
Disposals	-	-	(340,239)	(22)	-	(49,701)	-	(389,962)
Reclassification	-	176	18,677	4,479	-	42,863	(114,347)	(48,152)
Others	(600)	-	-	-	-	-	-	(600)
Foreign exchange	435	(3,223)	(1,165)	(3,341)	96	(1,658)	(414)	(9,270)
Balance at March 31, 2021	<u>68,732,520</u>	<u>46,243,618</u>	<u>9,067,299</u>	<u>1,288,894</u>	<u>127,965</u>	<u>12,828,207</u>	<u>1,189,959</u>	<u>139,478,462</u>
<b>Depreciation and impairment</b>								
Balance at January 1, 2021	103,134	23,570,910	6,298,771	794,288	87,773	10,032,850	-	40,887,726
Depreciation	-	223,603	203,477	24,064	2,464	169,449	-	623,057
Disposals	-	-	(339,139)	(22)	-	(48,025)	-	(387,186)
Reclassification	-	-	198	4	-	(1,233)	-	(1,031)
Foreign exchange	-	(532)	7,277	(1,531)	70	(1,404)	-	3,880
Balance at March 31, 2021	<u>103,134</u>	<u>23,793,981</u>	<u>6,170,584</u>	<u>816,803</u>	<u>90,307</u>	<u>10,151,637</u>	<u>-</u>	<u>41,126,446</u>
Carrying amount at December 31, 2020 and January 1, 2021	<u>\$ 68,629,551</u>	<u>\$ 22,675,635</u>	<u>\$ 2,890,226</u>	<u>\$ 433,499</u>	<u>\$ 36,466</u>	<u>\$ 2,700,084</u>	<u>\$ 1,039,671</u>	<u>\$ 98,405,132</u>
Carrying amount at March 31, 2021	<u>\$ 68,629,386</u>	<u>\$ 22,449,637</u>	<u>\$ 2,896,715</u>	<u>\$ 472,091</u>	<u>\$ 37,658</u>	<u>\$ 2,676,570</u>	<u>\$ 1,189,959</u>	<u>\$ 98,352,016</u>

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

Buildings and construction	1-70 years
Computer equipment	3-10 years
Leasehold improvements	3-6 years or lease term
Transportation equipment	3-7 years
Other equipment	2-22 years

- b. Property and equipment were not pledged as collateral.

## 16. LEASE AGREEMENTS

- a. Right-of-use assets

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amount</u>			
Buildings	\$ 4,055,114	\$ 4,042,404	\$ 3,813,744
Office equipment	18,916	13,109	15,053
Machine equipment	1,590	5,135	2,691
Transportation equipment	<u>69,596</u>	<u>77,895</u>	<u>75,221</u>
	<u>\$ 4,145,216</u>	<u>\$ 4,138,543</u>	<u>\$ 3,906,709</u>
The right-of-use assets presented as investment properties	<u>\$ 10,224,234</u>	<u>\$ 8,548,824</u>	<u>\$ 8,781,429</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2021</b>	<b>2020</b>
Additions to right-of-use assets		<u>\$ 275,170</u>	<u>\$ 346,117</u>
Depreciation expense for right-of-use assets			
Buildings		\$ 338,131	\$ 336,150
Office equipment		1,342	1,228
Machine equipment		411	375
Transportation equipment		<u>14,986</u>	<u>12,444</u>
		<u>\$ 354,870</u>	<u>\$ 350,197</u>

- b. Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Carrying amount	<u>\$ 14,395,259</u>	<u>\$ 13,011,637</u>	<u>\$ 12,683,498</u>

Ranges of discount rates for lease liabilities are as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Buildings	0.04%-8.57%	0.33%-8.57%	0.33%-8.57%
Office equipment	0.42%-4.76%	0.42%-4.76%	0.71%-4.76%
Machine equipment	0.75%-4.15%	0.70%-4.15%	0.70%-4.15%
Transportation equipment	0.67%-4.35%	0.67%-4.43%	0.67%-5.38%
Investment property-superficies right	2.82%-4.00%	2.82%-3.71%	2.82%-3.71%

## 17. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 5,796,439	\$ 37,659,600	\$ 394,961	\$ 3,548,412	\$ 18,924,948	\$ 211,890	\$ 66,536,250
Addition - acquired separately	127,914	-	-	-	-	-	127,914
Disposal	(150,455)	-	-	-	-	-	(150,455)
Reclassification	7,882	-	-	-	-	-	7,882
Exchange differences	(10,345)	-	1,941	17,443	38,065	1,074	48,178
Balance at March 31, 2020	<u>\$ 5,771,435</u>	<u>\$ 37,659,600</u>	<u>\$ 396,902</u>	<u>\$ 3,565,855</u>	<u>\$ 18,963,013</u>	<u>\$ 212,964</u>	<u>\$ 66,569,769</u>
<u>Amortization and impairment</u>							
Balance at January 1, 2020	\$ 4,147,171	\$ 9,357,224	\$ -	\$ 1,583,626	\$ -	\$ 177,257	\$ 15,265,278
Amortization	164,177	519,846	-	97,808	-	4,773	786,604
Disposal	(150,455)	-	-	-	-	-	(150,455)
Exchange differences	(4,473)	-	-	8,108	-	886	4,521
Balance at March 31, 2020	<u>\$ 4,156,420</u>	<u>\$ 9,877,070</u>	<u>\$ -</u>	<u>\$ 1,689,542</u>	<u>\$ -</u>	<u>\$ 182,916</u>	<u>\$ 15,905,948</u>
Carrying amount at March 31, 2020	<u>\$ 1,615,015</u>	<u>\$ 27,782,530</u>	<u>\$ 396,902</u>	<u>\$ 1,876,313</u>	<u>\$ 18,963,013</u>	<u>\$ 30,048</u>	<u>\$ 50,663,821</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 6,206,660	\$ 37,659,600	\$ 373,996	\$ 5,731,801	\$ 21,842,780	\$ 200,673	\$ 72,015,510
Addition - acquired separately	92,239	-	-	-	-	-	92,239
Others	-	-	-	(172,492)	368,174	-	195,682
Disposal	(16,869)	-	-	-	-	-	(16,869)
Reclassification	77,032	-	-	-	-	-	77,032
Exchange differences	(2,902)	-	302	11,190	(5,414)	158	3,334
Balance at March 31, 2021	<u>\$ 6,356,160</u>	<u>\$ 37,659,600</u>	<u>\$ 374,298</u>	<u>\$ 5,570,499</u>	<u>\$ 22,205,540</u>	<u>\$ 200,831</u>	<u>\$ 72,366,928</u>
<u>Amortization and impairment</u>							
Balance at January 1, 2021	\$ 4,422,597	\$ 11,436,607	\$ -	\$ 1,967,996	\$ -	\$ 185,903	\$ 18,013,103
Amortization	174,837	519,846	-	101,312	-	4,495	800,490
Disposal	(16,869)	-	-	-	-	-	(16,869)
Exchange differences	(1,540)	-	-	2,087	-	172	719
Balance at March 31, 2021	<u>\$ 4,579,025</u>	<u>\$ 11,956,453</u>	<u>\$ -</u>	<u>\$ 2,071,395</u>	<u>\$ -</u>	<u>\$ 190,570</u>	<u>\$ 18,797,443</u>
Carrying amount at December 31, 2020 and January 1, 2021	<u>\$ 1,784,063</u>	<u>\$ 26,222,993</u>	<u>\$ 373,996</u>	<u>\$ 3,763,805</u>	<u>\$ 21,842,780</u>	<u>\$ 14,770</u>	<u>\$ 54,002,407</u>
Carrying amount at March 31, 2021	<u>\$ 1,777,135</u>	<u>\$ 25,703,147</u>	<u>\$ 374,298</u>	<u>\$ 3,499,104</u>	<u>\$ 22,205,540</u>	<u>\$ 10,261</u>	<u>\$ 53,569,485</u>

a. Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years
Franchises	6.5 or 20 years
Customer relationships	5-15 years
Other intangible assets	3-6 years



b. The acquisition and primary movements in goodwill were as follows:

1) Cathay Life

As of March 31, 2021, December 31, 2020 and March 31, 2020, the carrying amounts of goodwill were \$13,640,686 thousand, \$13,278,169 thousand and \$10,379,946 thousand, respectively. The goodwill arose from the acquisition of all assets, liabilities and operations of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. except for their reserved assets and liabilities on July 1, 2015, the acquisition of 100% interest in Conning Holdings Limited on September 18, 2015 and 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of Cathay Life) on February 1, 2016 and the transaction of 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020.

An annual impairment test for goodwill is performed regularly. Cathay Life and its subsidiaries estimated the recoverable amount of the cash-generating unit that the goodwill is allocated to for the purpose of impairment test. The recoverable amount is calculated by applying a proper discount rate. Since the recoverable amount is higher than the book value of the cash-generating unit that the goodwill was allocated to, no impairment is incurred for goodwill.

2) Cathay United Bank

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

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

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

## 18. COMMERCIAL PAPER PAYABLE, NET

	March 31, 2021	December 31, 2020	March 31, 2020
Nominal amount	\$ 42,610,000	\$ 39,520,000	\$ 51,350,000
Less: Discount on short-term bills payable	<u>(331)</u>	<u>(82)</u>	<u>(401)</u>
	<u>\$ 42,609,669</u>	<u>\$ 39,519,918</u>	<u>\$ 51,349,599</u>
Interest rate range	0.27%-0.56%	0.23%-0.35%	0.44%-0.63%

## 19. DEPOSITS AND REMITTANCES

	March 31, 2021	December 31, 2020	March 31, 2020
Checking deposits	\$ 13,280,659	\$ 15,533,633	\$ 12,193,592
Demand deposits	700,971,494	694,644,715	521,069,719
Demand savings deposits	1,148,057,406	1,102,957,219	965,683,815
Time deposits	426,536,927	433,098,232	467,833,372
Time savings deposits	356,689,684	359,917,919	378,943,079
Negotiable certificates of deposit	6,708,820	7,516,122	2,847,500
Outward remittances and remittances payable	<u>2,457,805</u>	<u>2,131,223</u>	<u>1,480,438</u>
	<u>\$ 2,654,702,795</u>	<u>\$ 2,615,799,063</u>	<u>\$ 2,350,051,515</u>

## 20. BONDS PAYABLE

	March 31, 2021	December 31, 2020	March 31, 2020
Subordinated financial debentures	\$ 52,300,000	\$ 53,800,000	\$ 53,900,000
Cumulative perpetual subordinated corporate bonds	45,000,000	45,000,000	45,000,000
Unsecured corporate bonds	<u>50,000,000</u>	<u>50,000,000</u>	<u>20,000,000</u>
	<u>\$ 147,300,000</u>	<u>\$ 148,800,000</u>	<u>\$ 118,900,000</u>

### a. Subordinated financial debentures

	March 31, 2021	December 31, 2020	March 31, 2020
First issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: March 2021	\$ -	\$ 1,500,000	\$ 1,500,000
First issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: June 2021	2,500,000	2,500,000	2,500,000
First issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	4,200,000	4,200,000	4,200,000
First issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: August 2022	5,600,000	5,600,000	5,600,000
First issue of subordinated financial debentures in 2013; fixed rate at 1.55%; maturity: April 2020	-	-	100,000
First issue of subordinated financial debentures in 2013; fixed rate at 1.7%; maturity: April 2023	9,900,000	9,900,000	9,900,000

(Continued)

	March 31, 2021	December 31, 2020	March 31, 2020
First issue of subordinated financial debentures in 2014; fixed rate at 1.7%; maturity: May 2021	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
First issue of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000	12,000,000
First issue of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000	12,700,000
First issue of subordinated financial debentures in 2017; fixed rate at 1.5%; maturity: April 2024	<u>2,400,000</u>	<u>2,400,000</u>	<u>2,400,000</u>
	<u>\$ 52,300,000</u>	<u>\$ 53,800,000</u>	<u>\$ 53,900,000</u> (Concluded)

b. Cumulative perpetual subordinated corporate bonds

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

- a) Issue amount: \$35,000,000 thousand.
- b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
- c) Years to maturity: Perpetual.
- d) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year from the issue date.
- e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
- f) Right of early redemption: If the Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, the Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
- g) Form of bonds: Book-entry securities.

2) Pursuant to Order No. Securities-TPEX-Bond-10800055731 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on June 26, 2019 through public offering. Key terms and conditions are as follows:

- a) Issue amount: \$10,000,000 thousand.
- b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
- c) Years to maturity: Perpetual.

- d) Coupon rate: Fixed rate of 3%.
  - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
  - f) Right of early redemption: If the Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, the Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
  - g) Form of bonds: Book-entry securities.
- c. Unsecured corporate bonds
- 1) Pursuant to Order No. Securities-TPEX-Bond-10800038242 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on May 8, 2019 through public offering. Key terms and conditions are as follows:
    - a) Issue amount: \$20,000,000 thousand, which is divided into A Note of \$4,000,000 thousand, B Note of \$4,000,000 thousand and C Note of \$12,000,000 thousand by issue periods.
    - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
    - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
    - d) Coupon rate: Fixed rate of 0.83% for A Note, 0.93% for B Note and 1.04% for C Note.
    - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
    - f) Form of bonds: Book-entry securities.
  - 2) Pursuant to Order No. Securities-TPEX-Bond-10900064782 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on June 23, 2020 through public offering. Key terms and conditions are as follows:
    - a) Issue amount: \$8,900,000 thousand, which is divided into A Note of \$1,900,000 thousand, B Note of \$6,500,000 thousand and C Note of \$500,000 thousand by issue periods.
    - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
    - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
    - d) Coupon rate: Fixed rate of 0.59% for A Note, 0.64% for B Note and 0.67% for C Note.
    - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
    - f) Form of bonds: Book-entry securities.

- 3) Pursuant to Order No. Securities-TPEX-Bond-10900108202 of the Taipei Exchange, Cathay Financial Holdings issued its second unsecured corporate bonds on September 8, 2020 through public offering. Key terms and conditions are as follows:
- a) Issue amount: \$21,100,000 thousand, which is divided into A Note of \$2,400,000 thousand, B Note of \$7,800,000 thousand, C Note of \$2,500,000 thousand and D Note of \$8,400,000 thousand by period issued.
  - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
  - c) Years to maturity: A Note is 5 years, B Note is 6 years, C Note is 7 years and D Note is 10 years.
  - d) Coupon rate: Fixed rate of 0.61% for A Note, 0.64% for B Note, 0.66% for C Note and 0.70% for D Note.
  - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
  - f) Form of bonds: Book-entry securities.

## 21. PROVISIONS

	March 31, 2021	December 31, 2020	March 31, 2020
Insurance liability			
Unearned premium reserve	\$ 31,863,872	\$ 32,513,604	\$ 29,881,745
Loss reserve	23,179,179	22,026,118	20,704,437
Policy reserve	6,103,638,104	5,999,277,822	5,706,031,520
Special reserve	13,675,227	13,706,823	13,946,485
Premium deficiency reserve	12,843,779	13,806,541	18,812,729
Reserve for insurance contracts with the nature of financial products	14,245,677	13,731,508	11,885,675
Reserve for foreign exchange valuation	13,522,294	14,820,865	11,659,007
Other reserve	<u>1,873,925</u>	<u>1,876,925</u>	<u>1,867,141</u>
	6,214,842,057	6,111,760,206	5,814,788,739
Provisions for employee benefits	4,047,270	4,051,931	3,914,954
Other reserves	<u>1,133,344</u>	<u>1,261,082</u>	<u>1,470,505</u>
	<u>\$ 6,220,022,671</u>	<u>\$ 6,117,073,219</u>	<u>\$ 5,820,174,198</u>

As of March 31, 2021, policy reserve belonging to Cathay Life amounted to \$6,103,637,991 thousand.

a. Cathay Life and its subsidiaries

The details and changes of Cathay Life and its subsidiaries' insurance contracts and financial instruments with discretionary participation features are summarized below:

1) Unearned premium reserve

<b>March 31, 2021</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 72,401	\$ -	\$ 72,401
Individual injury insurance	7,051,695	-	7,051,695
Individual health insurance	9,540,952	-	9,540,952
Group insurance	1,351,658	-	1,351,658
Investment-linked insurance	114,064	-	114,064
	<u>18,130,770</u>	<u>-</u>	<u>18,130,770</u>
Less ceded unearned premium reserve			
Individual life insurance	797,818	-	797,818
Individual injury insurance	23,210	-	23,210
Individual health insurance	189,614	-	189,614
Group insurance	968	-	968
	<u>1,011,610</u>	<u>-</u>	<u>1,011,610</u>
	<u>\$ 17,119,160</u>	<u>\$ -</u>	<u>\$ 17,119,160</u>
<b>December 31, 2020</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 73,271	\$ -	\$ 73,271
Individual injury insurance	7,313,660	-	7,313,660
Individual health insurance	9,966,083	-	9,966,083
Group insurance	1,306,110	-	1,306,110
Investment-linked insurance	116,825	-	116,825
	<u>18,775,949</u>	<u>-</u>	<u>18,775,949</u>
Less ceded unearned premium reserve			
Individual life insurance	878,870	-	878,870
Individual injury insurance	25,638	-	25,638
Individual health insurance	208,531	-	208,531
Group insurance	-	-	-
	<u>1,113,039</u>	<u>-</u>	<u>1,113,039</u>
	<u>\$ 17,662,910</u>	<u>\$ -</u>	<u>\$ 17,662,910</u>

	<b>March 31, 2020</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>		<b>Total</b>
Individual life insurance	\$ 79,106	\$ -	\$ 79,106
Individual injury insurance	6,620,677	-	6,620,677
Individual health insurance	8,906,786	-	8,906,786
Group insurance	1,638,721	-	1,638,721
Investment-linked insurance	<u>117,043</u>	<u>-</u>	<u>117,043</u>
	<u>17,362,333</u>	<u>-</u>	<u>17,362,333</u>
Less ceded unearned premium reserve			
Individual life insurance	707,275	-	707,275
Individual injury insurance	21,768	-	21,768
Individual health insurance	197,629	-	197,629
Group insurance	<u>359</u>	<u>-</u>	<u>359</u>
	<u>927,031</u>	<u>-</u>	<u>927,031</u>
	<u>\$ 16,435,302</u>	<u>\$ -</u>	<u>\$ 16,435,302</u>

The changes in unearned premium reserve are summarized below:

	<b>For the Three Months Ended March 31, 2021</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>		<b>Total</b>
Beginning balance	\$ 18,775,949	\$ -	\$ 18,775,949
Provision	17,827,794	-	17,827,794
Recovery	(18,472,392)	-	(18,472,392)
Reclassification	-	-	-
Foreign exchange	<u>(581)</u>	<u>-</u>	<u>(581)</u>
Ending balance	<u>18,130,770</u>	<u>-</u>	<u>18,130,770</u>
Less ceded unearned premium reserve			
Beginning balance	1,113,039	-	1,113,039
Increase	-	-	-
Decrease	<u>(101,429)</u>	<u>-</u>	<u>(101,429)</u>
Ending balance	<u>1,011,610</u>	<u>-</u>	<u>1,011,610</u>
Net ending balance	<u>\$ 17,119,160</u>	<u>\$ -</u>	<u>\$ 17,119,160</u>

	<b>For the Three Months Ended March 31, 2020</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>		<b>Total</b>
Beginning balance	\$ 17,832,203	\$ -	\$ 17,832,203
Provision	17,116,983	-	17,116,983
Recovery	(17,608,482)	-	(17,608,482)
Reclassification	26,075	-	26,075
Foreign exchange	(4,446)	-	(4,446)
Ending balance	<u>17,362,333</u>	<u>-</u>	<u>17,362,333</u>
Less ceded unearned premium reserve			
Beginning balance	894,878	-	894,878
Increase	32,153	-	32,153
Decrease	-	-	-
Ending balance	<u>927,031</u>	<u>-</u>	<u>927,031</u>
Net ending balance	<u>\$ 16,435,302</u>	<u>\$ -</u>	<u>\$ 16,435,302</u>

2) Loss reserve

	<b>March 31, 2021</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>		<b>Total</b>
Individual life insurance			
Filed but not paid	\$ 2,961,886	\$ 15,780	\$ 2,977,666
Not yet filed	41,609	-	41,609
Individual injury insurance			
Filed but not paid	47,033	-	47,033
Not yet filed	1,988,370	-	1,988,370
Individual health insurance			
Filed but not paid	1,436,161	-	1,436,161
Not yet filed	3,405,910	-	3,405,910
Group insurance			
Filed but not paid	76,447	-	76,447
Not yet filed	1,753,235	-	1,753,235
Investment-linked insurance			
Filed but not paid	176,569	-	176,569
Not yet filed	1,861	-	1,861
	<u>11,889,081</u>	<u>15,780</u>	<u>11,904,861</u>
Less ceded loss reserve			
Individual life insurance	62,784	-	62,784
Individual injury insurance	38	-	38
Individual health insurance	8,820	-	8,820
Group insurance	4,167	-	4,167
	<u>75,809</u>	<u>-</u>	<u>75,809</u>
	<u>\$ 11,813,272</u>	<u>\$ 15,780</u>	<u>\$ 11,829,052</u>



<b>December 31, 2020</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance			
Filed but not paid	\$ 3,002,905	\$ 35,590	\$ 3,038,495
Not yet filed	38,807	-	38,807
Individual injury insurance			
Filed but not paid	40,812	-	40,812
Not yet filed	1,952,214	-	1,952,214
Individual health insurance			
Filed but not paid	1,654,400	-	1,654,400
Not yet filed	3,284,612	-	3,284,612
Group insurance			
Filed but not paid	69,091	-	69,091
Not yet filed	1,863,008	-	1,863,008
Investment-linked insurance			
Filed but not paid	221,863	-	221,863
Not yet filed	551	-	551
	<u>12,128,263</u>	<u>35,590</u>	<u>12,163,853</u>
Less ceded loss reserve			
Individual life insurance	46,636	-	46,636
Individual injury insurance	29	-	29
Individual health insurance	21,914	-	21,914
Group insurance	3,144	-	3,144
	<u>71,723</u>	<u>-</u>	<u>71,723</u>
	<u>\$ 12,056,540</u>	<u>\$ 35,590</u>	<u>\$ 12,092,130</u>
<b>March 31, 2020</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance			
Filed but not paid	\$ 2,563,666	\$ 24,984	\$ 2,588,650
Not yet filed	40,751	-	40,751
Individual injury insurance			
Filed but not paid	34,318	-	34,318
Not yet filed	1,852,635	-	1,852,635
Individual health insurance			
Filed but not paid	1,228,645	-	1,228,645
Not yet filed	3,243,833	-	3,243,833

(Continued)

	<b>March 31, 2020</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>		<b>Total</b>
Group insurance			
Filed but not paid	\$ 70,677	\$ -	\$ 70,677
Not yet filed	1,969,901	-	1,969,901
Investment-linked insurance			
Filed but not paid	155,388	-	155,388
Not yet filed	<u>732</u>	<u>-</u>	<u>732</u>
	<u>11,160,546</u>	<u>24,984</u>	<u>11,185,530</u>
Less ceded loss reserve			
Individual life insurance	19,183	-	19,183
Individual injury insurance	37	-	37
Individual health insurance	6,679	-	6,679
Group insurance	<u>2,932</u>	<u>-</u>	<u>2,932</u>
	<u>28,831</u>	<u>-</u>	<u>28,831</u>
	<u>\$ 11,131,715</u>	<u>\$ 24,984</u>	<u>\$ 11,156,699</u>
			(Concluded)

The changes in loss reserve are summarized below:

	<b>For the Three Months Ended March 31, 2021</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>		<b>Total</b>
Beginning balance	\$ 12,128,263	\$ 35,590	\$ 12,163,853
Provision	11,535,450	15,780	11,551,230
Recovery	(11,773,893)	(35,590)	(11,809,483)
Foreign exchange	<u>(739)</u>	<u>-</u>	<u>(739)</u>
Ending balance	<u>11,889,081</u>	<u>15,780</u>	<u>11,904,861</u>
Less ceded loss reserve			
Beginning balance	71,723	-	71,723
Increase	14,530	-	14,530
Decrease	(10,414)	-	(10,414)
Foreign exchange	<u>(30)</u>	<u>-</u>	<u>(30)</u>
Ending balance	<u>75,809</u>	<u>-</u>	<u>75,809</u>
Net ending balance	<u>\$ 11,813,272</u>	<u>\$ 15,780</u>	<u>\$ 11,829,052</u>

<b>For the Three Months Ended March 31, 2020</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 11,011,412	\$ 31,200	\$ 11,042,612
Provision	10,816,800	24,984	10,841,784
Recovery	(10,661,801)	(31,200)	(10,693,001)
Foreign exchange	<u>(5,865)</u>	<u>-</u>	<u>(5,865)</u>
Ending balance	<u>11,160,546</u>	<u>24,984</u>	<u>11,185,530</u>
Less ceded loss reserve			
Beginning balance	24,014	-	24,014
Increase	39,001	-	39,001
Decrease	(34,060)	-	(34,060)
Foreign exchange	<u>(124)</u>	<u>-</u>	<u>(124)</u>
Ending balance	<u>28,831</u>	<u>-</u>	<u>28,831</u>
Net ending balance	<u>\$ 11,131,715</u>	<u>\$ 24,984</u>	<u>\$ 11,156,699</u>

3) Policy reserve

<b>March 31, 2021</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Life insurance (Note 1)	\$ 5,266,961,607	\$ 3,791	\$ 5,266,965,398
Injury insurance	7,012,037	-	7,012,037
Health insurance	813,451,751	-	813,451,751
Annuity insurance	1,369,631	13,213,679	14,583,310
Investment-linked insurance	<u>1,178,888</u>	<u>-</u>	<u>1,178,888</u>
Total (Note 2)	<u>6,089,973,914</u>	<u>13,217,470</u>	<u>6,103,191,384</u>
Less ceded policy reserve			
Life insurance	400,349	-	400,349
Health insurance	<u>17,699</u>	<u>-</u>	<u>17,699</u>
	<u>418,048</u>	<u>-</u>	<u>418,048</u>
	<u>\$ 6,089,555,866</u>	<u>\$ 13,217,470</u>	<u>\$ 6,102,773,336</u>

	<b>December 31, 2020</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>		<b>Total</b>
Life insurance (Note 1)	\$ 5,178,748,267	\$ 3,810	\$ 5,178,752,077
Injury insurance	7,058,104	-	7,058,104
Health insurance	796,516,850	-	796,516,850
Annuity insurance	1,381,226	14,175,381	15,556,607
Investment-linked insurance	<u>936,020</u>	<u>-</u>	<u>936,020</u>
Total (Note 2)	<u>5,984,640,467</u>	<u>14,179,191</u>	<u>5,998,819,658</u>
Less ceded policy reserve			
Life insurance	406,053	-	406,053
Health insurance	<u>19,465</u>	<u>-</u>	<u>19,465</u>
	<u>425,518</u>	<u>-</u>	<u>425,518</u>
	<u>\$ 5,984,214,949</u>	<u>\$ 14,179,191</u>	<u>\$ 5,998,394,140</u>
	<b>March 31, 2020</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>		<b>Total</b>
Life insurance (Note 1)	\$ 4,935,198,229	\$ 3,567	\$ 4,935,201,796
Injury insurance	7,183,769	-	7,183,769
Health insurance	742,214,341	-	742,214,341
Annuity insurance	1,385,897	18,818,116	20,204,013
Investment-linked insurance	<u>770,724</u>	<u>-</u>	<u>770,724</u>
Total (Note 2)	<u>5,686,752,960</u>	<u>18,821,683</u>	<u>5,705,574,643</u>
Less ceded policy reserve			
Life insurance	415,850	-	415,850
Health insurance	<u>16,212</u>	<u>-</u>	<u>16,212</u>
	<u>432,062</u>	<u>-</u>	<u>432,062</u>
	<u>\$ 5,686,320,898</u>	<u>\$ 18,821,683</u>	<u>\$ 5,705,142,581</u>

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

Note 2: Total policy reserve after including policy reserve-payables to the insured amounted to \$6,103,637,991 thousand, \$5,999,277,703 thousand and \$5,706,031,411 thousand as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

The changes in policy reserve are summarized below:

<b>For the Three Months Ended March 31, 2021</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 5,984,640,467	\$ 14,179,191	\$ 5,998,819,658
Provision	153,585,066	20,558	153,605,624
Recovery	(48,037,755)	(982,260)	(49,020,015)
Reclassification	(8,927)	-	(8,927)
Foreign exchange	(204,937)	(19)	(204,956)
Ending balance	<u>6,089,973,914</u>	<u>13,217,470</u>	<u>6,103,191,384</u>
Less ceded policy reserve			
Beginning balance	425,518	-	425,518
Increase	19,477	-	19,477
Decrease	(23,444)	-	(23,444)
Foreign exchange	(3,503)	-	(3,503)
Ending balance	<u>418,048</u>	<u>-</u>	<u>418,048</u>
Net ending balance	<u>\$ 6,089,555,866</u>	<u>\$ 13,217,470</u>	<u>\$ 6,102,773,336</u>

  

<b>For the Three Months Ended March 31, 2020</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 5,572,026,192	\$ 20,479,782	\$ 5,592,505,974
Provision	168,641,085	62,361	168,703,446
Recovery	(50,155,603)	(1,720,280)	(51,875,883)
Reclassification	98,979	-	98,979
Foreign exchange	(3,857,693)	(180)	(3,857,873)
Ending balance	<u>5,686,752,960</u>	<u>18,821,683</u>	<u>5,705,574,643</u>
Less ceded policy reserve			
Beginning balance	421,465	-	421,465
Increase	32,436	-	32,436
Decrease	(15,453)	-	(15,453)
Foreign exchange	(6,386)	-	(6,386)
Ending balance	<u>432,062</u>	<u>-</u>	<u>432,062</u>
Net ending balance	<u>\$ 5,686,320,898</u>	<u>\$ 18,821,683</u>	<u>\$ 5,705,142,581</u>

4) Special reserve

<b>March 31, 2021</b>				
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Participating policies				
dividends reserve	\$ (51,240)	\$ -	\$ -	\$ (51,240)
Dividend risk reserve	52,847	-	-	52,847
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,607</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,931</u>
<b>December 31, 2020</b>				
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Participating policies				
dividends reserve	\$ (53,476)	\$ -	\$ -	\$ (53,476)
Dividend risk reserve	54,928	-	-	54,928
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,776</u>
<b>March 31, 2020</b>				
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Participating policies				
dividends reserve	\$ (54,077)	\$ -	\$ -	\$ (54,077)
Dividend risk reserve	55,493	-	-	55,493
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,416</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,740</u>

The changes in special reserve are summarized below:

<b>For the Three Months Ended March 31, 2021</b>				
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 1,452	\$ -	\$ 11,083,324	\$ 11,084,776
Provision for participating policies dividends reserve	2,236	-	-	2,236
Recovery for dividend risk reserve	(2,081)	-	-	(2,081)
Ending balance	<u>\$ 1,607</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,931</u>

  

<b>For the Three Months Ended March 31, 2020</b>				
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 1,300	\$ -	\$ 11,083,324	\$ 11,084,624
Provision for participating policies dividends reserve	2,823	-	-	2,823
Recovery for dividend risk reserve	(2,707)	-	-	(2,707)
Ending balance	<u>\$ 1,416</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,740</u>

5) Premium deficiency reserve

<b>March 31, 2021</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 11,558,972	\$ -	\$ 11,558,972
Individual injury insurance	881	-	881
Individual health insurance	1,213,133	-	1,213,133
Group insurance	<u>66,149</u>	<u>-</u>	<u>66,149</u>
	<u>\$ 12,839,135</u>	<u>\$ -</u>	<u>\$ 12,839,135</u>

	<b>December 31, 2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 12,569,742	\$ -	\$ 12,569,742
Individual injury insurance	934	-	934
Individual health insurance	1,225,954	-	1,225,954
Group insurance	<u>5,713</u>	<u>-</u>	<u>5,713</u>
	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>

  

	<b>March 31, 2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 17,400,402	\$ -	\$ 17,400,402
Individual injury insurance	1,022	-	1,022
Individual health insurance	1,305,301	-	1,305,301
Group insurance	<u>105,546</u>	<u>-</u>	<u>105,546</u>
	<u>\$ 18,812,271</u>	<u>\$ -</u>	<u>\$ 18,812,271</u>

The changes in premium deficiency reserve are summarized below:

	<b>For the Three Months Ended March 31, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 13,802,343	\$ -	\$ 13,802,343
Provision	66,060	-	66,060
Recovery	(1,021,470)	-	(1,021,470)
Foreign exchange	<u>(7,798)</u>	<u>-</u>	<u>(7,798)</u>
Ending balance	<u>\$ 12,839,135</u>	<u>\$ -</u>	<u>\$ 12,839,135</u>



<b>For the Three Months Ended March 31, 2020</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 19,679,457	\$ -	\$ 19,679,457
Provision	105,786	-	105,786
Recovery	(870,414)	-	(870,414)
Foreign exchange	<u>(102,558)</u>	<u>-</u>	<u>(102,558)</u>
Ending balance	<u>\$ 18,812,271</u>	<u>\$ -</u>	<u>\$ 18,812,271</u>
6) Other reserve			
<b>March 31, 2021</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Others	<u>\$ 1,873,925</u>	<u>\$ -</u>	<u>\$ 1,873,925</u>
<b>December 31, 2020</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Others	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>
<b>March 31, 2020</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Others	<u>\$ 1,867,141</u>	<u>\$ -</u>	<u>\$ 1,867,141</u>

The changes in other reserve are summarized below:

<b>For the Three Months Ended March 31, 2021</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 1,876,925	\$ -	\$ 1,876,925
Recovery	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
Ending balance	<u>\$ 1,873,925</u>	<u>\$ -</u>	<u>\$ 1,873,925</u>

  

<b>For the Three Months Ended March 31, 2020</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 1,873,141	\$ -	\$ 1,873,141
Recovery	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
Ending balance	<u>\$ 1,867,141</u>	<u>\$ -</u>	<u>\$ 1,867,141</u>

7) Liability adequacy reserve

	<b>Insurance Contracts and Financial Instruments with Discretionary Participation Features</b>		
	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Unearned premium reserve	\$ 18,130,770	\$ 18,775,949	\$ 17,362,333
Policy reserve	6,103,637,991	5,999,277,703	5,706,031,411
Premium deficiency reserve	12,839,135	13,802,343	18,812,271
Other reserve	<u>1,873,925</u>	<u>1,876,925</u>	<u>1,867,141</u>
Book value of insurance liabilities	<u>\$ 6,136,481,821</u>	<u>\$ 6,033,732,920</u>	<u>\$ 5,744,073,156</u>
Estimated present value of cash flows	<u>\$ 5,510,207,863</u>	<u>\$ 5,225,717,939</u>	<u>\$ 4,848,929,464</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

Note 4: There is no merger or transfer of insurance contracts for Cathay Lujiazui Life and Cathay Life (Vietnam). Thus, the book value of related intangible assets shall not be deducted from the book value of insurance liability for liability adequacy reserve test.

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Policy information	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.
b. Discount rate	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2020; with neutral assumptions for the discount rate after 30 years	Under the asset allocation situation on September 30, 2020, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2019; with neutral assumptions for the discount rate after 30 years.	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2019; with neutral assumptions for the discount rate after 30 years.

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Policy information	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.
b. Discount rate	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2020; with neutral assumptions for the discount rate after 30 years	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2019; with neutral assumptions for the discount rate after 30 years.	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2019; with neutral assumptions for the discount rate after 30 years.

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Policy information	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.	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.	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.

8) Reserve for insurance contracts with the nature of financial products

Cathay Life and its subsidiaries issued financial instruments without discretionary participation features and recognized a reserve for insurance contracts with the nature of financial products. As of March 31, 2021, December 31, 2020 and March 31, 2020, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Life insurance	\$ 13,256,837	\$ 12,793,432	\$ 10,923,890
Investment-linked insurance	<u>988,840</u>	<u>938,076</u>	<u>961,785</u>
	<u><b>\$ 14,245,677</b></u>	<u><b>\$ 13,731,508</b></u>	<u><b>\$ 11,885,675</b></u>
<b>For the Three Months Ended March 31</b>			
	<b>2021</b>	<b>2020</b>	
Beginning balance	\$ 13,731,508	\$ 10,932,008	
Premiums received	1,247,049	1,573,537	
Claims and payments	(944,701)	(665,712)	
Net provision of statutory reserve	237,217	187,372	
Foreign exchange	<u>(25,396)</u>	<u>(141,530)</u>	
Ending balance	<u><b>\$ 14,245,677</b></u>	<u><b>\$ 11,885,675</b></u>	

9) Reserve for foreign exchange valuation

a) The hedging strategy and risk exposure

Based on the principle of risk control and to maintain the consistent level of reserve for foreign exchange valuation, Cathay Life consistently adjusts the hedge ratios and risk exposure position under the risk control.

b) Reconciliation for reserve for foreign exchange valuation

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 14,820,865	\$ 18,000,877
Provision:		
Compulsory reserve	1,731,336	2,159,316
Additional reserve	<u>560,436</u>	<u>-</u>
	2,291,772	2,159,316
Recovery	<u>(3,590,343)</u>	<u>(8,501,186)</u>
Ending balance	<u>\$ 13,522,294</u>	<u>\$ 11,659,007</u>

c) Effects due to reserve for foreign exchange valuation

Item	<b>For the Three Months Ended March 31, 2021</b>		
	<b>Inapplicable Amount (1)</b>	<b>Applicable Amount (2)</b>	<b>Effects (3)=(2)-(1)</b>
Net income attributable to owners of the Company	\$ 56,327,170	\$ 57,366,026	\$ 1,038,856
Earnings per share	4.28	4.36	0.08
Reserve for foreign exchange valuation	-	13,522,294	13,522,294
Equity attributable to owners of the Company	860,969,573	853,754,634	(7,214,939)

  

Item	<b>For the Three Months Ended March 31, 2020</b>		
	<b>Inapplicable Amount (1)</b>	<b>Applicable Amount (2)</b>	<b>Effects (3)=(2)-(1)</b>
Net income attributable to owners of the Company	\$ 18,216,188	\$ 23,289,684	\$ 5,073,496
Earnings per share	1.38	1.77	0.39
Reserve for foreign exchange valuation	-	11,659,007	11,659,007
Equity attributable to owners of the Company	665,172,549	659,448,241	(5,724,308)

b. Century Insurance and its subsidiaries

1) Unearned insurance premium reserve

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

<b>March 31, 2021</b>				
<b>Insurance by Type</b>	<b>Unearned Premium Reserve</b>		<b>Ceded Unearned Premium Reserve</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Direct Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	
Fire insurance	\$ 1,551,898	\$ 260,890	\$ 917,193	\$ 895,595
Marine insurance	191,412	16,042	124,269	83,185
Land and air insurance	5,749,483	33,408	179,831	5,603,060
Liability insurance	900,915	2,212	232,300	670,827
Financial guarantee insurance	41,056	3,840	21,498	23,398
Other property insurance	1,352,291	55,025	990,545	416,771
Accident insurance	1,558,860	7,859	119,340	1,447,379
Health insurance	64,504	1,576	98	65,982
Policy-related residential earthquake insurance	220,880	28,908	220,880	28,908
Compulsory automobile liability insurance	<u>1,228,417</u>	<u>463,626</u>	<u>737,050</u>	<u>954,993</u>
	<u>\$ 12,859,716</u>	<u>\$ 873,386</u>	<u>\$ 3,543,004</u>	<u>\$ 10,190,098</u>
<b>December 31, 2020</b>				
<b>Insurance by Type</b>	<b>Unearned Premium Reserve</b>		<b>Ceded Unearned Premium Reserve</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Direct Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	
Fire insurance	\$ 1,841,551	\$ 182,263	\$ 1,008,169	\$ 1,015,645
Marine insurance	218,842	10,934	155,705	74,071
Land and air insurance	5,671,965	16,831	195,817	5,492,979
Liability insurance	852,796	1,833	269,694	584,935
Financial guarantee insurance	49,397	9,133	27,245	31,285
Other property insurance	1,303,665	41,314	925,174	419,805
Accident insurance	1,527,427	6,378	83,125	1,450,680
Health insurance	61,680	815	7	62,488
				(Continued)

December 31, 2020				
Insurance by Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct	Reinsurance	Ceded	
	Business (1)	Inward Business (2)	Reinsurance Business (3)	
Policy-related residential earthquake insurance	\$ 225,463	\$ 26,857	\$ 225,463	\$ 26,857
Compulsory automobile liability insurance	<u>1,227,564</u>	<u>460,947</u>	<u>736,539</u>	<u>951,972</u>
	<u>\$ 12,980,350</u>	<u>\$ 757,305</u>	<u>\$ 3,626,938</u>	<u>\$ 10,110,717</u> (Concluded)

March 31, 2020				
Insurance by Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct	Reinsurance	Ceded	
	Business (1)	Inward Business (2)	Reinsurance Business (3)	
Fire insurance	\$ 1,372,647	\$ 148,002	\$ 654,423	\$ 866,226
Marine insurance	143,357	9,298	105,669	46,986
Land and air insurance	5,268,095	9,906	161,372	5,116,629
Liability insurance	776,615	1,116	233,643	544,088
Financial guarantee insurance	41,339	5,793	23,966	23,166
Other property insurance	1,175,696	48,946	902,827	321,815
Accident insurance	1,497,536	8,753	116,453	1,389,836
Health insurance	62,495	572	-	63,067
Policy-related residential earthquake insurance	216,483	27,763	216,483	27,763
Compulsory automobile liability insurance	<u>1,243,340</u>	<u>461,660</u>	<u>746,004</u>	<u>958,996</u>
	<u>\$ 11,797,603</u>	<u>\$ 721,809</u>	<u>\$ 3,160,840</u>	<u>\$ 9,358,572</u>

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

	For the Three Months Ended March 31			
	2021		2020	
	Unearned Premium Reserve	Ceded Unearned Premium Reserve	Unearned Premium Reserve	Ceded Unearned Premium Reserve
Beginning balance	\$ 13,737,655	\$ 3,626,938	\$ 12,736,870	\$ 3,199,204
Provision	13,732,487	3,542,776	12,521,745	3,161,960
Recovery	(13,765,640)	(3,635,126)	(12,754,906)	(3,203,677)
Foreign exchange	<u>28,600</u>	<u>8,416</u>	<u>15,703</u>	<u>3,353</u>
Ending balance	<u>\$ 13,733,102</u>	<u>\$ 3,543,004</u>	<u>\$ 12,519,412</u>	<u>\$ 3,160,840</u>

2) Loss reserve

a) Loss reserve and ceded loss reserve

	March 31, 2021			
	Loss Reserve		Ceded Loss Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Filed not yet paid	\$ 5,902,068	\$ 840,269	\$ 2,679,500	\$ 4,062,837
Not yet filed	<u>4,097,134</u>	<u>434,847</u>	<u>1,279,719</u>	<u>3,252,262</u>
	<u>\$ 9,999,202</u>	<u>\$ 1,275,116</u>	<u>\$ 3,959,219</u>	<u>\$ 7,315,099</u>

  

	December 31, 2020			
	Loss Reserve		Ceded Loss Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Filed not yet paid	\$ 4,577,293	\$ 786,091	\$ 1,582,443	\$ 3,780,941
Not yet filed	<u>4,043,812</u>	<u>455,069</u>	<u>1,238,524</u>	<u>3,260,357</u>
	<u>\$ 8,621,105</u>	<u>\$ 1,241,160</u>	<u>\$ 2,820,967</u>	<u>\$ 7,041,298</u>

  

	March 31, 2020			
	Loss Reserve		Ceded Loss Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Filed not yet paid	\$ 4,306,917	\$ 655,538	\$ 1,489,650	\$ 3,472,805
Not yet filed	<u>4,076,697</u>	<u>479,755</u>	<u>1,200,558</u>	<u>3,355,894</u>
	<u>\$ 8,383,614</u>	<u>\$ 1,135,293</u>	<u>\$ 2,690,208</u>	<u>\$ 6,828,699</u>



b) Net changes in loss reserve and ceded loss reserve

For the three months ended March 31, 2021

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve (5)=(1)-(2)+(3)-(4)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	
Filed not yet paid	\$ 5,919,046	\$ 4,597,775	\$ 840,269	\$ 786,091	\$ 1,375,449
Not yet filed	<u>4,079,459</u>	<u>4,023,236</u>	<u>434,847</u>	<u>455,069</u>	<u>36,001</u>
	<u>\$ 9,998,505</u>	<u>\$ 8,621,011</u>	<u>\$ 1,275,116</u>	<u>\$ 1,241,160</u>	<u>\$ 1,411,450</u>

Items	Ceded Reinsurance Business		Net Changes in Ceded Loss Reserve (8)=(6)-(7)
	Provision (6)	Recovery (7)	
Filed not yet paid	\$ 2,687,860	\$ 1,590,819	\$ 1,097,041
Not yet filed	<u>1,271,293</u>	<u>1,230,100</u>	<u>41,193</u>
	<u>\$ 3,959,153</u>	<u>\$ 2,820,919</u>	<u>\$ 1,138,234</u>

For the three months ended March 31, 2020

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve (5)=(1)-(2)+(3)-(4)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	
Filed not yet paid	\$ 4,326,910	\$ 4,115,756	\$ 655,538	\$ 680,547	\$ 186,145
Not yet filed	<u>4,057,357</u>	<u>4,103,229</u>	<u>479,755</u>	<u>458,050</u>	<u>(24,167)</u>
	<u>\$ 8,384,267</u>	<u>\$ 8,218,985</u>	<u>\$ 1,135,293</u>	<u>\$ 1,138,597</u>	<u>\$ 161,978</u>

Items	Ceded Reinsurance Business		Net Changes in Ceded Loss Reserve (8)=(6)-(7)
	Provision (6)	Recovery (7)	
Filed not yet paid	\$ 1,499,947	\$ 1,250,974	\$ 248,973
Not yet filed	<u>1,190,866</u>	<u>1,199,002</u>	<u>(8,136)</u>
	<u>\$ 2,690,813</u>	<u>\$ 2,449,976</u>	<u>\$ 240,837</u>

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

Insurance by Type	March 31, 2021		
	Liability		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 2,957,079	\$ 23,524	\$ 2,980,603
Marine insurance	252,984	120,520	373,504
Land and air insurance	1,722,819	1,316,965	3,039,784
Liability insurance	632,689	663,308	1,295,997
Financial guarantee insurance	75,633	34,963	110,596
Other property insurance	463,817	121,457	585,274
Accident insurance	125,996	497,185	623,181
Health insurance	2,423	27,311	29,734
Policy-related residential earthquake insurance	12	-	12
Compulsory automobile liability insurance	<u>508,885</u>	<u>1,726,748</u>	<u>2,235,633</u>
	<u>\$ 6,742,337</u>	<u>\$ 4,531,981</u>	<u>\$ 11,274,318</u>
Insurance by Type	December 31, 2020		
	Liability		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,524,317	\$ 35,616	\$ 1,559,933
Marine insurance	293,296	100,993	394,289
Land and air insurance	1,685,167	1,305,013	2,990,180
Liability insurance	623,958	628,515	1,252,473
Financial guarantee insurance	71,574	32,880	104,454
Other property insurance	528,177	105,129	633,306
Accident insurance	116,574	512,901	629,475
Health insurance	3,117	31,063	34,180
Policy-related residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>517,204</u>	<u>1,746,771</u>	<u>2,263,975</u>
	<u>\$ 5,363,384</u>	<u>\$ 4,498,881</u>	<u>\$ 9,862,265</u>

Insurance by Type	March 31, 2020		
	Liability		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,322,870	\$ 22,113	\$ 1,344,983
Marine insurance	262,499	41,938	304,437
Land and air insurance	1,607,565	1,375,339	2,982,904
Liability insurance	496,718	665,389	1,162,107
Financial guarantee insurance	69,654	72,883	142,537
Other property insurance	571,022	144,848	715,870
Accident insurance	131,528	514,841	646,369
Health insurance	3,118	57,115	60,233
Policy-related residential earthquake insurance	136	-	136
Compulsory automobile liability insurance	<u>497,345</u>	<u>1,661,986</u>	<u>2,159,331</u>
	<u>\$ 4,962,455</u>	<u>\$ 4,556,452</u>	<u>\$ 9,518,907</u>

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

Insurance by Type	March 31, 2021		
	Liability		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,690,603	\$ 6,385	\$ 1,696,988
Marine insurance	133,993	70,778	204,771
Land and air insurance	53,859	37,414	91,273
Liability insurance	369,578	257,992	627,570
Financial guarantee insurance	32,154	17,488	49,642
Other property insurance	232,417	63,766	296,183
Accident insurance	9,093	29,400	38,493
Health insurance	-	(3,000)	(3,000)
Policy-related residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>157,803</u>	<u>799,496</u>	<u>957,299</u>
	<u>\$ 2,679,500</u>	<u>\$ 1,279,719</u>	<u>\$ 3,959,219</u>

Insurance by Type	December 31, 2020		
	Liability		
	Filed	Not Yet	Total
	Paid	Filed	
Fire insurance	\$ 518,834	\$ 7,832	\$ 526,666
Marine insurance	182,974	60,591	243,565
Land and air insurance	51,255	36,432	87,687
Liability insurance	352,700	241,410	594,110
Financial guarantee insurance	31,736	15,059	46,795
Other property insurance	260,734	43,816	304,550
Accident insurance	5,914	31,743	37,657
Health insurance	-	-	-
Policy-related residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>178,296</u>	<u>801,641</u>	<u>979,937</u>
	<u>\$ 1,582,443</u>	<u>\$ 1,238,524</u>	<u>\$ 2,820,967</u>
Insurance by Type	March 31, 2020		
	Liability		
	Filed	Not Yet	Total
	Paid	Filed	
Fire insurance	\$ 480,279	\$ 9,161	\$ 489,440
Marine insurance	147,230	24,455	171,685
Land and air insurance	45,383	40,327	85,710
Liability insurance	291,952	257,881	549,833
Financial guarantee insurance	31,437	24,342	55,779
Other property insurance	314,793	62,925	377,718
Accident insurance	7,399	31,097	38,496
Health insurance	-	-	-
Policy-related residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>171,177</u>	<u>750,370</u>	<u>921,547</u>
	<u>\$ 1,489,650</u>	<u>\$ 1,200,558</u>	<u>\$ 2,690,208</u>

e) Reconciliation of loss reserve and ceded loss reserve

	For the Three Months Ended March 31			
	2021		2020	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	\$ 9,862,265	\$ 2,820,967	\$ 9,357,750	\$ 2,450,072
Provision	11,273,621	3,959,153	9,519,560	2,690,813
Recovery	(9,862,171)	(2,820,919)	(9,357,582)	(2,449,976)
Foreign exchange	<u>603</u>	<u>18</u>	<u>(821)</u>	<u>(701)</u>
Ending balance	<u>\$ 11,274,318</u>	<u>\$ 3,959,219</u>	<u>\$ 9,518,907</u>	<u>\$ 2,690,208</u>

3) Special reserve

a) Special reserve for compulsory automobile liability insurance

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 865,038	\$ 1,122,321
Provision	24,209	19,329
Recovery	<u>(55,960)</u>	<u>(55,641)</u>
Ending balance	<u>\$ 833,287</u>	<u>\$ 1,086,009</u>

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

	<b>For the Three Months Ended March 31, 2021</b>		
	<b>Liability</b>		
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Total</b>
Beginning balance	\$ 411,992	\$ 1,345,017	\$ 1,757,009
Provision	-	-	-
Recovery	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 411,992</u>	<u>\$ 1,345,017</u>	<u>\$ 1,757,009</u>

  

	<b>For the Three Months Ended March 31, 2020</b>		
	<b>Liability</b>		
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Total</b>
Beginning balance	\$ 430,719	\$ 1,345,017	\$ 1,775,736
Provision	-	-	-
Recovery	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 430,719</u>	<u>\$ 1,345,017</u>	<u>\$ 1,775,736</u>

If the notice for the improvement of the reserves of natural disaster insurance (commercial-business earthquake, typhoon and flood insurances) for property insurance enterprises, notice for enhancing the reserves of residential earthquake insurance pool members and regulations governing the reserves of nuclear energy insurance are not applied to the Group, there is no significant impact on the Cathay Insurance and its subsidiaries' pre-tax income/loss and earnings per share, the special reserve under liabilities and equity would decrease by \$1,448,509 thousand and \$1,467,236 thousand and increase by \$371,511 thousand and \$441,141 thousand for the three months ended March 31, 2021 and 2020, respectively.

4) Premium deficiency reserve

a) Premium deficiency reserve and ceded premium deficiency reserve

March 31, 2021				
Insurance by Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ -	\$ -	\$ -	\$ -
Marine insurance	3,769	875	-	4,644
Land and air insurance	-	-	-	-
Liability insurance	-	-	-	-
Financial guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-related residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ 3,769</u>	<u>\$ 875</u>	<u>\$ -</u>	<u>\$ 4,644</u>

December 31, 2020				
Insurance by Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ -	\$ -	\$ -	\$ -
Marine insurance	3,082	916	-	3,998
Land and air insurance	118	82	-	200
Liability insurance	-	-	-	-
Financial guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-related residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ 3,200</u>	<u>\$ 998</u>	<u>\$ -</u>	<u>\$ 4,198</u>

**March 31, 2020**

Insurance by Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ -	\$ -	\$ -	\$ -
Marine insurance	38	385	-	423
Land and air insurance	-	35	-	35
Liability insurance	-	-	-	-
Financial guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-related residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	\$ 38	\$ 420	\$ -	\$ 458

- b) Net loss recognized for premium deficiency reserve - net changes in premium deficiency reserve and ceded premium deficiency reserve

	For the Three Months Ended March 31, 2021							
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve (5)=(1)-(2)+(3)-(4)	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve (8)=(6)-(7)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)		Provision (6)	Recovery (7)	
Fire insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marine insurance	3,769	3,082	875	916	646	-	-	646
Land and air insurance	-	118	-	82	(200)	-	-	(200)
Liability insurance	-	-	-	-	-	-	-	-
Financial guarantee insurance	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-
Policy-related residential earthquake insurance	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-
	<u>\$ 3,769</u>	<u>\$ 3,200</u>	<u>\$ 875</u>	<u>\$ 998</u>	<u>\$ 446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446</u>

For the Three Months Ended March 31, 2020									
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+ (3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marine insurance	38	12	385	613	(202)	-	-	-	(202)
Land and air insurance	-	-	35	1,400	(1,365)	-	-	-	(1,365)
Liability insurance	-	-	-	-	-	-	-	-	-
Financial guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-related residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ 38</u>	<u>\$ 12</u>	<u>\$ 420</u>	<u>\$ 2,013</u>	<u>\$ (1,567)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,567)</u>

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

	For the Three Months Ended March 31			
	2021		2020	
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve
Beginning balance	\$ 4,198	\$ -	\$ 2,025	\$ -
Provision	4,644	-	458	-
Recovery	<u>(4,198)</u>	<u>-</u>	<u>(2,025)</u>	<u>-</u>
Ending balance	<u>\$ 4,644</u>	<u>\$ -</u>	<u>\$ 458</u>	<u>\$ -</u>

5) Policy reserve

a) Details of policy reserve and ceded policy reserve

March 31, 2021

Insurance by Type	Policy Reserve		Ceded Policy Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	<u>\$ 113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113</u>



December 31, 2020

Insurance by Type	Policy Reserve		Ceded Policy Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	\$ 119	\$ -	\$ -	\$ 119

March 31, 2020

Insurance by Type	Policy Reserve		Ceded Policy Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	\$ 109	\$ -	\$ -	\$ 109

b) Net changes in policy reserve and ceded policy reserve

For the three months ended March 31, 2021

Insurance by Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision	Recovery	Provision	Recovery	(5)=(1)-(2)+(3)-(4)
	(1)	(2)	(3)	(4)	(3)-(4)
Health insurance	\$ 13	\$ 19	\$ -	\$ -	\$ (6)

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

For the three months ended March 31, 2020

Insurance by Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision	Recovery	Provision	Recovery	(5)=(1)-(2)+(3)-(4)
	(1)	(2)	(3)	(4)	
Health insurance	\$ 39	\$ 9	\$ -	\$ -	\$ 30

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

## 22. RETIREMENT BENEFIT PLANS

The pension expense of defined benefit plans were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2020 and 2019, respectively, and recognized as follows:

	For the Three Months Ended March 31	
	2021	2020
Employee benefit expenses	<u>\$ 121,109</u>	<u>\$ 122,014</u>

## 23. OTHER FINANCIAL ASSETS AND LIABILITIES

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Other financial assets</u>			
Separate account insurance product assets	\$ 671,114,953	\$ 641,684,568	\$ 513,114,047
Others	<u>15,540,521</u>	<u>18,863,407</u>	<u>11,128,676</u>
	<u>\$ 686,655,474</u>	<u>\$ 660,547,975</u>	<u>\$ 524,242,723</u>
<u>Other financial liabilities</u>			
Separate account insurance product liabilities	\$ 671,114,953	\$ 641,684,568	\$ 513,114,047
Principal received from the sale of structured products	37,437,242	40,034,992	59,261,905
Others	<u>10,579,006</u>	<u>11,040,724</u>	<u>6,262,875</u>
	<u>\$ 719,131,201</u>	<u>\$ 692,760,284</u>	<u>\$ 578,638,827</u>

a. The related accounts of Cathay Life were summarized as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Separate account insurance product assets</u>			
Cash in bank	\$ 432,388	\$ 447,744	\$ 468,413
Financial assets at FVTPL	661,223,032	632,843,466	506,203,957
Other receivables	<u>9,332,000</u>	<u>8,264,484</u>	<u>6,329,492</u>
	<u>\$ 670,987,420</u>	<u>\$ 641,555,694</u>	<u>\$ 513,001,862</u>
<u>Separate account insurance product liabilities</u>			
Other payables	\$ 391,492	\$ 701,555	\$ 999,292
Reserve for separate accounts - insurance contracts	302,910,377	277,388,301	208,166,107
Reserve for separate accounts - investment contracts	<u>367,685,551</u>	<u>363,465,838</u>	<u>303,836,463</u>
	<u>\$ 670,987,420</u>	<u>\$ 641,555,694</u>	<u>\$ 513,001,862</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Separate account insurance product income</u>		
Premium income	\$ 32,375,384	\$ 11,951,259
Interest income	1,308	633
Gains (losses) from financial assets at FVTPL	5,344,354	(35,778,904)
Foreign exchange gains (losses)	<u>1,512,094</u>	<u>(654,128)</u>
	<u>\$ 39,233,140</u>	<u>\$ (24,481,140)</u>
<u>Separate account insurance product expenses</u>		
Claims and payments	\$ 2,568,578	\$ 2,160,681
Cash surrender value	10,042,316	8,619,783
Provision (reversal) of separate account reserve	25,490,825	(36,144,421)
Administrative expenses	1,161,723	914,137
Non-operating income and expenses	<u>(30,302)</u>	<u>(31,320)</u>
	<u>\$ 39,233,140</u>	<u>\$ (24,481,140)</u>

For the three months ended March 31, 2021 and 2010, the rebates earned from counterparties due to the business of separate account insurance products were \$206,034 thousand and \$223,829 thousand, respectively, which were recorded under fee income.

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Separate account insurance product assets</u>			
Cash in bank	\$ 5,096	\$ 4,845	\$ 7,588
Financial assets at FVTPL	122,394	123,985	104,554
Others	<u>43</u>	<u>44</u>	<u>43</u>
	<u>\$ 127,533</u>	<u>\$ 128,874</u>	<u>\$ 112,185</u>
<u>Separate account insurance product liabilities</u>			
Other payables	\$ 1,626	\$ 1,723	\$ (385)
Reserve for separate accounts - insurance contracts	<u>125,907</u>	<u>127,151</u>	<u>112,570</u>
	<u>\$ 127,533</u>	<u>\$ 128,874</u>	<u>\$ 112,185</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Separate account insurance product income</u>		
Premium income	\$ 13	\$ 51
Losses from financial assets and liabilities at FVTPL	(625)	(3,333)
Interest income	<u>5</u>	<u>18</u>
	<u>\$ (607)</u>	<u>\$ (3,264)</u>
 <u>Separate account insurance product expenses</u>		
Cash surrender value	\$ -	\$ 386
Reversal of separate account reserve	(1,015)	(3,769)
Administrative expenses	418	374
Tax expense	<u>(10)</u>	<u>(255)</u>
	<u>\$ (607)</u>	<u>\$ (3,264)</u>

## 24. EQUITY

### a. Share capital

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Number of shares authorized (in thousands)	<u>18,000,000</u>	<u>18,000,000</u>	<u>18,000,000</u>
Shares authorized	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>
Number of shares issued and fully paid (in thousands)			
Ordinary shares	<u>13,169,210</u>	<u>13,169,210</u>	<u>13,169,210</u>
Preference shares	<u>1,533,300</u>	<u>1,533,300</u>	<u>1,533,300</u>
Shares issued	<u>\$ 147,025,102</u>	<u>\$ 147,025,102</u>	<u>\$ 147,025,102</u>

Ordinary shares issued, which have a par value of \$10, carry one vote per share and carry a right to dividends.

### Issuance of preference shares

- 1) On September 9, 2016, the board of directors resolved the capital raising through issuance of Series A Preference Shares. The Company issued 833,300 thousand preference shares, with a par value of \$10 per share and total amount of \$8,333,000 thousand, and the issue price was \$60 per share. The capital raising was approved by the FSC Jin Guan Zheng Fa No. 1050041628 on October 25, 2016. The base date of capital increase was December 8, 2016. All issued shares were registered and recognized as equity. The rights and obligations of Series A Preference Shares are as follows:
  - a) 3.8% per annum for Series A Preference Shares (7-year IRS 1.06%+2.74%) calculated pursuant to the issue price per share. Interest rate per annum will be reset on the day after the 7th year from the issue date ("Issue Date") and the day after each subsequent 7-year period hereafter. The record date for reset of interest rate shall be 2 business days before the interest reset day for financial institutions in Taipei. The 7-year IRS rate shall be the arithmetic mean of 7-year IRS quotations as published by Reuters, PYTWDFIX and COSMOS3 at 11:00 a.m. of the day of the record date for reset of interest rate (must be a business day for Taipei's financial institutions). If the above quotations cannot be obtained on the record date for reset of interest rate, the interest rate shall be decided by the issuer in good faith, taking into account the reasonable market trends.
  - b) If there are retained earnings, before the issuer can distribute dividends for Series A Preference Shares, the Company shall first: (i) pay all taxes and dues (ii) offset its losses in previous years (iii) set aside statutory reserve, or set aside or reverse special reserve and (iv) the distribution of the remaining portion, if any, will first be distributed as preference share dividends.
  - c) The Company has the sole discretion to distribute dividends of Series A Preference Shares, including its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for Series A Preference Share dividends, or preference share dividend distribution would render the Company's CAR ratio below the level required by law or by the authorities. The Company's cancellation of preference share dividend distribution shall not be deemed an event of default. Series A Preference Shares are non-cumulative. Undeclared or under-declared dividends are not cumulative, and are not paid in subsequent years with profit.
  - d) Dividends for Series A Preference Shares are distributed once a year in cash. After shareholders' approval of the issuer's financial statements at its annual shareholders' meeting, the board of directors may set the record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption (such as the shareholders' approval of dividends declaration on shareholders meeting) shall be calculated pursuant to the actual issued days of the given year.
  - e) Except for receipt of dividends at the aforementioned dividend rate in Paragraph (a), holders of Preference Shares cannot participate in the distribution of cash or stock dividends to holders of common shares from profit or additional paid-in capital.
  - f) Holders of Series A Preference Shares shall have the same priority as holders of all subsequently issued preference shares in liquidation, which are prior to holders of ordinary shares but subordinated to general creditors, to the extent of the issuance amount.
  - g) Holders of Series A Preference Shares have no voting rights at the annual shareholders' meeting, and cannot elect directors. However, holders of Series A Preference Shares have voting rights at the meeting of Series A Preference Shareholders, and at the annual shareholders' meeting on items relating to the rights of Series A Preference Shareholders.
  - h) Holders of Series A Preference Shares cannot convert the said preference shares to ordinary shares, and have no right to request the Company for redemption of Series A Preference Shares.

- i) Through issuance of perpetual preferred stock, on the day after the 7th year from the issue date, the Company may redeem all or part of the outstanding Series A Preference Shares at the issue price. Rights and obligations of the unredeemed Series A Preference Shares shall remain the same as mentioned above.
- 2) On February 9, 2018, the board of directors resolved the capital raising through issuance of Series B Preference Shares. The Company issued 700,000 thousand preference shares, with a par value of \$10 per share and total amount of \$7,000,000 thousand, and the issue price was \$60 per share. The capital raising was approved by the FSC Jin Guan Zheng Fa No. 1070313814 on May 10, 2018. The base date of capital increase was June 27, 2018. All issued shares were registered and recognized as equity. The rights and obligations of Series B Preference Shares are as follows:
- a) 3.55% per annum for Series B Preference Shares (7-year IRS 1.1675%+2.3825%) calculated pursuant to the issue price per share. The interest rate per annum will be reset on the day after the 7th year from the issue date (“Issue Date”) and the day after each subsequent 7-year period hereafter. The record date for interest reset shall be 2 business days before the interest reset day for financial institutions in Taipei. The 7-year IRS rate shall be the arithmetic mean of 7-year IRS quotations as published by Reuters, TAIFXIRS and COSMOS3 at 11:00 a.m. of the day of reset record date (must be a business day for Taipei’s financial institutions). If the above quotations cannot be obtained on the record date for reset of interest rate, the interest rate shall be decided by the issuer in good faith, taking into account the reasonable market trends.
  - b) If there are retained earnings, before the issuer can distribute dividends for Series B Preference Shares, the Company shall first: (i) pay all taxes and dues (ii) offset its losses in previous years (iii) set aside statutory reserve, or set aside or reverse special reserve and (iv) the distribution of the remaining portion, if any, will first be distributed as preference share dividend.
  - c) The Company has the sole discretion to distribute dividend of the Series B Preference Shares, including its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for Series B Preference Share dividends, or preference share dividend distribution would render the Company’s CAR ratio below the level required by law or by the authorities. The Company’s cancellation of preference share dividend distribution shall not be deemed an event of default. Series B Preference Shares are non-cumulative. Undeclared or under-declared dividends are not cumulative, and are not paid in subsequent years with profit.
  - d) Dividends for Series A Preference Shares are distributed once a year in cash. After shareholders’ approval of the issuer’s financial statements at its annual shareholders’ meeting, the board of directors may set the record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption (such as the shareholders’ approval of dividends declaration on shareholders meeting) shall be calculated pursuant to the actual issued days of the given year.
  - e) Except for receipt of dividends at the aforementioned dividend rate in Paragraph (a), holders of Preference Shares cannot participate in the distribution of cash or stock dividends to holders of common shares from the profit or additional paid-in capital.
  - f) Holders of Series B Preference Shares shall have the same priority as holders of all subsequently issued preference share in liquidation, which are prior to holders of ordinary shares but subordinated to general creditors, to the extent of the issuance amount.
  - g) Holders of Series B Preference Shares have no voting rights at the annual shareholders’ meeting, and cannot elect directors. However, holders of Series B Preference Shares have voting rights at the shareholders’ meeting of Series B Preference Shareholders, and at the annual shareholders’ meeting on items relating to rights of Series B Preference Shareholders.

- h) Holders of Series B Preference Shares cannot convert the said preference shares to ordinary shares, and have no right to request the Company for redemption of Series B Preference Shares.
- i) Through the issuance of perpetual preferred stock, on the day after the 7th year from the issue date, the Company may redeem all or part of the outstanding Series B Preference Shares at the issue price. Rights and obligations of the unredeemed Series B Preference Shares shall remain the same as mentioned above.

#### Issuance of overseas depositary receipts

The Company's shares have been listed on the Taiwan Stock Exchange in accordance with relevant regulations since the Company was incorporated on December 31, 2001. Since July 29, 2003, the Company has listed a portion of its ordinary shares on the Luxembourg Stock Exchange in the form of Global Depositary Shares (GDSs).

#### b. Capital surplus

- 1) Capital surplus comprises the following:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Additional paid-in capital	\$ 172,905,009	\$ 172,905,009	\$ 172,905,009
Treasury share transactions	2,539,377	2,539,377	2,539,377
Additional paid-in capital - employee stock options	497,629	497,629	497,629
Conversion of convertible bonds	1,144,486	1,144,486	1,144,486
Others	<u>169,870</u>	<u>169,552</u>	<u>171,013</u>
	<u>\$ 177,256,371</u>	<u>\$ 177,256,053</u>	<u>\$ 177,257,514</u>

- 2) The capital surplus recorded during the conversion of shares of financial institutions may be distributed as cash dividends according to the fourth paragraph of Article 47 of the Financial Holding Company Act and other related requirements if not restricted by other regulations or may be transferred to capital in the year of conversion with the proportion of the transfer not limited by Article 72-1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The unrestricted retained earnings of the financial institution presents the remaining balance after the appropriation of legal reserve or special reserve as required by law.

#### c. Retained earnings and dividends policy

In order for the Company to continue to expand and increase profitability in line with its long-term financial strategy and future demand for capital, the Company adopted a residual dividend policy in framing a proposal for the distribution of annual earnings for the purpose of sustainable development.

Under the dividends policy as set forth in the Company's articles ("Articles"), when the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, the payment of preferred dividends, and then any remaining profit (earning of current year) together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting. When declaring the distribution of dividends, the Company should retain the funds for distribution of stock dividends, and the excess may be distributed in the form of cash dividends. However, the total distribution shall be no less than 30% of annual earnings, and the cash dividends shall be no less than 10% of the total dividends declared for the year. For the policies on the distribution of employees' compensation and remuneration of directors in the Articles, refer to employees' compensation and remuneration of directors in Note 25 e.

Legal reserve should be appropriated until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 that were proposed by the board of directors on April 28, 2021 and the appropriations of earnings of 2019 that had been resolved by the shareholders in their meeting on June 12, 2020, were as follows:

	<b>Appropriation of Earnings For the Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 7,504,207	\$ 5,844,843
Special reserve provision (reversal)	1,025,611	(71,928,090)
Cash dividends of ordinary shares	32,923,025	26,338,420
Cash dividends of preference shares	3,390,924	3,390,924

The appropriations of earnings for 2020 will be approved by the shareholders in their meeting.

d. Special reserves

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Special reserve transferred from reserve for trading default and for trading loss (1)	\$ 333,598	\$ 333,598	\$ 333,598
Special reserve reclassified from liability (2)	3,744,467	3,744,467	3,744,467
Special reserve appropriated at the first-time adoption of IFRSs (3)	2,994,565	2,994,565	2,994,565
Special reserve for appreciation of investment properties (4)	108,057,969	108,057,969	107,581,979
Special reserve transferred from insurance liabilities (5)	34,764,311	34,764,311	34,764,311
Special reserve appropriated following other equity's deduction (6)	-	-	72,558,752
	<u>\$ 149,894,910</u>	<u>\$ 149,894,910</u>	<u>\$ 221,977,672</u>



- 1) Cathay United Bank, Cathay Securities and Cathay Futures reclassified the appropriated default losses reserve and trading losses reserve as of December 31, 2010 as special reserve according to the relevant regulations. The special reserve can only be used to offset the accumulated deficit or transferred to capital stock (limited to 50% of the special reserve) once the special reserve reaches one-half of the paid-in capital. The Company set aside a special reserve of \$333,598 thousand in 2011.
- 2) According to the Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises, for the special reserves for catastrophic event and for fluctuation of risk as of January 1, 2012, amounting to \$9,022,812 thousand, Cathay Life transferred half of the reserves amounting to \$4,511,405 thousand, net of tax effect, to special reserve under retained earnings amounting to \$3,744,467 thousand; half of the reserves were kept as the initial amount of reserve for foreign exchange valuation. The Company set aside a special reserve of \$3,744,467 thousand in 2013.
- 3) At the first-time adoption of IFRSs, Cathay Life chose to use fair values as the deemed costs of investment properties in accordance with Article 32 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the increments on property revaluation should be offset by other negative effects on the first-time adoption of IFRSs. The remaining increments on property revaluation should be recovered as special reserve under liabilities and the portion of increments on property revaluation used for offsetting other negative effects is recognized as retained earnings. In accordance with Bao (Tsai) No. 10202508140, the abovementioned adjustments of retained earnings amounting to \$2,994,565 thousand should be set aside as special reserve under equity following Jin Guan Bao Tsai No. 10102508861. The Company set aside a special reserve of \$2,994,565 thousand in 2013.
- 4) In 2014, the Group changed the subsequent measurement of investment properties from the cost model to the fair value model. According to Jin-Guan-Zheng-Fa No. 1030006415, in order to maintain a sound and robust financial structure of a publicly issued company, the Group appropriated a special reserve at the amount that was the same as the net increase arising the first-time application of subsequent measurement for investment property at fair value and transferred it to retained earnings.
- 5) Cathay Life transferred insurance liabilities of \$34,764,311 thousand to special reserve in accordance with Jin Guan Bao Tsai No. 10402029590. The Company set aside a special reserve of \$34,764,311 thousand in 2015.
- 6) The Group appropriated and reversed special reserves according to Jin Guan Zheng Fa No. 1010012865. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

e. Other equity

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

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ (15,464,009)	\$ (13,319,620)
Recognized for the period	123,591	(1,799,204)
Share of associates accounted for using the equity method	(108,784)	(191,821)
Tax effects	51,439	60,530
Other comprehensive income (loss) recognized for the period	66,246	(1,930,495)
Ending balance	\$ (15,397,763)	\$ (15,250,115)

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

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 106,207,840	\$ 68,319,953
Recognized for the period	(73,750,264)	(42,421,006)
Share of associates accounted for using the equity method	181,710	61,632
Reclassification adjustments		
Disposal of debt instruments	(8,603,166)	(9,661,382)
Tax effects	<u>16,010,202</u>	<u>9,299,546</u>
Other comprehensive loss recognized for the period	(66,161,518)	(42,721,210)
Cumulative unrealized (gain) loss of equity instruments transferred to retained earnings due to disposal	<u>(636,578)</u>	<u>103,850</u>
Ending balance	<u>\$ 39,409,744</u>	<u>\$ 25,702,593</u>

3) Gain (loss) on hedging instruments

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 347,871	\$ 331,930
Recognized for the period	(134,517)	585,211
Reclassification adjustments		
Hedged item that affects profit or loss	(11,873)	(16,435)
Tax effects	<u>30,196</u>	<u>(109,595)</u>
Other comprehensive (loss) income recognized for the period	<u>(116,194)</u>	<u>459,181</u>
Ending balance	<u>\$ 231,677</u>	<u>\$ 791,111</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ (1,478,705)	\$ (1,850,508)
Recognized for the period	456,692	1,704,438
Tax effects	<u>(91,338)</u>	<u>(340,888)</u>
Other comprehensive income recognized for the period	<u>365,354</u>	<u>1,363,550</u>
Ending balance	<u>\$ (1,113,351)</u>	<u>\$ (486,958)</u>

5) Remeasurement of defined benefit plans

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ (1,966,279)	\$ (1,507,864)
Remeasurement	(655)	1,126
Share of associate accounted for using the equity method	(11,607)	(12,119)
Tax effects	<u>2,624</u>	<u>1,699</u>
Other comprehensive loss recognized for the period	<u>(9,638)</u>	<u>(9,294)</u>
Ending balance	<u>\$ (1,975,917)</u>	<u>\$ (1,517,158)</u>

6) Property revaluation surplus

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 11,097,089	\$ 11,240,314
Recognized for the period	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 11,097,089</u>	<u>\$ 11,240,314</u>

7) Other comprehensive income (loss) on reclassification using the overlay approach

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 102,511,617	\$ 57,968,675
Recognized for the period		
Unrealized gain (loss)	13,786,505	(86,648,756)
Reclassification adjustments		
Disposal of financial instruments	(46,905,972)	(15,999,492)
Tax effects	<u>2,313,477</u>	<u>9,897,170</u>
Other comprehensive loss recognized for the period	<u>(30,805,990)</u>	<u>(92,751,078)</u>
Ending balance	<u>\$ 71,705,627</u>	<u>\$ (34,782,403)</u>

8) Other equity - other

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ (3,944,303)	\$ -
Others	<u>(11,186)</u>	<u>-</u>
Ending balance	<u>\$ (3,955,489)</u>	<u>\$ -</u>

f. Non-controlling interests

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 11,714,465	\$ 10,279,814
Attributed to non-controlling interest		
Net profit for the period	200,574	223,630
Exchange differences on translation of the financial statements of foreign operations	(32,928)	(23,146)
Unrealized gain on financial assets at FVTOCI	64,520	344,624
Other comprehensive loss on reclassification using the overlay approach	(9,324)	(68,137)
Others	<u>(866,866)</u>	<u>(652,736)</u>
Ending balance	<u>\$ 11,070,441</u>	<u>\$ 10,104,049</u>

**25. NET PROFIT FOR THE PERIOD**

a. Net gain on service fee and commission fee

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Service fee revenue	\$ 7,952,079	\$ 6,967,776
Commission fee revenue	<u>2,329,646</u>	<u>2,105,001</u>
	<u>10,281,725</u>	<u>9,072,777</u>
Service fee expense	(2,420,692)	(2,031,090)
Commission fee expense	<u>(5,129,161)</u>	<u>(4,733,193)</u>
	<u>(7,549,853)</u>	<u>(6,764,283)</u>
	<u>\$ 2,731,872</u>	<u>\$ 2,308,494</u>

b. Net income on insurance operations

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Retained premiums earned	\$ 132,175,956	\$ 149,453,523
Separate account insurance product income	<u>39,232,533</u>	<u>(24,484,404)</u>
	<u>171,408,489</u>	<u>124,969,119</u>
Claims and payments	(66,677,902)	(70,008,717)
Separate account insurance product expenses	(39,232,533)	24,484,404
Others	<u>(267,265)</u>	<u>(313,358)</u>
	<u>(106,177,700)</u>	<u>(45,837,671)</u>
	<u>\$ 65,230,789</u>	<u>\$ 79,131,448</u>

c. Net changes in insurance liability reserves

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Net change in loss reserve	\$ (10,847)	\$ (64,983)
Net change in policy reserve	(104,589,570)	(116,810,610)
Net change in premium deficiency reserve	954,964	766,195
Net change in special reserve	31,597	36,196
Net change in other reserves	3,000	6,000
Net change in reserve for insurance contracts with the nature of financial products	<u>(237,217)</u>	<u>(187,372)</u>
	<u><u>\$ (103,848,073)</u></u>	<u><u>\$ (116,254,574)</u></u>

d. Employee benefit expenses

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term benefits		
Salaries	\$ 14,414,806	\$ 12,555,784
Labor and health insurance expenses	1,358,411	1,283,468
Post-employment benefits	605,998	614,249
Remuneration of directors	79,893	55,722
Others	<u>347,163</u>	<u>377,321</u>
	<u><u>\$ 16,806,271</u></u>	<u><u>\$ 14,886,544</u></u>
An analysis of employee benefit expenses by function		
Profit from operations	\$ 3,148,520	\$ 2,751,814
Operating expenses	<u>13,657,751</u>	<u>12,134,730</u>
	<u><u>\$ 16,806,271</u></u>	<u><u>\$ 14,886,544</u></u>

As of March 31, 2021 and 2020, the total number of employees in the Group was 57,347 and 56,474, respectively.

For the three months ended March 31, 2021 and 2020, the average number of the Group's employees was 57,648 and 56,588, respectively, including 38 directors not concurrently serving as employees.

e. Employees' compensation and remuneration of directors

According to the Articles of the Company, if there is a profit in the current year, the Company should distribute 0.01% to 0.05% of the profit in the current year as employees' compensation, and no more than 0.05% of the profit in the current year as remuneration of directors. However, in the case of accumulated deficit, the Company's accumulated deficit needs to be offset first.

The Company accrues employees' compensation and remuneration of directors at the rates of 0.01% and no higher than 0.05%, respectively.

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 5,733	\$ 2,326
Remuneration of directors	675	675

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

The employees' compensation and remuneration of directors for 2020 and 2019 which were resolved by the Company's board of directors on March 10, 2021 and March 11, 2020, respectively, are as follows:

	<b>For the Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 7,713	\$ 6,270
Remuneration of directors	2,700	2,700

There was no significant difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

f. Depreciation and amortization

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Right-of-use assets	\$ 354,870	\$ 350,197
Property and equipment	623,057	618,505
Intangible assets	<u>800,490</u>	<u>786,604</u>
	<u>\$ 1,778,417</u>	<u>\$ 1,755,306</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 977,927</u>	<u>\$ 968,702</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 800,490</u>	<u>\$ 786,604</u>

## 26. INCOME TAXES

### a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current period	\$ 9,139,062	\$ 6,868,109
Adjustments for prior years	24,735	(48,512)
Others	503,498	179,438
Deferred tax		
In respect of the current period	<u>(3,370,365)</u>	<u>(4,202,737)</u>
Income tax expense recognized in profit or loss	<u>\$ 6,296,930</u>	<u>\$ 2,796,298</u>

### b. Income tax recognized directly in equity

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
Derecognition of equity instruments at FVTOCI	\$ 15,975	\$ 8,683
Deferred tax		
Derecognition of equity instruments at FVTOCI	<u>(15,975)</u>	<u>(8,683)</u>
Income tax recognized directly in equity	<u>\$ -</u>	<u>\$ -</u>

### c. Income tax recognized in other comprehensive income

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ (91,338)	\$ (340,888)
Exchange differences on the translation of financial statements of foreign operations	51,439	60,530
Unrealized loss on financial assets at FVTOCI	16,009,893	9,277,739
Loss (gain) on hedging instruments	30,196	(109,595)
Remeasurement of defined benefit plans	131	(225)
Shares of other comprehensive loss of associates accounted for using the equity method	2,802	23,731
Other comprehensive loss reclassified using the overlay approach	<u>2,313,477</u>	<u>9,897,170</u>
Income tax benefit recognized in other comprehensive income	<u>\$ 18,316,600</u>	<u>\$ 18,808,462</u>

d. Income tax assessments

The income tax returns of the Group assessed by the tax authorities were as follows:

	<u>Year of Assessment</u>	<u>Note</u>
The Company	2015	-
Cathay Life	2015	-
Cathay United Bank	2015	Cathay United Bank was in the process of administrative remedy for 2014.
Cathay Century	2015	-
Cathay Securities	2015	Cathay Securities was in the process of administrative remedy from 2013 to 2014.
Cathay Venture	2015	-
Cathay Securities Investment Trust	2015	-
Cathay Futures	2018	-
Cathay Private Equity	2019	-

In accordance with Article 49 of the Financial Holding Company Act, the Company and all subsidiaries which has existed for the entire 12 months of a tax year elected to jointly file income tax return and surtax on undistributed retained earnings with the Company as the tax payer.

## 27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Three Months Ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share	\$ <u>4.36</u>	\$ <u>1.77</u>

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

### Net Income for the Period

	<u>For the Three Months Ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Net income for the period attributable to owners of the Company	\$ <u>57,366,026</u>	\$ <u>23,289,684</u>

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

	<u>For the Three Months Ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>13,169,210</u>	<u>13,169,210</u>



## 28. RELATED-PARTY TRANSACTIONS

- a. The names and categories of the related parties who engaged in transactions with the Group in the reporting periods are as follows:

Related Party Name	Related Party Category
Cathay Life	Subsidiary of the Company
Cathay United Bank	Subsidiary of the Company
Cathay Century	Subsidiary of the Company
Cathay Securities	Subsidiary of the Company
Cathay Securities Investment Trust	Subsidiary of the Company
Cathay Venture	Subsidiary of the Company
Cathay Lujiazui Life	Subsidiary of the Company
Cathay Life (Vietnam)	Subsidiary of the Company
Conning Asia Pacific Ltd.	Subsidiary of the Company
Cathay Securities Investment Consulting	Subsidiary of the Company
Cathay Investment	Subsidiary of the Company
Lin Yuan	Subsidiary of the Company
Conning Holdings Limited	Subsidiary of the Company
Cathay Woolgate Exchange Holding 1 Limited	Subsidiary of the Company
Cathay Woolgate Exchange Holding 2 Limited	Subsidiary of the Company
Cathay Walbrook Holding 1 Limited	Subsidiary of the Company
Cathay Walbrook Holding 2 Limited	Subsidiary of the Company
Octagon Credit Investors, LLC	Subsidiary of the Company
Cathay Insurance (Vietnam)	Subsidiary of the Company
Indovina Bank	Subsidiary of the Company
CUBC Bank	Subsidiary of the Company
CUBCN Bank	Subsidiary of the Company
Cathay Futures	Subsidiary of the Company
Cathay Private Equity	Subsidiary of the Company
Cathay Industrial R&D Center	Subsidiary of the Company
Cathay Securities (Hong Kong) Limited	Subsidiary of the Company
Cathay Capital (Asia)	Subsidiary of the Company
Global Evolution Holding ApS	Subsidiary of the Company (associate before June 2020)
Taiwan Real-estate Management Corp.	Associate
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
CM Energy Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate (other related party before May 2020)
Seaward Card Co., Ltd.	Other related party
Vietinbank	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Fund managed by Cathay Securities Investment Trust	Other related party
Private Equity Fund managed by Cathay Private Equity	Other related party
Fund managed by Global Evolution Holding ApS	Other related party
Fund managed by Octagon Credit Investors, LLC	Other related party
Bond managed by Octagon Credit Investors, LLC	Other related party

(Continued)

Related Party Name	Related Party Category
San Ching Engineering Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Hong-Sui Co., Ltd.	Other related party
Bowl Cut Entertainment Co., Ltd.	Other related party
Cymlin Co., Ltd.	Other related party
Retail Forest Co., Ltd.	Other related party
Sino Greenergy Group	Other related party
Cathay Cultural Foundation	Other related party
Cathay Charity Foundation	Other related party
Cathay Real Estate Management Co., Ltd.	Other related party
Cathay United Bank Foundation	Other related party
Cathay Life Insurance Employees' Welfare Committee	Other related party
Cathay United Bank Employees' Welfare Committee	Other related party
Cathay Real Estate Development Employees' Welfare Committee	Other related party
Hsin Chung Co., Ltd.	Other related party
Tian-Ji Power Co., Ltd.	Other related party
Jinhua Realty Co., Ltd.	Other related party
Pai Hsing Investment Co., Ltd.	Other related party
Bannan Realty Co., Ltd.	Other related party
De Jin Co., Ltd.	Other related party
Others	Other related party

(Concluded)

b. Significant transactions with related parties were as follows:

All significant intragroup transactions have been eliminated in the consolidated financial statements. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows:

1) Transactions with banks

a) Due from commercial banks

Name	March 31, 2021		December 31, 2020		March 31, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party						
Vietinbank	<u>\$ 30,767</u>	<u>\$ 232</u>	<u>\$ 519,903</u>	<u>\$ 5,256</u>	<u>\$ 5,153,099</u>	<u>\$ 1,305</u>

b) Due to commercial banks

Name	March 31, 2021		December 31, 2020		March 31, 2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party						
Vietinbank	<u>\$ 19,526</u>	<u>\$ -</u>	<u>\$ 20,040</u>	<u>\$ (10,117)</u>	<u>\$ 5,205,173</u>	<u>\$ (1,285)</u>

c) Investments in financial debentures (financial assets at FVTOCI)

Name	March 31, 2021		December 31, 2020		March 31, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party						
Vietinbank	<u>\$ 370,854</u>	<u>\$ 6,759</u>	<u>\$ 384,663</u>	<u>\$ 31,156</u>	<u>\$ 478,816</u>	<u>\$ 9,236</u>

2) Balance of shares issued by related parties

Name	March 31, 2021	December 31, 2020	March 31, 2020
Associate			
PSS Co., Ltd.	\$ 16,513	\$ 19,318	\$ 18,516
Other related party			
Cathay Real Estate Development Co., Ltd.	1,356,461	1,437,071	1,182,947
Cathay Healthcare Management Co., Ltd.	143,963	145,035	255,750
	<u>1,500,424</u>	<u>1,582,106</u>	<u>1,438,697</u>
	<u>\$ 1,516,937</u>	<u>\$ 1,601,424</u>	<u>\$ 1,457,213</u>

Refer to Note 13 for the balance of investment in associates.

3) Receivable

Name	March 31, 2021	December 31, 2020	March 31, 2020
Other related party			
Fund managed by Cathay Securities Investment Trust	\$ 224,034	\$ 212,495	\$ 190,677
Cathay Hospitality Management Co., Ltd.	-	4,664	-
Tian-Ji Power Co., Ltd.	459	3,687	-
	<u>\$ 224,493</u>	<u>\$ 220,846</u>	<u>\$ 190,677</u>

4) Loans

Name	March 31, 2021		December 31, 2020		March 31, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Associate						
TaiYang Solar Power Co., Ltd.	\$ 63,918	\$ 328	\$ 65,244	\$ 1,409	\$ 69,223	\$ 402
Taiwan Real-estate Management Corp.	33,000	130	33,000	533	33,000	147
	<u>96,918</u>	<u>458</u>	<u>98,244</u>	<u>1,942</u>	<u>102,223</u>	<u>549</u>
Other related party						
Tian-Ji Power Co., Ltd.	81,125	421	83,012	1,878	-	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	10,000	29	-	103	10,000	44
Cathay Real Estate Development Co., Ltd.	-	-	-	60	-	60
Others	3,075,438	10,164	2,980,147	39,028	2,780,118	11,223
	<u>3,166,563</u>	<u>10,614</u>	<u>3,063,159</u>	<u>41,069</u>	<u>2,790,118</u>	<u>11,327</u>
	<u>\$ 3,263,481</u>	<u>\$ 11,072</u>	<u>\$ 3,161,403</u>	<u>\$ 43,011</u>	<u>\$ 2,892,341</u>	<u>\$ 11,876</u>

## 5) Deposits

Name	March 31, 2021		December 31, 2020		March 31, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary of the Company						
Cathay Securities Investment Consulting	\$ 562,405	\$ 39	\$ 502,217	\$ 388	\$ 487,289	\$ 162
Associate						
Symphox Information Co., Ltd.	182,437	41	407,037	427	121,965	184
Lin Yuan Property Management Co., Ltd.	184,648	322	270,481	1,387	-	-
CM Energy Co., Ltd.	<u>310,162</u>	<u>6</u>	<u>50,160</u>	<u>2</u>	<u>10,138</u>	<u>-</u>
	<u>677,247</u>	<u>369</u>	<u>727,678</u>	<u>1,816</u>	<u>132,103</u>	<u>184</u>
Other related party						
Cathay Life Insurance Employees' Welfare Committee	2,298,127	4,183	2,198,909	17,881	2,255,979	5,093
Cathay United Bank Employees' Welfare Committee	763,165	7,494	760,170	31,356	758,539	7,476
De Jin Co., Ltd.	152,663	5	636,153	31	80,880	21
Cathay United Bank Foundation	530,447	1,038	530,444	4,560	523,237	1,304
Cathay Real Estate Development Employees' Welfare Committee	415,470	847	413,825	3,560	395,211	990
Cathay Real Estate Development Co., Ltd.	258,515	4	370,758	18	177,623	4
Cathay Real Estate Management Co., Ltd.	102,194	137	98,631	696	104,853	222
Bannan Realty Co., Ltd.	299,239	8	338,238	16	-	-
Cathay Charity Foundation	275,092	473	274,178	2,026	268,262	581
Cathay Medical Care Corp.	148,512	10	210,060	42	158,032	20
Cathay Cultural Foundation	227,698	395	209,366	1,711	201,231	486
Cathay Hospitality Management Co., Ltd.	33,237	2	189,776	11	1,597	1
Pai Hsing Investment Co., Ltd.	3,043	25	177,062	743	156,147	549
Jinhua Realty Co., Ltd.	166,199	4	167,867	6	-	-
Ally Logistic Property Co., Ltd.	125,709	3	147,229	9	87,618	3
Yua-Yung Marketing (Taiwan) Co., Ltd.	127,412	69	140,277	291	113,442	77
Lin Yuan Property Management Co., Ltd.	-	-	-	-	203,833	418
Others	<u>8,071,806</u>	<u>12,776</u>	<u>8,558,761</u>	<u>53,305</u>	<u>6,927,448</u>	<u>16,852</u>
	<u>13,998,528</u>	<u>27,473</u>	<u>15,421,704</u>	<u>116,262</u>	<u>12,413,932</u>	<u>34,097</u>
	<u>\$ 15,238,180</u>	<u>\$ 27,881</u>	<u>\$ 16,651,599</u>	<u>\$ 118,466</u>	<u>\$ 13,033,324</u>	<u>\$ 34,443</u>

6) Property transactions

- a) Cathay Life and its subsidiaries' significant transactions from undertaking contracted projects with related parties are listed below:

Name	For the Three Months Ended March 31			
	2021		2020	
	Items	Amount	Items	Amount
Associate				
Lin Yuan Property Management Co., Ltd.	Zhongming Building, etc.	\$ 318	-	\$ -
Other related parties				
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	260,489	THSR Taoyuan Commercial Park etc.	91,690
Ally Logistic Property Co., Ltd.	Ruifang Logistics Park, etc.	54,228	Yangmei Logistics Park,	169,502
Lin Yuan Property Management Co., Ltd.	-	-	Cathay headquarters buildings, etc.	3,622
		<u>314,717</u>		<u>264,814</u>
		<u>\$ 315,035</u>		<u>\$ 264,814</u>

As of March 31, 2021, December 31, 2020 and March 31, 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$2,569,290 thousand, \$2,569,290 thousand and \$2,419,048 thousand, respectively.

As of March 31, 2021, December 31, 2020 and March 31, 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$7,396,324 thousand, \$7,393,657 thousand and \$4,276,981 thousand, respectively.

- b) Real-estate rental (Cathay Life and its subsidiaries as lessor)

Name	Rental Income	
	For the Three Months Ended	
	March 31	
	2021	2020
Associates		
Symphox Information Co., Ltd.	\$ 8,220	\$ 12,861
Lin Yuan Property Management Co., Ltd.	<u>4,867</u>	<u>-</u>
	<u>13,087</u>	<u>12,861</u>
Other related parties		
Ally Logistic Property Co., Ltd.	196,805	185,299
Cathay Medical Care Corp.	46,646	45,282
Cathay Hospitality Consulting Co., Ltd.	42,519	25,003
Cathay Hospitality Management Co., Ltd.	37,802	48,920
Cathay Healthcare Management Co., Ltd.	17,584	17,467
Cathay Real Estate Development Co., Ltd.	4,628	4,514
Hsin Chung Co., Ltd.	3,226	3,226
Yua-Yung Marketing (Taiwan) Co., Ltd.	9,712	4,239
Hong-Sui Co., Ltd.	7,467	6,410
Lin Yuan Property Management Co., Ltd.	<u>-</u>	<u>3,177</u>
	<u>366,389</u>	<u>343,537</u>
	<u>\$ 379,476</u>	<u>\$ 356,398</u>

Name	Guarantee Deposits Received		
	March 31, 2021	December 31, 2020	March 31, 2020
Associates			
Symphox Information Co., Ltd.	\$ 8,000	\$ 8,000	\$ 13,070
Other related parties			
Cathay Hospitality Management Co., Ltd.	187,682	186,584	186,031
Cathay Hospitality Consulting Co., Ltd.	180,473	180,473	108,145
Ally Logistic Property Co., Ltd.	143,270	142,869	123,085
Cathay Healthcare Management Co., Ltd.	20,384	20,384	16,554
Cathay Medical Care Corp.	11,435	11,435	11,384
Retail Forest Co., Ltd.	5,745	5,745	1,003
Hong-Sui Co., Ltd.	5,145	5,145	4,645
Cathay Real Estate Development Co., Ltd.	4,090	4,090	3,959
Cymlin Co., Ltd.	4,081	4,081	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	3,532	3,487	3,471
Hsin Chung Co., Ltd.	3,072	3,072	3,072
	<u>568,909</u>	<u>567,365</u>	<u>461,349</u>
	<u>\$ 576,909</u>	<u>\$ 575,365</u>	<u>\$ 474,419</u>

Lease periods and collection of rentals are in compliance with the lease contracts. Lease periods are usually between 2 to 5 years and rentals are collected on a monthly basis.

c) Lease arrangements of Cathay Life and its subsidiaries

Name	Lease Liabilities		
	March 31, 2021	December 31, 2020	March 31, 2020
Other related party			
Cathay Real Estate Development Co., Ltd.	\$ 14,518	\$ 16,478	\$ 595

d) Lease arrangements of Cathay United Bank and its subsidiaries

Name	Lease Liabilities		
	March 31, 2021	December 31, 2020	March 31, 2020
Other related party			
Cathay Real Estate Development Co., Ltd.	\$ 11,242	\$ 15,949	\$ 16,085

Name	Guarantee Deposits Paid		
	March 31, 2021	December 31, 2020	March 31, 2020
Other related party Cathay Real Estate Development Co., Ltd.	\$ 4,446	\$ 4,446	\$ 4,625

7) Prepayments

Name	March 31, 2021	December 31, 2020	March 31, 2020
Other related party Cathay Private Equity's Private Equity Fund	\$ -	\$ -	\$ 3,000

8) Guarantee deposits received

Name	March 31, 2021	December 31, 2020	March 31, 2020
Associate Lin Yuan Property Management Co., Ltd.	\$ 5,000	\$ 5,000	\$ -
Other related parties San Ching Engineering Co., Ltd.	982,804	979,284	460,555
Ally Logistic Property Co., Ltd.	293,285	293,285	151,275
Cathay Hospitality Management Co., Ltd.	-	-	51,000
Lin Yuan Property Management Co., Ltd.	-	-	5,000
	<u>1,276,089</u>	<u>1,272,569</u>	<u>667,830</u>
	<u>\$ 1,281,089</u>	<u>\$ 1,277,569</u>	<u>\$ 667,830</u>

9) Payables

Name	March 31, 2021	December 31, 2020	March 31, 2020
Subsidiary of the Company Cathy Securities Investment Consulting	\$ 30,788	\$ 30,788	\$ 30,595
Associate Symphox Information Co., Ltd.	77,742	90,869	194,009
Lin Yuan Property Management Co., Ltd.	46,069	17	-
	<u>123,811</u>	<u>90,886</u>	<u>194,009</u>
Other related party Seaward Card Co., Ltd.	19,167	35,533	27,483
Fund managed by Cathay Securities Investment Trust	4,079	3,922	4,537

(Continued)

<b>Name</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Lin Yuan Property Management Co., Ltd.	\$ -	\$ -	\$ 45,289
Global Evolution Holding ApS	<u>-</u>	<u>-</u>	<u>3,153</u>
	<u>23,246</u>	<u>39,455</u>	<u>80,462</u>
	<u>\$ 177,845</u>	<u>\$ 161,129</u>	<u>\$ 305,066</u>
			(Concluded)

10) Balance of bonds managed by related parties

<b>Name</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Other related party			
Bond managed by Octagon Credit Investors, LLC	<u>\$ 5,070,505</u>	<u>\$ 5,006,641</u>	<u>\$ 5,180,100</u>

11) Balance of funds managed by related parties

<b>Name</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Other related parties			
Fund managed by Cathay Securities Investment Trust	\$ 69,625,436	\$ 70,300,473	\$ 70,203,942
Fund managed by Global Evolution Holding ApS	2,769,402	2,864,685	2,511,372
Cathay Private Equity's Private Equity Fund	1,040,171	1,055,921	493,956
Fund managed by Octagon Credit Investors, LLC	<u>743,480</u>	<u>870,939</u>	<u>786,114</u>
	<u>\$ 74,178,489</u>	<u>\$ 75,092,018</u>	<u>\$ 73,995,384</u>

12) Balances of related parties' discretionary management investment

<b>Name</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Other related parties			
Cathay Charity Foundation	\$ 118,657	\$ 110,045	\$ 72,892
Cathay Cultural Foundation	<u>61,020</u>	<u>58,230</u>	<u>52,397</u>
	<u>\$ 179,677</u>	<u>\$ 168,275</u>	<u>\$ 125,289</u>



13) Balance of discretionary management investments

		<b>December 31,</b>	
<b>Name</b>	<b>March 31, 2021</b>	<b>2020</b>	<b>March 31, 2020</b>
Associate			
Global Evolution Holdings ApS	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>20,986,474</u>

14) Service fee income

		<b>For the Three Months Ended</b>	
		<b>March 31</b>	
<b>Name</b>		<b>2021</b>	<b>2020</b>
Subsidiary of the Company			
Cathay Securities Investment Consulting		\$ 6,980	\$ 3,617
Other related parties			
Cathay Real Estate Development Co., Ltd.		<u>4,290</u>	<u>1,580</u>
		<u>\$ 11,270</u>	<u>\$ 5,197</u>

15) Premium income

		<b>For the Three Months Ended</b>	
		<b>March 31</b>	
<b>Name</b>		<b>2021</b>	<b>2020</b>
Other related parties			
Cathay Medical Care Corp.		\$ 8,977	\$ 12,015
Others		<u>62,102</u>	<u>103,949</u>
		<u>\$ 71,079</u>	<u>\$ 115,964</u>

16) Net other non-interest income

		<b>For the Three Months Ended</b>	
		<b>March 31</b>	
<b>Name</b>		<b>2021</b>	<b>2020</b>
<u>Other non-interest income</u>			
Other related parties			
Fund managed by Cathay Securities Investment Trust		\$ 642,507	\$ 608,336
Cathay Private Equity's Private Equity Fund		<u>15,916</u>	<u>7,361</u>
		<u>\$ 658,423</u>	<u>\$ 615,697</u>
<u>Other non-interest expense</u>			
Associate			
Global Evolution Holdings ApS		\$ <u>          -</u>	\$ <u>8,391</u>

17) Operating expenses

Name	For the Three Months Ended March 31	
	2021	2020
Subsidiary of the Company		
Cathay Securities Investment Consulting	\$ 30,653	\$ 30,494
Associate		
Symphox Information Co., Ltd.	199,459	190,254
Lin Yuan Property Management Co., Ltd.	197,233	-
	<u>396,692</u>	<u>190,254</u>
Other related parties		
Seaward Card Co., Ltd.	70,174	73,073
Bowl Cut Entertainment Co., Ltd.	18,870	18,870
Cathay Healthcare Management Co., Ltd.	3,536	4,351
Lin Yuan Property Management Co., Ltd.	-	201,302
	<u>92,580</u>	<u>297,596</u>
	<u>\$ 519,925</u>	<u>\$ 518,344</u>

18) Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Three Months Ended March 31	
		2021	2020
Subsidiary of the Company			
Cathay Securities Investment Consulting	Ordinary shares	\$ -	\$ 230,000
Associates			
CM Energy Co., Ltd.	Ordinary shares	135,000	-
PSS Co., Ltd.	Ordinary shares	-	51,386
TaiYang Solar Power Co., Ltd.	Ordinary shares	-	40,150
		<u>135,000</u>	<u>91,536</u>
		<u>\$ 135,000</u>	<u>\$ 321,536</u>

19) Guarantees on duties and contracts

March 31, 2021

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party					
Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 54,673</u>	<u>\$ 54,673</u>	<u>\$ 9</u>	0.65%- 0.8%	Demand deposits

December 31, 2020

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 68,190</u>	<u>\$ 54,673</u>	<u>\$ 28</u>	0.65%- 0.8%	Demand deposits

March 31, 2020

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 68,190</u>	<u>\$ 55,190</u>	<u>\$ 19</u>	0.65%- 0.8%	Demand deposits

20) Compensation of key management personnel

Name	For the Three Months Ended March 31	
	2021	2020
Short-term employee benefits	\$ 418,139	\$ 381,474
Post-employment benefits	<u>6,155</u>	<u>5,725</u>
	<u>\$ 424,294</u>	<u>\$ 387,199</u>

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

c. The Company

1) Cash in banks

Name	March 31, 2021		December 31, 2020		March 31, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary of the Company Cathay United Bank	<u>\$ 15,099</u>	<u>\$ 3</u>	<u>\$ 209,849</u>	<u>\$ 144</u>	<u>\$ 331,920</u>	<u>\$ 17</u>

2) Receivables

Name	Nature of Transaction	March 31, 2021	December 31, 2020	March 31, 2020
Subsidiary of the Company				
Cathay Life	Integrated income tax, etc.	\$ 14,315,777	\$ 6,206,423	\$ 378,868
Cathay United Bank	Integrated income tax, etc.	1,822,086	771,804	2,682,400
Cathay Century	Integrated income tax, etc.	445,073	356,009	538,721
Cathay Securities	Integrated income tax	287,881	218,953	149,879
Cathay Securities Investment Trust	Integrated income tax	271,435	186,069	229,907
Cathay Venture	Integrated income tax	<u>-</u>	<u>-</u>	<u>4,345</u>
		<u>\$ 17,142,252</u>	<u>\$ 7,739,258</u>	<u>\$ 3,984,120</u>

3) Guarantee deposits paid

Name	March 31, 2021	December 31, 2020	March 31, 2020
Subsidiary of the Company			
Cathay Life	<u>\$ 30,038</u>	<u>\$ 29,781</u>	<u>\$ 36,205</u>

4) Financial assets at FVTPL

Name	March 31, 2021	December 31, 2020	March 31, 2020
Subsidiary of the Company			
Cathay Life	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

5) Lease agreements

a) Lease liabilities

Name	March 31, 2021	December 31, 2020	March 31, 2020
Subsidiary of the Company			
Cathay Life	<u>\$ 204,656</u>	<u>\$ 239,100</u>	<u>\$ 33,970</u>

b) Lease expense

Name	For the Three Months Ended March 31	
	2021	2020
Subsidiary of the Company		
Cathay Life	<u>\$ 1,420</u>	<u>\$ 12,848</u>

6) Payables

Name	Nature of Transaction	March 31, 2021	December 31, 2020	March 31, 2020
Subsidiary of the Company Cathay Life	Integrated income tax	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>5,188,435</u>

7) Interest income

Name	For the Three Months Ended March 31	
	2021	2020
Subsidiary of the Company Cathay Life	\$ <u>310,685</u>	\$ <u>313,279</u>

8) Operating expenses

Name	For the Three Months Ended March 31	
	2021	2020
Other related party Bowl Cut Entertainment Co., Ltd.	\$ <u>18,870</u>	\$ <u>18,870</u>

d. Significant transactions between subsidiaries and related parties that are more than \$100 million

Significant intragroup transactions have been eliminated in the consolidated financial statements.

1) Cathay Life and its subsidiaries

a) Property transactions

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

i. Significant transactions from undertaking contracted projects with related parties are listed below:

Name	For the Three Months Ended March 31			
	2021		2020	
	Items	Amount	Items	Amount
Other related parties				
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	\$ 260,489	THSR Taoyuan Commercial Park, etc.	\$ 91,690
Cathay Real Estate Development Co., Ltd.	Ruifang Logistics Park, etc.	<u>54,228</u>	Yangmei Logistics Park, etc.	<u>169,502</u>
		\$ <u>314,717</u>		\$ <u>261,192</u>

As of March 31, 2021, December 31, 2020 and March 31, 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$2,569,290 thousand, \$2,569,290 thousand and \$2,419,048 thousand, respectively.

As of March 31, 2021, December 31, 2020 and March 31, 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$7,396,324 thousand, \$7,393,657 thousand and \$4,276,981 thousand, respectively.

ii. Real-estate rental (Cathay Life and its subsidiaries as lessor)

Name	Rental Income	
	For the Three Months Ended	
	March 31	
	2021	2020
Subsidiary of the Company		
Cathay United Bank	\$ 153,938	\$ 149,758
Other related parties		
Ally Logistic Property Co., Ltd.	<u>196,805</u>	<u>185,299</u>
	<u>\$ 350,743</u>	<u>\$ 335,057</u>

  

Name	Guarantee Deposits Received		
	December 31,		
	March 31, 2021	2020	March 31, 2020
Subsidiary of the Company			
Cathay United Bank	<u>\$ 186,551</u>	<u>\$ 186,446</u>	<u>\$ 188,988</u>
Other related parties			
Cathay Hospitality			
Management Co., Ltd.	187,682	186,584	186,031
Cathay Hospitality Consulting			
Co., Ltd.	180,473	180,473	108,145
Ally Logistic Property Co., Ltd.	<u>143,270</u>	<u>142,869</u>	<u>123,085</u>
	<u>511,425</u>	<u>509,926</u>	<u>417,261</u>
	<u>\$ 697,976</u>	<u>\$ 696,372</u>	<u>\$ 606,249</u>

Lease periods are usually between 2 to 5 years and rentals are collected on a monthly basis.

b) Shares transactions

Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Three Months Ended March 31	
		2021	2020
Subsidiary of the Company			
Cathay Securities Investment Consulting	Ordinary shares	\$ -	\$ 230,000
Associate			
CM Energy Co., Ltd.	Ordinary shares	<u>135,000</u>	<u>-</u>
		<u>\$ 135,000</u>	<u>\$ 230,000</u>

c) Balance of shares issued by related parties

Name	Nature of Transaction	March 31, 2021	December 31, 2020	March 31, 2020
Other related parties				
Cathay Real Estate Development Co., Ltd.	Ordinary shares	<u>\$ 1,355,770</u>	<u>\$ 1,436,792</u>	<u>\$ 1,182,912</u>

d) Cash in banks

Name	Nature of Transaction	March 31, 2021	December 31, 2020	March 31, 2020
Subsidiary of the Company				
Cathay United Bank	Time deposits	\$ 1,194,424	\$ 1,068,004	\$ 1,056,654
	Demand deposits	31,219,871	23,114,154	43,895,930
	Checking account deposits	214,601	349,239	166,965
	Security deposits	6	6	6
Indovina Bank	Time deposits	3,036,728	815,802	197,915
	Demand deposits	<u>137,602</u>	<u>19,863</u>	<u>9,183</u>
		<u>\$ 35,803,232</u>	<u>\$ 25,367,068</u>	<u>\$ 45,326,653</u>

e) Loans

Name	For the Three Months Ended March 31, 2021		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 925,220</u>	0.75%-3.17%	<u>\$ 864,097</u>
Name	For the Three Months Ended March 31, 2020		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 1,009,172</u>	1.03%-3.44%	<u>\$ 981,921</u>

f) Balance of bonds managed by related parties

Name	March 31, 2021	December 31, 2020	March 31, 2020
Other related party Bond managed by Octagon Credit Investors, LLC	<u>\$ 5,070,505</u>	<u>\$ 5,006,641</u>	<u>\$ 5,180,100</u>

g) Balance of funds managed by related parties

Name	Item	March 31, 2021	December 31, 2020	March 31, 2020
Other related party				
Fund managed by				
Octagon Credit Investors, LLC	Market value	<u>\$ 743,480</u>	<u>\$ 870,939</u>	<u>\$ 786,114</u>
	Cost	<u>\$ 751,393</u>	<u>\$ 894,337</u>	<u>\$ 835,116</u>
Fund managed by				
Global Evolution Holding ApS	Market value	<u>\$ 2,769,402</u>	<u>\$ 2,864,685</u>	<u>\$ 2,511,372</u>
	Cost	<u>\$ 2,554,528</u>	<u>\$ 2,606,653</u>	<u>\$ 2,633,910</u>
Fund managed by				
Cathay Securities Investment Trust	Market value	<u>\$ 68,064,924</u>	<u>\$ 68,737,375</u>	<u>\$ 68,783,740</u>
	Cost	<u>\$ 69,536,318</u>	<u>\$ 65,853,768</u>	<u>\$ 68,237,310</u>
Private Equity Fund managed by Cathay Private Equity	Market value	<u>\$ 1,018,933</u>	<u>\$ 1,034,236</u>	<u>\$ 487,392</u>
	Cost	<u>\$ 989,445</u>	<u>\$ 989,445</u>	<u>\$ 494,150</u>

h) Balance of discretionary management Investments

Name	March 31, 2021	December 31, 2020	March 31, 2020
Subsidiary of the Company			
Cathay Securities Investment Trust	<u>\$ 320,693,663</u>	<u>\$ 312,835,430</u>	<u>\$ 198,497,844</u>
Associate			
Global Evolution Holding ApS	<u>-</u>	<u>-</u>	<u>20,986,474</u>
	<u>\$ 320,693,663</u>	<u>\$ 312,835,430</u>	<u>\$ 219,484,318</u>



i) Other receivables

Name	March 31, 2021	December 31, 2020	March 31, 2020
The Company			
Cathay Financial Holdings (Note)	\$ _____	\$ _____	\$ <u>5,188,435</u>

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

j) Guarantee deposits paid (for future transactions)

Name	March 31, 2021	December 31, 2020	March 31, 2020
Subsidiary of the Company			
Cathay Futures Co., Ltd.	\$ <u>1,938,256</u>	\$ <u>1,897,019</u>	\$ <u>3,614,030</u>

k) Guarantee deposits received

Name	March 31, 2021	December 31, 2020	March 31, 2020
Other related parties			
Ally Logistic Property Co., Ltd.	\$ 293,285	\$ 293,285	\$ 151,275
San Ching Engineering Co., Ltd.	<u>982,804</u>	<u>979,284</u>	<u>460,555</u>
	\$ <u>1,276,089</u>	\$ <u>1,272,569</u>	\$ <u>611,830</u>

l) Other payables

Name	March 31, 2021	December 31, 2020	March 31, 2020
The Company			
Cathay Financial Holdings (Note)	\$ 14,315,777	\$ 6,206,423	\$ 378,868
Subsidiary of the Company			
Cathay United Bank	<u>421,537</u>	<u>350,640</u>	<u>289,244</u>
	\$ <u>14,737,314</u>	\$ <u>6,557,063</u>	\$ <u>668,112</u>

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

m) Bonds payable

Name	March 31, 2021	December 31, 2020	March 31, 2020
The Company			
Cathay Financial Holdings	\$ <u>35,000,000</u>	\$ <u>35,000,000</u>	\$ <u>35,000,000</u>

n) Premium income

Name	For the Three Months Ended March 31	
	2021	2020
Other related party		
Others	\$ <u>62,102</u>	\$ <u>103,949</u>

o) Insurance expense

Name	For the Three Months Ended March 31	
	2021	2020
Subsidiary of the Company		
Cathay Century	\$ <u>93,153</u>	\$ <u>100,536</u>

p) Other operating costs

Name	For the Three Months Ended March 31	
	2021	2020
Subsidiary of the Company		
Cathay United Bank	\$ 311,356	\$ 331,962
Cathay Securities Investment Trust	<u>115,937</u>	<u>65,632</u>
	\$ <u>427,293</u>	\$ <u>397,594</u>

q) Finance costs

Name	For the Three Months Ended March 31	
	2021	2020
The Company		
Cathay Financial Holdings	\$ <u>310,685</u>	\$ <u>313,279</u>

The finance costs consist of interest expenses accrued from bonds payable and preferred stock liability.

r) Operating expenses

Name	For the Three Months Ended March 31	
	2021	2020
Subsidiary of the Company		
Cathay United Bank	\$ 1,532,434	\$ 1,456,566
Associate		
Lin Yuan Property Management Co., Ltd.	188,149	-
Other related party		
Lin Yuan Property Management Co., Ltd.	<u>-</u>	<u>198,292</u>
	\$ <u>1,720,583</u>	\$ <u>1,654,858</u>

s) Non-operating income

Name	For the Three Months Ended March 31	
	2021	2020
Subsidiary of the Company Cathay Century	<u>\$ 156,953</u>	<u>\$ 164,021</u>

Non-operating income was mainly generated from Cathay Life and its subsidiaries' integrated promotion activities.

t) Others

As of March 31, 2021, December 31, 2020 and March 31, 2020, the nominal amounts of the financial instruments transacted between Cathay Life and Cathay United Bank are summarized as follows (in thousands of USD):

Name	March 31, 2021	December 31, 2020	March 31, 2020
SWAP	<u>US\$ 2,720,000</u>	<u>US\$ 3,498,000</u>	<u>US\$ 3,115,000</u>

2) Cathay United Bank and its subsidiaries

a) Loans

March 31, 2021

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-03.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	21	\$ 165,937	\$ 10,285	V	\$ -	None	None	\$ 1	\$ 189
Self-used housing mortgage loans	251	2,256,417	2,166,293	V	-	Real estate and certificates of time deposits	None	2,839	29,112

December 31, 2020

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	31	\$ 157,056	\$ 10,897	V	\$ -	None	None	\$ (14)	\$ 178
Self-used housing mortgage loans	278	2,414,396	2,127,714	V	-	Real estate, certificates of time deposits and demand deposits	None	4,930	27,052

March 31, 2020

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-03.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	26	\$ 114,922	\$ 18,483	V	\$ -	None	None	\$ 118	\$ 300
Self-used housing mortgage loans	241	1,887,613	1,758,277	V	-	Real estate, certificates of time deposits and overseas bonds	None	(1,028)	21,740

## Deposits

Name	March 31, 2021		December 31, 2020		March 31, 2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
The Company						
Cathay Financial Holdings	\$ 15,099	\$ 3	\$ 209,849	\$ 144	\$ 331,920	\$ 17
Subsidiary of the Company						
Cathay Life	28,420,531	1,396	23,235,022	14,426	44,009,199	6,894
Cathay Century	1,839,633	166	2,010,221	4,195	2,052,907	1,793
Cathay Securities	2,609,322	463	3,913,465	2,948	2,538,192	1,148
Cathay Futures	822,005	522	1,138,851	4,857	1,549,289	2,085
Cathay Venture	160,114	7	103,380	4	9,987	1
Cathay Securities Investment Trust	155,415	17	167,389	85	123,574	32
Cathay Securities Investment Consulting	562,405	39	502,217	388	487,289	162
Cathay Life (Vietnam)	6,027,516	14,554	835,754	26,147	207,097	4,367
Cathay Insurance (Vietnam)	235,270	3,952	243,219	5,353	189,149	621
Lin Yuan	1,280,542	9,348	1,221,708	33,087	1,031,228	7,549
Cathay Industrial R&D Center	723,326	51	1,000,000	-	-	-
	<u>42,836,079</u>	<u>30,515</u>	<u>34,371,226</u>	<u>91,490</u>	<u>52,197,911</u>	<u>24,652</u>
Associate						
CM Energy Co., Ltd.	310,162	6	50,160	2	10,138	-
Lin Yuan Property Management Co., Ltd.	184,648	322	270,481	1,387	-	-
Symphox Information Co., Ltd.	182,437	41	407,037	427	121,965	184
	<u>677,247</u>	<u>369</u>	<u>727,678</u>	<u>1,816</u>	<u>132,103</u>	<u>184</u>
Other related party						
Cathay Life Insurance Employees' Welfare Committee	2,298,127	4,183	2,198,909	17,881	2,255,979	5,093
Cathay Real Estate Development Co., Ltd.	258,515	4	370,758	18	177,623	4
Cathay Medical Care Corp.	148,512	10	210,060	42	158,032	20
Cathay Hospitality Management Co., Ltd.	33,237	2	189,776	11	1,597	1
Cathay United Bank Foundation	530,447	1,038	530,444	4,560	523,237	1,304
Cathay Charity Foundation	275,092	473	274,178	2,026	268,262	581
Cathay Cultural Foundation	227,698	395	209,366	1,711	201,231	486
Cathay United Bank Employees' Welfare Committee	763,165	7,494	760,170	31,356	758,539	7,476
Cathay Real Estate Development Employees' Welfare Committee	415,470	847	413,825	3,560	395,211	990
Lin Yuan Property Management Co., Ltd.	-	-	-	-	203,833	418
Jinhua Realty Co., Ltd.	166,199	4	167,867	6	-	-
Pai Hsing Investment Co., Ltd.	3,043	25	177,062	743	156,147	549
Bannan Realty Co., Ltd.	299,239	8	338,238	16	-	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	127,412	69	140,277	291	113,442	77
De Jin Co., Ltd.	152,663	5	636,153	31	80,880	21
Ally Logistic Property Co., Ltd.	125,709	3	147,229	9	87,618	3
Cathay Real Estate Management Co., Ltd.	102,194	137	98,631	696	104,853	222
Others	<u>8,071,806</u>	<u>12,776</u>	<u>8,558,761</u>	<u>53,305</u>	<u>6,927,448</u>	<u>16,852</u>
	<u>13,998,528</u>	<u>27,473</u>	<u>15,421,704</u>	<u>116,262</u>	<u>12,413,932</u>	<u>34,097</u>
	<u>\$ 57,526,953</u>	<u>\$ 58,360</u>	<u>\$ 50,730,457</u>	<u>\$ 209,712</u>	<u>\$ 65,075,866</u>	<u>\$ 58,950</u>

Name	March 31, 2021		December 31, 2020		March 31, 2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
<u>Due from banks</u>						
Other related party						
Vietinbank	\$ 30,767	\$ 232	\$ 519,903	\$ 5,256	\$ 5,153,099	\$ 1,305
<u>Due to banks</u>						
Other related party						
Vietinbank	19,526	-	20,040	(10,117)	5,205,173	(1,285)

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

b) Investments in financial debentures (financial assets at FVTPL)

Name	March 31, 2021		December 31, 2020		March 31, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party						
Vietinbank	<u>\$ 370,854</u>	<u>\$ 6,759</u>	<u>\$ 384,663</u>	<u>\$ 31,156</u>	<u>\$ 478,816</u>	<u>\$ 9,236</u>

c) Derivatives

March 31, 2021

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2020.07.30-2022.03.24	\$ 77,604,320	\$ 896,517	Valuation adjustment for financial assets at FVTPL	\$ 1,028,483
					Valuation adjustment for FVTPL financial liabilities	(387,277)
Cathay Century	SWAP - exchange between customers (USD)	2020.04.20-2022.03.11	2,716,151	(15,760)	Valuation adjustment for financial assets at FVTPL	11,320
					Valuation adjustment for FVTPL financial liabilities	(33,018)

December 31, 2020

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2020.02.21-2021.12.09	\$ 99,720,984	\$ (707,642)	Valuation adjustment for financial assets at FVTPL	\$ 97,688
					Valuation adjustment for FVTPL financial liabilities	(2,315,173)
Cathay Century	SWAP - exchange between customers (USD)	2020.01.09-2021.11.17	2,713,962	55	Valuation adjustment for financial assets at FVTPL	1,025
					Valuation adjustment for FVTPL financial liabilities	(57,209)

March 31, 2020

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2019.05.28-2021.03.09	\$ 94,241,210	\$ 429,161	Valuation adjustment for financial assets at FVTPL	\$ 293,451
					Valuation adjustment for FVTPL financial liabilities	(485,628)
Cathay Century	SWAP - exchange between customers (USD)	2019.04.11-2021.03.11	2,880,181	14,714	Valuation adjustment for financial assets at FVTPL	10,053
					Valuation adjustment for FVTPL financial liabilities	(8,320)

d) Lease agreements

		<b>Acquisition of Right-of-use Assets</b>	
		<b>For the Three Months Ended</b>	
		<b>March 31</b>	
		<b>2021</b>	<b>2020</b>
Subsidiary of the Company			
Cathay Life		\$ <u>1,973</u>	\$ <u>357,826</u>
		<b>Lease Liabilities</b>	
		<b>December 31,</b>	
	<b>March 31, 2021</b>	<b>2020</b>	<b>March 31, 2020</b>
Subsidiary of the Company			
Cathay Life	\$ <u>1,675,434</u>	\$ <u>1,825,007</u>	\$ <u>2,177,757</u>
		<b>Refundable Deposits Paid</b>	
		<b>December 31,</b>	
	<b>March 31, 2021</b>	<b>2020</b>	<b>March 31, 2020</b>
Subsidiary of the Company			
Cathay Life	\$ <u>186,551</u>	\$ <u>186,446</u>	\$ <u>189,918</u>

e) Others

		<b>For the Three Months Ended</b>	
		<b>March 31</b>	
		<b>2021</b>	<b>2020</b>
<b>Item</b>			
<u>Service fee revenue</u>			
Subsidiary of the Company			
Cathay Life		\$ 1,843,341	\$ 1,772,838
<u>General expenses</u>			
Associate			
Symphox Information Co., Ltd.		140,692	107,379

Item	March 31, 2021	December 31, 2020	March 31, 2020
<u>Receivables for insurance commission</u>			
Subsidiary of the Company Cathay Life	\$ 421,537	\$ 350,640	\$ 289,244
<u>Guarantee deposits paid</u>			
Subsidiary of the Company Cathay Futures	530,776	267,303	212,750
<u>Accounts payable</u>			
Associate Symphox Information Co., Ltd.	66,695	84,494	141,198
<u>Payables for integrated tax</u>			
The Company Cathay Financial Holdings	1,816,086	765,804	2,682,400

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

3) Cathay Century and its subsidiaries

a) Business transactions

Item	Name	For the Three Months Ended March 31	
		2021	2020
Premium income	Subsidiary of the Company Cathay Life	\$ 93,153	\$ 100,536
Operating costs			
Marketing costs	Subsidiary of the Company Cathay Life	\$ 155,603	\$ 162,583

b) Payables to related parties

Item	Name	March 31, 2021	December 31, 2020	March 31, 2020
Other payables	The Company Cathay Financial Holdings	\$ 445,073	\$ 356,009	\$ 538,721

Note: Including income tax payable under the integrated income tax system and remuneration of directors and supervisors.

c) Cash in bank

Item	Name	March 31, 2021	December 31, 2020	March 31, 2020
Checking deposits and demand deposits	Subsidiary of the Company Cathay United Bank	\$ 1,816,725	\$ 1,845,214	\$ 1,443,407
	Indovina Bank	5,748	6,151	11,776
Time deposits	Subsidiary of the Company Cathay United Bank	22,907	165,007	609,500
	Indovina Bank	<u>229,522</u>	<u>237,068</u>	<u>169,534</u>
		<u>\$ 2,074,902</u>	<u>\$ 2,253,440</u>	<u>\$ 2,234,217</u>

d) Financial assets at FVTPL (beneficiary certificate)

	March 31, 2021	December 31, 2020	March 31, 2020
Other related party Fund managed by Cathay Securities Investment Trust	<u>\$ 1,211,336</u>	<u>\$ 1,119,265</u>	<u>\$ 915,595</u>

e) Balance of discretionary management Investments

	March 31, 2021	December 31, 2020	March 31, 2020
Subsidiary of the Company Cathay Securities Investment Trust	<u>\$ 1,462,000</u>	<u>\$ 1,357,146</u>	<u>\$ 901,342</u>

f) Lease agreements

	<b>Lease Liabilities</b>		
Name	March 31, 2021	December 31, 2020	March 31, 2020
Subsidiary of the Company Cathay Life	<u>\$ 44,764</u>	<u>\$ 71,586</u>	<u>\$ 149,816</u>

g) SWAP

The nominal amount of the derivative instruments between Cathay Century and related parties are listed below:

	March 31, 2021	December 31, 2020	March 31, 2020
Subsidiary of the Company Cathay United Bank	US\$ 95,200 EUR 750	US\$ 95,200 EUR 750	US\$ 95,200 EUR 750



4) Cathay Securities and its subsidiaries

a) Cash in bank

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Subsidiary of the Company			
Cathay United Bank	<u>\$ 2,785,584</u>	<u>\$ 4,108,990</u>	<u>\$ 2,926,498</u>

Cash in bank includes cash and cash equivalents, and receivable for underwriting of securities, pending settlement money and restricted assets recorded under other current assets. Refer to Note 29 for the time deposits that were pledged as collateral.

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

b) Customer's margin accounts

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Subsidiary of the Company			
Cathay United Bank	<u>\$ 645,837</u>	<u>\$ 943,420</u>	<u>\$ 1,161,047</u>

c) Futures trader's equity

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Subsidiary of the Company			
Cathay Life	\$ 1,938,256	\$ 1,897,019	\$ 3,614,030
Cathay United Bank	530,776	267,303	212,750
Cathay Securities Investment Trust (Note)	<u>1,073,660</u>	<u>1,491,081</u>	<u>1,144,214</u>
	<u>\$ 3,542,692</u>	<u>\$ 3,655,403</u>	<u>\$ 4,970,994</u>

Note: The balances include those of investment trust funds managed by Cathay Securities Investment Trust.

d) Other payables

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
The Company			
Cathay Financial Holdings (Note)	<u>\$ 287,881</u>	<u>\$ 218,953</u>	<u>\$ 149,879</u>

Note: The payables consist of tax payable under the integrated income tax system.

5) Cathay Securities Investment Trust

a) Cash and cash equivalents

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Subsidiary of the Company Cathay United Bank	<u>\$ 132,374</u>	<u>\$ 137,531</u>	<u>\$ 68,752</u>

b) Accounts receivable

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Other related party Fund managed by Cathay Securities Investment Trust	<u>\$ 224,019</u>	<u>\$ 209,165</u>	<u>\$ 190,659</u>

c) Accounts payable

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
The Company Cathay Financial Holdings (Note)	<u>\$ 271,435</u>	<u>\$ 186,069</u>	<u>\$ 229,907</u>

Note: The payables consist of tax payable under the integrated income tax system.

d) Balance of discretionary management Investments

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Subsidiary of the Company			
Cathay Life	\$ 320,693,663	\$ 312,835,430	\$ 198,497,844
Cathay Century	<u>1,462,000</u>	<u>1,357,146</u>	<u>901,342</u>
	<u>322,155,663</u>	<u>314,192,576</u>	<u>199,399,186</u>
Other related party			
Cathay Charity Foundation	<u>118,657</u>	<u>110,045</u>	<u>72,892</u>
	<u>\$ 322,274,320</u>	<u>\$ 314,302,621</u>	<u>\$ 199,472,078</u>

e) Management fee income

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the Company		
Cathay Life	\$ 115,937	\$ 65,632
Other related party		
Fund managed by Cathay Securities Investment Trust	<u>642,507</u>	<u>608,336</u>
	<u>\$ 758,444</u>	<u>\$ 673,968</u>

6) Cathay Venture

a) Cash and cash equivalents

Name	Nature of Transaction	March 31, 2021		For the Three Months Ended March 31, 2021
		Amount	Interest Rate Range	Total Interest
Cathay United Bank	Cash in bank Security deposits	\$ 83,458	0.001%-0.03%	\$ 6
		\$ 92,750	0.005%	\$ 1

Name	Nature of Transaction	December 31, 2020		For the Year Ended December 31, 2020
		Amount	Interest Rate Range	Total Interest
Cathay United Bank	Cash in bank Security deposits	\$ 8,113	0.001%-0.35%	\$ 2
		\$ 96,645	0.005%	\$ 3

Name	Nature of Transaction	March 31, 2020		For the Three Months Ended March 31, 2020
		Amount	Interest Rate Range	Total Interest
Cathay United Bank	Cash in bank Security deposits	\$ 2,429	0.001%-0.35%	\$ -
		\$ 9,386	0.01%	\$ 1

b) Financial assets at FVTPL

	March 31, 2021	December 31, 2020	March 31, 2020
Other related party			
Fund managed by Cathay Securities Investment Trust	\$ 285,594	\$ 414,858	\$ 434,457
Cathay Healthcare Management Co., Ltd.	<u>143,963</u>	<u>145,035</u>	<u>255,750</u>
	<u>\$ 429,557</u>	<u>\$ 559,893</u>	<u>\$ 690,207</u>

## 29. PLEDGED ASSETS

The Group's assets pledged as collateral or with limited use are summarized below:

Item	Description	March 31, 2021	December 31, 2020	March 31, 2020
Time deposits and guarantee deposits paid	Capital guarantee, serving as deposits paid, settlement accounts, overdraft guarantee, government bonds, collateral for court guarantees, provisions for business and collateral	\$ 15,376,918	\$ 15,410,561	\$ 15,034,782
Due from the Central Bank (deposit reserves - general accounts)	(Note)	6,000,000	6,000,000	-
Financial assets at FVTPL	Collateral for securities lending and guarantee for future transactions	1,044,981	3,273,608	879,154
Financial assets at FVTOCI	Provisions for business and collateral	12,006,486	12,006,501	14,006,548
Financial assets at amortized cost	Provisions for business and collateral	45,527,443	45,525,409	43,522,861
Investment properties	Short-term loans	<u>291,175</u>	<u>291,175</u>	<u>290,341</u>
		<u>\$ 80,247,003</u>	<u>\$ 82,507,254</u>	<u>\$ 73,733,686</u>

Note: Due from the Central Bank of Cathay United Banks and its subsidiaries had been used as collaterals to apply for financing of project loans to small and medium enterprises affected by the COVID-19.

## 30. COMMITMENTS AND CONTINGENT LIABILITIES

### a. Cathay United Bank

Lee & Li, attorneys-at-law, alleged that the embezzlement case of Liu Wei-Chieh (an employee of Lee & Li), which occurred in October 2003 was caused by the negligence of Cathay United Bank in its operation, and the plaintiff claimed damages from Cathay United Bank in the amount of approximately \$991,002 thousand. The case has been pending in the court since July 2007, and Cathay United Bank won favorable decisions in both the first and second instances. The proceedings are currently pending in the Supreme Court. Both Cathay United Bank and its attorneys hold that this case will not have a material adverse effect on the financial position of Cathay United Bank.

- b. As of March 31, 2021, December 31, 2020 and March 31, 2020 Cathay United Bank and its subsidiaries had the following material commitments for entrusted item and guarantees:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Trust and security held for safekeeping	\$ 831,130,974	\$ 781,995,797	\$ 739,722,020
Travelers checks for sale	-	-	252,453
Collection and payment on behalf of customers	32,295,650	33,483,521	35,588,148
Book-entry for government bonds and depository for short-term marketable securities under management	414,495,150	450,195,466	431,909,563
Entrusted financial management business	12,072,920	11,968,703	7,927,376
Guarantees on duties and contracts	17,043,919	17,071,951	13,177,764
Unused commercial letters of credit	7,552,815	6,914,811	7,179,895
Irrevocable loan commitments	193,834,703	191,900,154	185,584,348
Unused credit card lines commitments	671,679,025	662,041,965	641,859,936
Underwritten securities	3,220,000	-	420,000
Financial guarantee contracts	1,549,099	1,577,528	1,872,430

- c. As of March 31, 2021, the remaining capital commitments for the contracted private equity fund of Cathay Life were in the amount of NT\$1,003,600 thousand, US\$3,529,527 thousand, EUR585,343 thousand and GBP1,555 thousand.

31. FINANCIAL STATEMENTS OF CATHAY FINANCIAL HOLDING CO., LTD.

Cathay Financial Holding Co., Ltd.

Balance Sheets  
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2021 (Reviewed)	December 31, 2020 (Audited)	March 31, 2020 (Reviewed)	LIABILITIES AND EQUITY	March 31, 2021 (Reviewed)	December 31, 2020 (Audited)	March 31, 2020 (Reviewed)
CASH AND CASH EQUIVALENTS	\$ 220,648	\$ 915,274	\$ 337,514	COMMERCIAL PAPER PAYABLE, NET	\$ 38,270,000	\$ 38,250,000	\$ 49,050,000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	36,921,500	36,445,500	36,641,500	PAYABLES	516,480	696,079	5,536,535
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	129,425	116,200	113,932	CURRENT TAX LIABILITIES	28,563,689	19,849,285	8,456,970
RECEIVABLES, NET	17,147,774	7,739,321	3,984,840	BONDS PAYABLE	50,000,000	50,000,000	20,000,000
CURRENT TAX ASSETS	4,305,450	4,650,365	4,883,222	PROVISIONS	739,733	766,414	835,157
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	913,422,544	953,059,879	697,441,252	LEASE LIABILITIES	214,196	249,631	42,115
PROPERTY AND EQUIPMENT, NET	55,838	58,912	52,481	DEFERRED TAX LIABILITIES	266,714	266,714	266,714
RIGHT-OF-USE ASSETS	213,467	249,272	41,652	OTHER LIABILITIES	<u>163,916</u>	<u>163,886</u>	<u>163,936</u>
DEFERRED TAX ASSETS	27,030	25,397	232,211	Total liabilities	<u>118,734,728</u>	<u>110,242,009</u>	<u>84,351,427</u>
OTHER ASSETS	<u>45,686</u>	<u>43,105</u>	<u>71,064</u>	EQUITY			
				Share capital			
				Ordinary shares	131,692,102	131,692,102	131,692,102
				Preference shares	15,333,000	15,333,000	15,333,000
				Capital surplus	177,256,371	177,256,053	177,257,514
				Retained earnings			
				Legal reserve	51,967,688	51,967,688	46,122,845
				Special reserve	149,894,910	149,894,910	221,977,672
				Unappropriated earnings	227,608,946	169,606,342	81,367,724
				Other equity	<u>100,001,617</u>	<u>197,311,121</u>	<u>(14,302,616)</u>
				Total equity	<u>853,754,634</u>	<u>893,061,216</u>	<u>659,448,241</u>
TOTAL	<u>\$ 972,489,362</u>	<u>\$1,003,303,225</u>	<u>\$ 743,799,668</u>	TOTAL	<u>\$ 972,489,362</u>	<u>\$1,003,303,225</u>	<u>\$ 743,799,668</u>

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

**Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**  
**(Reviewed, Not Audited)**

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>REVENUE</b>		
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 57,048,498	\$ 22,038,492
Other income	<u>797,424</u>	<u>1,687,075</u>
Total revenue	<u>57,845,922</u>	<u>23,725,567</u>
<b>EXPENSES AND LOSSES</b>		
Operating expenses	(392,090)	(335,824)
Other expenses and losses	<u>(126,849)</u>	<u>(128,269)</u>
Total expenses and losses	<u>(518,939)</u>	<u>(464,093)</u>
<b>INCOME BEFORE TAX</b>	57,326,983	23,261,474
<b>INCOME TAX BENEFIT</b>	<u>39,043</u>	<u>28,210</u>
<b>NET INCOME</b>	<u>57,366,026</u>	<u>23,289,684</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified subsequently to profit or loss:		
Gain on equity instruments at fair value through other comprehensive income	13,225	7,228
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	9,798,063	(8,973,182)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	<u>(106,473,028)</u>	<u>(126,623,392)</u>
Other comprehensive loss for the period, net of income tax	<u>(96,661,740)</u>	<u>(135,589,346)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u>\$ (39,295,714)</u>	<u>\$ (112,299,662)</u>
<b>EARNINGS PER SHARE</b>		
Basic	<u>\$4.36</u>	<u>\$1.77</u>

Cathay Financial Holding Co., Ltd.

Statements of Changes in Equity  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Share Capital			Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Other Equity Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement Using the Overlay Benefit Plans	Gains on Property Revaluation	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach	Others	Total Equity
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings									
BALANCE AT JANUARY 1, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,256,976	\$ 46,122,845	\$ 221,977,672	\$ 58,181,890	\$ (13,319,620)	\$ 68,319,953	\$ 331,930	\$ (1,850,508)	\$ (1,507,864)	\$ 11,240,314	\$ 57,968,675	\$ -	\$ 771,747,365
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	538	-	-	-	-	-	-	-	-	-	-	-	538
Net income for the three months ended March 31, 2020	-	-	-	-	-	23,289,684	-	-	-	-	-	-	-	-	23,289,684
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	(1,930,495)	(42,721,210)	459,181	1,363,550	(9,294)	-	(92,751,078)	-	(135,589,346)
Total comprehensive income (loss) for three months ended March 31, 2020	-	-	-	-	-	23,289,684	(1,930,495)	(42,721,210)	459,181	1,363,550	(9,294)	-	(92,751,078)	-	(112,299,662)
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(103,850)	-	103,850	-	-	-	-	-	-	-
BALANCE AT MARCH 31, 2020	<u>\$ 131,692,102</u>	<u>\$ 15,333,000</u>	<u>\$ 177,257,514</u>	<u>\$ 46,122,845</u>	<u>\$ 221,977,672</u>	<u>\$ 81,367,724</u>	<u>\$ (15,250,115)</u>	<u>\$ 25,702,593</u>	<u>\$ 791,111</u>	<u>\$ (486,958)</u>	<u>\$ (1,517,158)</u>	<u>\$ 11,240,314</u>	<u>\$ (34,782,403)</u>	<u>\$ -</u>	<u>\$ 659,448,241</u>
BALANCE AT JANUARY 1, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,256,053	\$ 51,967,688	\$ 149,894,910	\$ 169,606,342	\$ (15,464,009)	\$ 106,207,840	\$ 347,871	\$ (1,478,705)	\$ (1,966,279)	\$ 11,097,089	\$ 102,511,617	\$ (3,944,303)	\$ 893,061,216
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	318	-	-	-	-	-	-	-	-	-	-	-	318
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,186)	(11,186)
Net income for the three months ended March 31, 2021	-	-	-	-	-	57,366,026	-	-	-	-	-	-	-	-	57,366,026
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	66,246	(66,161,518)	(116,194)	365,354	(9,638)	-	(30,805,990)	-	(96,661,740)
Total comprehensive income (loss) for three months ended March 31, 2021	-	-	-	-	-	57,366,026	66,246	(66,161,518)	(116,194)	365,354	(9,638)	-	(30,805,990)	-	(39,295,714)
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	-	636,578	-	(636,578)	-	-	-	-	-	-	-
BALANCE AT MARCH 31, 2021	<u>\$ 131,692,102</u>	<u>\$ 15,333,000</u>	<u>\$ 177,256,371</u>	<u>\$ 51,967,688</u>	<u>\$ 149,894,910</u>	<u>\$ 227,608,946</u>	<u>\$ (15,397,763)</u>	<u>\$ 39,409,744</u>	<u>\$ 231,677</u>	<u>\$ (1,113,351)</u>	<u>\$ (1,975,917)</u>	<u>\$ 11,097,089</u>	<u>\$ 71,705,627</u>	<u>\$ (3,955,489)</u>	<u>\$ 853,754,634</u>



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

**Statements of Cash Flows**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 57,326,983	\$ 23,261,474
Adjustments for:		
Depreciation expenses	35,335	16,978
Gain on of financial assets at fair value through profit or loss	(476,000)	(1,372,000)
Interest income	(321,414)	(313,335)
Interest expenses	121,499	120,463
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(57,048,498)	(22,038,492)
Changes in operating assets and liabilities		
Other assets	(4,664)	6,088
Payables	(276,064)	(219,422)
Provisions	(3,966)	2,160
Other liabilities	30	45
Cash used in operations	(646,759)	(536,041)
Interest received	10,781	135
Interest paid	(22,695)	(69,843)
Income taxes paid	(23,806)	(13)
Net cash flows used in operating activities	<u>(682,479)</u>	<u>(605,762)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(53)	(847)
Increase in other assets	(256)	(6,135)
Net cash flows used in investing activities	<u>(309)</u>	<u>(6,982)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in commercial paper payable	20,000	570,000
Repayments of the principal portion of lease liabilities	(31,838)	(14,435)
Net cash flows (used in) generated from financing activities	<u>(11,838)</u>	<u>555,565</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(694,626)	(57,179)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNINGS OF THE PERIOD</b>	<u>915,274</u>	<u>394,693</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><u>\$ 220,648</u></u>	<u><u>\$ 337,514</u></u>

## 32. INFORMATION OF THE COMPANY'S SUBSIDIARIES

### a. Condensed balance sheets and condensed statements of comprehensive income

#### Cathay Life Insurance Co., Ltd.

#### Condensed Balance Sheets (In Thousands of New Taiwan Dollars)

Assets	March 31	
	2021	2020
Cash and cash equivalents	\$ 395,705,088	\$ 294,585,046
Receivables	79,701,139	95,791,246
Financial assets at fair value through profit or loss	1,409,405,638	1,310,859,636
Financial assets at fair value through other comprehensive income	1,282,491,694	838,168,247
Financial assets for hedging	146,269	1,297,567
Investments accounted for using the equity method	104,180,478	103,735,685
Financial assets at amortized cost	2,644,806,486	2,666,852,397
Right-of-use assets	472,886	475,025
Investment property	465,424,820	452,081,773
Loans	487,679,906	508,791,864
Reinsurance assets	2,068,691	1,733,896
Property and equipment	26,820,328	29,621,814
Intangible assets	28,992,227	30,966,423
Deferred tax assets	56,058,507	40,169,295
Other assets	39,821,029	33,547,079
Separate account insurance product assets	<u>670,987,420</u>	<u>513,001,862</u>
Total	<u>\$ 7,694,762,606</u>	<u>\$ 6,921,678,855</u>
<b>Liabilities</b>		
Payables	\$ 48,304,379	\$ 38,647,694
Current tax liabilities	160,145	160,145
Financial liabilities at fair value through profit or loss	29,197,716	12,238,510
Bonds payable	80,000,000	80,000,000
Insurance liabilities	6,118,569,184	5,736,993,484
Reserve for insurance contracts with the nature of financial products	1,062,808	1,035,889
Reserve for foreign exchange valuation	13,522,294	11,659,007
Provisions	56,245	56,245
Lease liabilities	9,176,075	9,155,198
Deferred tax liabilities	45,637,913	36,588,253
Other liabilities	11,485,256	8,700,371
Separate account insurance product liabilities	<u>670,987,420</u>	<u>513,001,862</u>
Total liabilities	<u>7,028,159,435</u>	<u>6,448,236,658</u>
<b>Equity</b>		
Share capital	58,515,274	58,515,274
Capital surplus	60,606,851	60,607,994
Retained earnings	465,739,794	379,441,762
Other equity	<u>81,741,252</u>	<u>(25,122,833)</u>
Total equity	<u>666,603,171</u>	<u>473,442,197</u>
Total	<u>\$ 7,694,762,606</u>	<u>\$ 6,921,678,855</u>

**Cathay Life Insurance Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 273,803,680	\$ 185,770,899
Operating costs	(214,050,613)	(164,480,587)
Operating expenses	<u>(5,472,906)</u>	<u>(5,257,459)</u>
Operating income	54,280,161	16,032,853
Non-operating income and expenses	<u>406,307</u>	<u>403,785</u>
Profit before income tax	54,686,468	16,436,638
Income tax expense	<u>(4,986,775)</u>	<u>(1,337,508)</u>
Net income	49,699,693	15,099,130
Other comprehensive loss	<u>(96,813,018)</u>	<u>(130,276,254)</u>
Total comprehensive loss	<u>\$ (47,113,325)</u>	<u>\$ (115,177,124)</u>
Basic earnings per share	<u>\$8.49</u>	<u>\$2.58</u>

**Cathay Lujiazui Life Insurance Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 1,859,100	\$ 2,116,925
Receivables	1,583,123	1,761,575
Current tax assets	37,316	-
Financial assets at fair value through profit or loss	53,286,729	39,428,392
Financial assets at amortized cost	1,085,385	853,060
Loans	1,474,282	940,286
Reinsurance assets	137,526	89,624
Property and equipment	100,852	110,275
Right-of-use assets	258,018	267,582
Intangible assets	33,022	34,135
Other assets	2,693,062	2,635,246
Separate account insurance product assets	<u>127,533</u>	<u>112,186</u>
Total	<u>\$ 62,675,948</u>	<u>\$ 48,349,286</u>
 <b>Liabilities</b>		
Payables	\$ 2,201,715	\$ 1,690,948
Current tax liabilities	-	94,060
Insurance liabilities	34,632,795	24,617,963
Reserve for insurance contracts with the nature of financial instruments	13,182,869	10,849,786
Lease liabilities	243,653	271,700
Other liabilities	147,651	58,776
Separate account insurance product liabilities	<u>127,533</u>	<u>112,186</u>
Total liabilities	<u>50,536,216</u>	<u>37,695,419</u>
 <b>Equity</b>		
Capital	13,497,155	13,497,155
Retained earnings	(1,252,650)	(2,673,698)
Other equity	<u>(104,773)</u>	<u>(169,590)</u>
Total equity	<u>12,139,732</u>	<u>10,653,867</u>
Total	<u>\$ 62,675,948</u>	<u>\$ 48,349,286</u>

**Cathay Lujiazui Life Insurance Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars)**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 5,436,951	\$ 4,453,201
Operating costs	(4,812,278)	(3,921,076)
Operating expenses	<u>(469,811)</u>	<u>(401,700)</u>
Operating income	154,862	130,425
Non-operating income and expenses	<u>3,931</u>	<u>(118)</u>
Profit before income tax	158,793	130,307
Income tax (expense) benefit	<u>(10,620)</u>	<u>86,403</u>
Net income	148,173	216,710
Other comprehensive loss	<u>(40,730)</u>	<u>(277,086)</u>
Total comprehensive income (loss)	<u>\$ 107,443</u>	<u>\$ (60,376)</u>
Basic earnings per share	Note	Note

Note: Cathay Lujiazui Life is a limited company, and no earnings per share is disclosed accordingly.

**Cathay Life Insurance Company (Vietnam)**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 10,702,311	\$ 1,379,957
Receivables	471,493	430,500
Financial assets at fair value through profit or loss	15,909,708	14,786,691
Financial assets at amortized cost	2,760,482	217,130
Loans	102,153	71,107
Property and equipment	18,147	24,221
Right-of-use assets	123,986	104,350
Intangible assets	3,266	4,236
Other assets	<u>89,316</u>	<u>83,480</u>
Total	<u>\$ 30,180,862</u>	<u>\$ 17,101,672</u>
 <b>Liabilities</b>		
Payables	\$ 186,635	\$ 116,155
Insurance liabilities	6,269,634	4,731,979
Lease liabilities	119,627	103,323
Other liabilities	<u>-</u>	<u>40</u>
Total liabilities	<u>6,575,896</u>	<u>4,951,497</u>
 <b>Equity</b>		
Capital	20,370,930	9,090,730
Retained earnings	95,745	36,795
Other equity	<u>3,138,291</u>	<u>3,022,650</u>
Total equity	<u>23,604,966</u>	<u>12,150,175</u>
Total	<u>\$ 30,180,862</u>	<u>\$ 17,101,672</u>

**Cathay Life Insurance Company (Vietnam)**

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars)**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 940,045	\$ 652,009
Operating costs	340,108	(635,981)
Operating expenses	<u>(248,839)</u>	<u>(176,953)</u>
Operating income (loss)	1,031,314	(160,925)
Non-operating income and expenses	<u>1,910</u>	<u>182</u>
Profit (loss) before income tax	1,033,224	(160,743)
Income tax expense	<u>-</u>	<u>(829)</u>
Net income (loss)	1,033,224	(161,572)
Other comprehensive income	<u>310,005</u>	<u>1,485,854</u>
Total comprehensive income	<u>\$ 1,343,229</u>	<u>\$ 1,324,282</u>
Basic earnings per share	Note	Note

Note: Cathay Life (Vietnam) is a limited company, and no earnings per share is disclosed accordingly.

**Lin Yuan (Shanghai) Real Estate Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ 288,153	\$ 230,083
Financial assets at amortized cost	1,327,207	1,108,978
Investment property	7,026,882	6,901,255
Property and equipment	<u>2</u>	<u>2</u>
Total	<u>\$ 8,642,244</u>	<u>\$ 8,240,318</u>
<b>Liabilities</b>		
Current liabilities	\$ 13,213	\$ 32,493
Deferred tax liabilities	532,602	461,746
Other non-current liabilities	<u>94,429</u>	<u>73,743</u>
Total liabilities	<u>640,244</u>	<u>567,982</u>
<b>Equity</b>		
Capital	7,223,435	7,223,435
Retained earnings	1,376,010	1,203,260
Other equity	<u>(597,445)</u>	<u>(754,359)</u>
Total equity	<u>8,002,000</u>	<u>7,672,336</u>
Total	<u>\$ 8,642,244</u>	<u>\$ 8,240,318</u>

**Lin Yuan (Shanghai) Real Estate Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars)**

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 76,943	\$ 71,703
Operating expenses	<u>(10,267)</u>	<u>(20,146)</u>
Operating income	66,676	51,557
Non-operating income and expenses	<u>-</u>	<u>-</u>
Profit before income tax	66,676	51,557
Income tax expense	<u>(16,669)</u>	<u>(12,889)</u>
Net income	50,007	38,668
Other comprehensive loss	<u>(14,391)</u>	<u>(101,420)</u>
Total comprehensive income (loss)	<u>\$ 35,616</u>	<u>\$ (62,752)</u>
Basic earnings per share	Note	Note

Note: Lin Yuan is a limited company, and no earnings per share is disclosed accordingly.



**Cathay Woolgate Exchange Holding 1 Limited**

**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ 3,574,831	\$ 2,980,083
Investment property	<u>9,948,636</u>	<u>10,381,623</u>
Total	<u>\$ 13,523,467</u>	<u>\$ 13,361,706</u>
<b>Liabilities</b>		
Current liabilities	\$ 58,297	\$ 56,330
Total liabilities	<u>58,297</u>	<u>56,330</u>
<b>Equity</b>		
Capital	16,654,013	16,654,013
Retained earnings	887,442	1,407,180
Other equity	<u>(4,076,285)</u>	<u>(4,755,817)</u>
Total equity	<u>13,465,170</u>	<u>13,305,376</u>
Total	<u>\$ 13,523,467</u>	<u>\$ 13,361,706</u>

**Cathay Woolgate Exchange Holding 1 Limited**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars)

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 1,175	\$ 176,094
Operating expenses	<u>(4,724)</u>	<u>(115)</u>
(Loss) profit before income tax	(3,549)	175,979
Income tax expense	<u>-</u>	<u>(5,010)</u>
Net (loss) income	(3,549)	170,969
Other comprehensive income (loss)	<u>97,025</u>	<u>(812,917)</u>
Total comprehensive income (loss)	<u>\$ 93,476</u>	<u>\$ (641,948)</u>
Basic earnings per share	Note	Note

Note: Cathay Woolgate Exchange Holding 1 Limited is a limited company, and no earnings per share is disclosed accordingly.

**Cathay Woolgate Exchange Holding 2 Limited**

**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ 34,298	\$ 29,444
Investment property	<u>100,491</u>	<u>104,865</u>
Total	<u>\$ 134,789</u>	<u>\$ 134,309</u>
<b>Liabilities</b>		
Current liabilities	\$ 833	\$ 613
Total liabilities	<u>833</u>	<u>613</u>
<b>Equity</b>		
Capital	168,222	168,222
Retained earnings	6,957	13,487
Other equity	<u>(41,223)</u>	<u>(48,013)</u>
Total equity	<u>133,956</u>	<u>133,696</u>
Total	<u>\$ 134,789</u>	<u>\$ 134,309</u>

**Cathay Woolgate Exchange Holding 2 Limited**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars)

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 10	\$ 1,772
Operating expenses	<u>(219)</u>	<u>(116)</u>
(Loss) profit before income tax	(209)	1,656
Income tax benefit	<u>-</u>	<u>61</u>
Net (loss) income	(209)	1,717
Other comprehensive income (loss)	<u>966</u>	<u>(8,168)</u>
Total comprehensive income (loss)	<u>\$ 757</u>	<u>\$ (6,451)</u>
Basic earnings per share	Note	Note

Note: Cathay Woolgate Exchange Holding 2 Limited is a limited company, and no earnings per share is disclosed accordingly.

**Cathay Walbrook Holding 1 Limited**

**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ 1,598,676	\$ 1,097,405
Investment property	20,464,898	19,875,492
Other assets	<u>66</u>	<u>-</u>
Total	<u>\$ 22,063,640</u>	<u>\$ 20,972,897</u>
<b>Liabilities</b>		
Current liabilities	<u>\$ 13,039,904</u>	<u>\$ 12,370,294</u>
Total liabilities	<u>13,039,904</u>	<u>12,370,294</u>
<b>Equity</b>		
Capital	10,189,090	10,189,090
Retained earnings	685,772	710,976
Other equity	<u>(1,851,126)</u>	<u>(2,297,463)</u>
Total equity	<u>9,023,736</u>	<u>8,602,603</u>
Total	<u>\$ 22,063,640</u>	<u>\$ 20,972,897</u>

**Cathay Walbrook Holding 1 Limited**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars)

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 212,624	\$ 204,608
Operating costs	(92,626)	(117,572)
Operating expenses	<u>(6,038)</u>	<u>(116)</u>
Profit before income tax	113,960	86,920
Income tax (expense) benefit	<u>(22,792)</u>	<u>2,822</u>
Net income	91,168	89,742
Other comprehensive income (loss)	<u>64,525</u>	<u>(526,136)</u>
Total comprehensive income (loss)	<u>\$ 155,693</u>	<u>\$ (436,394)</u>
Basic earnings per share	Note	Note

Note: Cathay Walbrook Holding 1 Limited is a limited company, and no earnings per share is disclosed accordingly.

**Cathay Walbrook Holding 2 Limited**

**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ 78,933	\$ 54,378
Investment property	1,077,100	1,046,079
Other assets	<u>66</u>	<u>-</u>
Total	<u>\$ 1,156,099</u>	<u>\$ 1,100,457</u>
<b>Liabilities</b>		
Current liabilities	<u>\$ 686,082</u>	<u>\$ 650,912</u>
Total liabilities	<u>686,082</u>	<u>650,912</u>
<b>Equity</b>		
Capital	536,268	536,268
Retained earnings	30,960	33,767
Other equity	<u>(97,211)</u>	<u>(120,490)</u>
Total equity	<u>470,017</u>	<u>449,545</u>
Total	<u>\$ 1,156,099</u>	<u>\$ 1,100,457</u>

**Cathay Walbrook Holding 2 Limited**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars)

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 11,190	\$ 10,760
Operating costs	(4,875)	(6,188)
Operating expenses	<u>(559)</u>	<u>(116)</u>
Profit before income tax	5,756	4,456
Income tax (expense) benefit	<u>(1,151)</u>	<u>132</u>
Net income	4,605	4,588
Other comprehensive income (loss)	<u>3,362</u>	<u>(27,497)</u>
Total comprehensive income (loss)	<u>\$ 7,967</u>	<u>\$ (22,909)</u>
Basic earnings per share	Note	Note

Note: Cathay Walbrook Holding 2 Limited is a limited company, and no earnings per share is disclosed accordingly.

**Conning Holdings Limited**  
**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 5,264,366	\$ 4,380,148
Financial assets at fair value through profit or loss	1,066,291	896,947
Financial assets at fair value through other comprehensive income	4,484	5,758
Investments accounted for using the equity method	-	2,923,835
Property and equipment	988,469	751,759
Right-of-use assets	849,411	779,002
Intangible assets	14,613,966	9,777,532
Deferred tax assets	142,316	49,090
Other non-current assets	<u>349,982</u>	<u>245,419</u>
Total	<u>\$ 23,279,285</u>	<u>\$ 19,809,490</u>
 <b>Liabilities</b>		
Current liabilities	\$ 2,941,396	\$ 2,669,662
Provisions	-	178,499
Lease liabilities	950,717	849,477
Financial liabilities for hedging	43,129	67,834
Deferred tax liabilities	829,779	316,052
Other non-current liabilities	<u>4,448,607</u>	<u>364,762</u>
Total liabilities	<u>9,213,628</u>	<u>4,446,286</u>
 <b>Equity</b>		
Capital	99,343	99,343
Capital surplus	15,624,196	15,624,196
Retained earnings	3,373,304	609,789
Other equity	(6,075,735)	(1,343,630)
Non-controlling interests	<u>1,044,549</u>	<u>373,506</u>
Total equity	<u>14,065,657</u>	<u>15,363,204</u>
Total	<u>\$ 23,279,285</u>	<u>\$ 19,809,490</u>

**Conning Holdings Limited**

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars)**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 2,399,141	\$ 1,844,875
Operating costs	(211,759)	(223,608)
Operating expenses	<u>(1,686,877)</u>	<u>(1,428,789)</u>
Profit before income tax	500,505	192,478
Income tax expense	<u>(140,372)</u>	<u>(21,567)</u>
Net income	360,133	170,911
Other comprehensive income	<u>6,397</u>	<u>50,757</u>
Total comprehensive income	<u>\$ 366,530</u>	<u>\$ 221,668</u>
Basic earnings per share	Note	Note

Note: CHL is a limited company, and no earnings per share is disclosed accordingly.

**Cathay Industrial Research and Design Center Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>March 31, 2021</b>
Current assets	\$ 574,629
Investment property	1,675,410
Other assets	<u>161,819</u>
Total	<u>\$ 2,411,858</u>
 <b>Liabilities</b>	
Current liabilities	\$ 7
Leased liabilities	<u>1,427,976</u>
Total liabilities	<u>1,427,983</u>
 <b>Equity</b>	
Share capital	1,000,000
Retained earnings	<u>(16,125)</u>
Total equity	<u>983,875</u>
Total	<u>\$ 2,411,858</u>

**Cathay Industrial Research and Design Center Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars, Except Loss Per Share)**

	<b>From January 8 to March 31, 2021</b>
Operating revenue	\$ 30
Operating costs	(14,185)
Operating expenses	<u>(1,970)</u>
Loss before income tax	(16,125)
Income tax expense	<u>-</u>
Net loss	<u>(16,125)</u>
Other comprehensive income	<u>-</u>
Total comprehensive loss	<u>\$ (16,125)</u>
Basic loss per share	<u>\$ (0.16)</u>

Note: Cathay Industrial R&D Center has been included in the consolidated financial statements as a subsidiary since January 8, 2021.

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

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 10,362,728	\$ 8,673,122
Receivables	2,059,915	1,808,650
Financial assets at fair value through profit or loss	12,399,407	10,049,315
Financial assets at fair value through other comprehensive income	1,182,347	1,349,683
Financial assets at amortized cost	6,879,130	7,574,510
Investments accounted for using the equity method	2,858,924	2,685,812
Loans	205,557	217,739
Reinsurance assets	8,351,963	6,988,864
Property and equipment	178,922	163,655
Right-of-use assets	72,625	173,951
Intangible assets	84,210	58,776
Deferred tax assets	185,738	183,943
Other assets	<u>621,490</u>	<u>618,990</u>
Total	<u>\$ 45,442,956</u>	<u>\$ 40,547,010</u>
 <b>Liabilities</b>		
Payables	\$ 2,784,534	\$ 2,633,996
Financial liabilities at fair value through profit or loss	22,438	16,523
Lease liabilities	72,592	174,052
Insurance liabilities	27,372,339	24,618,393
Provisions	453,959	433,256
Deferred tax liabilities	271,170	270,948
Other liabilities	<u>657,628</u>	<u>569,461</u>
Total liabilities	<u>31,634,660</u>	<u>28,716,629</u>
 <b>Equity</b>		
Share capital	3,057,052	3,057,052
Capital surplus	518,326	518,326
Retained earnings	10,170,483	9,850,484
Other equity	<u>62,435</u>	<u>(1,595,481)</u>
Total equity	<u>13,808,296</u>	<u>11,830,381</u>
Total	<u>\$ 45,442,956</u>	<u>\$ 40,547,010</u>



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

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 5,105,860	\$ 4,973,764
Operating costs	(3,532,287)	(3,291,218)
Operating expenses	<u>(1,014,507)</u>	<u>(969,508)</u>
Operating profit	559,066	713,038
Non-operating income and expenses	<u>(354)</u>	<u>444</u>
Profit before income tax	558,712	713,482
Income tax expense	<u>(67,416)</u>	<u>(136,297)</u>
Net income	491,296	577,185
Other comprehensive income (loss)	<u>187,174</u>	<u>(1,403,261)</u>
Total comprehensive income (loss)	<u>\$ 678,470</u>	<u>\$ (826,076)</u>
Basic earnings per share	<u>\$1.61</u>	<u>\$1.89</u>

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

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 234,787	\$ 206,950
Receivables	73,155	68,344
Financial assets at amortized cost	525,360	530,728
Reinsurance assets	94,190	147,114
Property and equipment	8,400	4,578
Right-of-use assets	18,197	4,404
Intangible assets	9,721	2,880
Other assets	<u>66,333</u>	<u>57,009</u>
Total	<u>\$ 1,030,143</u>	<u>\$ 1,022,007</u>
 <b>Liabilities</b>		
Payables	\$ 146,534	\$ 113,443
Insurance liabilities	230,132	282,237
Deferred tax liabilities	112	126
Lease liabilities	18,608	4,633
Other liabilities	<u>15,233</u>	<u>14,056</u>
Total liabilities	<u>410,619</u>	<u>414,495</u>
 <b>Equity</b>		
Capital	845,585	845,585
Retained earnings	(48,784)	(83,639)
Other equity	<u>(177,277)</u>	<u>(154,434)</u>
Total equity	<u>619,524</u>	<u>607,512</u>
Total	<u>\$ 1,030,143</u>	<u>\$ 1,022,007</u>

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

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars)**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 86,918	\$ 72,176
Operating costs	(20,077)	(21,244)
Operating expenses	<u>(53,533)</u>	<u>(51,256)</u>
Operating income (loss)	13,308	(324)
Non-operating income and expenses	<u>(905)</u>	<u>(23)</u>
Profit (loss) before income tax	12,403	(347)
Income tax expense	<u>(3,937)</u>	<u>-</u>
Net income (loss)	8,466	(347)
Other comprehensive income (loss)	<u>557</u>	<u>(7,570)</u>
Total comprehensive income (loss)	<u>\$ 9,023</u>	<u>\$ (7,917)</u>
Basic earnings per share	Note	Note

Note: Cathay Insurance (Vietnam) is a limited company, and no earnings per share is disclosed accordingly.

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

**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 88,508,973	\$ 64,409,823
Due from the Central Bank and call loans to banks	126,288,620	152,997,004
Financial assets at fair value through profit or loss	290,400,636	316,599,307
Financial assets at fair value through other comprehensive income	258,686,458	298,401,418
Financial assets at amortized cost	529,898,234	451,295,178
Notes and bonds purchased under resale agreements	14,679,752	34,418,948
Receivables	92,094,689	86,217,132
Loans	1,672,549,621	1,474,835,310
Investments accounted for using the equity method	25,307,813	25,916,345
Other financial assets	-	150
Property and equipment	24,084,791	24,445,263
Right-of-use assets	3,483,743	3,953,889
Investment property	646,445	857,504
Intangible assets	7,636,372	7,603,021
Deferred tax assets	4,218,037	4,105,063
Other assets	<u>27,260,990</u>	<u>32,987,329</u>
Total	<u>\$ 3,165,745,174</u>	<u>\$ 2,979,042,684</u>
<b>Liabilities</b>		
Due to the Central Bank and banks	\$ 78,727,814	\$ 75,129,426
Due to the Central Bank and banks	1,076,000	-
Financial liabilities at fair value through profit or loss	94,093,495	130,894,160
Notes and bonds sold under repurchase agreements	10,434,920	41,077,210
Payables	20,810,097	28,323,160
Current tax liabilities	261,188	107,770
Deposits and remittances	2,607,833,364	2,344,446,404
Financial debentures payable	52,300,000	53,900,000
Other financial liabilities	32,479,573	54,372,350
Provisions	3,670,837	3,710,384
Lease liabilities	3,537,716	4,011,671
Deferred tax liabilities	2,916,521	2,903,795
Other liabilities	<u>9,150,504</u>	<u>9,083,011</u>
Total liabilities	<u>2,917,292,029</u>	<u>2,747,959,341</u>
<b>Equity</b>		
Share capital	106,985,830	101,658,353
Capital surplus	38,687,276	38,687,276
Retained earnings	95,787,914	89,261,944
Other equity	<u>6,992,125</u>	<u>1,475,770</u>
Total equity	<u>248,453,145</u>	<u>231,083,343</u>
Total	<u>\$ 3,165,745,174</u>	<u>\$ 2,979,042,684</u>

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

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Interest income	\$ 10,426,199	\$ 12,249,379
Interest expense	<u>(1,908,259)</u>	<u>(4,056,313)</u>
Net interest income	8,517,940	8,193,066
Non-interest income	<u>6,936,612</u>	<u>8,658,460</u>
Total income	15,454,552	16,851,526
Bad debt expense and provision for guarantee reserve	(957,393)	(499,831)
Operating expenses	<u>(7,271,528)</u>	<u>(7,725,874)</u>
Profit before income tax	7,225,631	8,625,821
Income tax expense	<u>(860,000)</u>	<u>(1,136,000)</u>
Net income	6,365,631	7,489,821
Other comprehensive loss	<u>(209,358)</u>	<u>(3,892,082)</u>
Total comprehensive income	<u>\$ 6,156,273</u>	<u>\$ 3,597,739</u>
Basic earnings per share	<u>\$0.59</u>	<u>\$0.70</u>

**Indovina Bank Limited**  
**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 5,905,578	\$ 7,890,337
Due from the Central Bank and call loans to banks	5,262,264	1,804,200
Financial assets at fair value through profit or loss	2,056,981	4,879,736
Financial assets at fair value through other comprehensive income	9,713,559	10,834,209
Financial assets at amortized cost	-	657,674
Notes and bonds purchased under resale agreements	2,620,311	1,623,680
Receivables	533,957	562,932
Loans	41,576,858	40,879,490
Property and equipment	692,709	812,824
Right-of-use assets	157,478	129,735
Intangible assets	39,810	26,403
Other assets	<u>66,412</u>	<u>106,671</u>
Total	<u>\$ 68,625,917</u>	<u>\$ 70,207,891</u>
 <b>Liabilities</b>		
Due to the Central Bank and banks	\$ 1,155,935	\$ 16,825,277
Payables	2,861,879	2,794,396
Current tax liabilities	73,734	91,508
Deposits and remittances	56,202,202	41,294,550
Provisions	12,172	3,522
Lease liabilities	145,069	111,035
Deferred tax liabilities	163,177	197,288
Other liabilities	<u>23,902</u>	<u>16,452</u>
Total liabilities	<u>60,638,070</u>	<u>61,334,028</u>
 <b>Equity</b>		
Capital	6,094,911	6,094,911
Retained earnings	1,368,358	1,487,479
Other equity	<u>524,578</u>	<u>1,291,473</u>
Total equity	<u>7,987,847</u>	<u>8,873,863</u>
Total	<u>\$ 68,625,917</u>	<u>\$ 70,207,891</u>

**Indovina Bank Limited**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars)

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Interest income	\$ 972,189	\$ 1,133,398
Interest expense	<u>(576,160)</u>	<u>(595,611)</u>
Net interest income	396,029	537,787
Non-interest income	<u>102,350</u>	<u>217,853</u>
Total income	<u>498,379</u>	<u>755,640</u>
Bad debt expense and provision for guarantee reserve	(187,641)	(278,699)
Operating expenses	<u>(195,988)</u>	<u>(172,777)</u>
Profit before income tax	114,750	304,164
Income tax expense	<u>(38,967)</u>	<u>(84,741)</u>
Net income	75,783	219,423
Other comprehensive income	<u>136,782</u>	<u>779,892</u>
Total comprehensive income	<u>\$ 212,565</u>	<u>\$ 999,315</u>
Basic earnings per share	Note	Note

Note: Indovina Bank is a limited company, and no earnings per share is disclosed accordingly.

**Cathay United Bank (Cambodia) Corporation Limited**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 1,225,162	\$ 1,480,224
Due from the Central Bank and call loans to banks	2,429,173	2,431,874
Financial assets at fair value through other comprehensive income	730	774
Receivables	87,573	63,091
Loans	7,339,747	7,885,380
Property and equipment	177,221	156,788
Current tax assets	4,099	4,729
Right-of-use assets	87,153	108,443
Intangible assets	35,403	47,083
Deferred tax assets	6,348	-
Other assets	<u>54,027</u>	<u>59,540</u>
Total	<u>\$ 11,446,636</u>	<u>\$ 12,237,926</u>
<b>Liabilities</b>		
Deposits from the Central Bank and banks	\$ 594,358	\$ 515,902
Payables	263,383	283,761
Current tax liabilities	25,277	11,909
Deposits and remittances	7,482,587	8,223,042
Provisions	1,501	1,476
Lease liabilities	91,838	113,867
Deferred tax liabilities	11,928	7,453
Other liabilities	<u>6,864</u>	<u>11,698</u>
Total liabilities	<u>8,477,736</u>	<u>9,169,108</u>
<b>Equity</b>		
Share capital	3,020,769	3,020,769
Retained earnings	135,883	43,302
Other equity	<u>(187,752)</u>	<u>4,747</u>
Total equity	<u>2,968,900</u>	<u>3,068,818</u>
Total	<u>\$ 11,446,636</u>	<u>\$ 12,237,926</u>



**Cathay United Bank (Cambodia) Corporation Limited**

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Interest income	\$ 156,494	\$ 176,189
Interest expense	<u>(37,026)</u>	<u>(37,378)</u>
Net interest income	119,468	138,811
Non-interest income	<u>7,387</u>	<u>13,942</u>
Total income	<u>126,855</u>	<u>152,753</u>
Bad debt expense and provision for guarantee reserve	8,429	(17,758)
Operating expenses	<u>(91,644)</u>	<u>(87,406)</u>
Profit before income tax	43,640	47,589
Income tax expense	<u>(10,182)</u>	<u>(1,907)</u>
Net income	33,458	45,682
Other comprehensive income	<u>2,526</u>	<u>31,183</u>
Total comprehensive income	<u>\$ 35,984</u>	<u>\$ 76,865</u>
Basic earnings per share	<u>\$0.33</u>	<u>\$0.46</u>

**Cathay United Bank (China) Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 567,993	\$ 172,160
Due from the Central Bank and call loans to banks	18,763,692	5,404,327
Financial assets at fair value through profit or loss	772,550	503,876
Financial assets at fair value through other comprehensive income	15,490,053	23,655,579
Financial assets at amortized cost	458,324	446,170
Receivables	4,995,629	1,498,919
Loans	22,134,522	17,642,528
Property and equipment	214,771	163,428
Right-of-use assets	316,297	233,411
Intangible assets	120,286	125,031
Deferred tax assets	75,793	-
Other assets	<u>3,518,169</u>	<u>53,820</u>
Total	<u>\$ 67,428,079</u>	<u>\$ 49,899,249</u>
 <b>Liabilities</b>		
Deposits from the Central Bank and banks	\$ 9,994,851	\$ 9,663,591
Financial liabilities at fair value through profit or loss	881,936	460,974
Notes and bonds sold under repurchase agreements	4,552,415	8,185,983
Payables	5,857,859	1,690,723
Current tax liabilities	32,961	124,994
Deposits and remittances	24,888,783	8,227,260
Other financial liabilities	4,692,766	9,788
Provisions	53,734	4,888,505
Lease liabilities	341,563	254,174
Deferred tax liabilities	-	135,595
Other liabilities	<u>60,185</u>	<u>56,951</u>
Total liabilities	<u>51,357,053</u>	<u>33,698,538</u>
 <b>Equity</b>		
Capital	14,377,562	14,377,562
Capital surplus	2,522,670	2,522,670
Retained earnings	523,470	609,489
Other equity	<u>(1,352,676)</u>	<u>(1,309,010)</u>
Total equity	<u>16,071,026</u>	<u>16,200,711</u>
Total	<u>\$ 67,428,079</u>	<u>\$ 49,899,249</u>

**Cathay United Bank (China) Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars)**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Interest income	\$ 456,014	\$ 472,689
Interest expense	<u>(277,193)</u>	<u>(226,153)</u>
Net interest income	178,821	246,536
Non-interest income	<u>105,390</u>	<u>108,786</u>
Total income	<u>284,211</u>	<u>355,322</u>
Bad debt expense and provision for guarantee reserve	(108,093)	207,001
Operating expenses	<u>(197,311)</u>	<u>(219,347)</u>
(Loss) profit before income tax	(21,193)	342,976
Income tax benefit (expense)	<u>9,154</u>	<u>(92,790)</u>
Net (loss) income	(12,039)	250,186
Other comprehensive (loss) income	<u>(157,268)</u>	<u>106,992</u>
Total comprehensive (loss) income	<u>\$ (169,307)</u>	<u>\$ 357,178</u>
Basic earnings per share	Note	Note

Note: CUBCN BANK is a limited company, and no earnings per share is disclosed accordingly.

**Cathay Securities Corporation**  
**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 44,140,644	\$ 24,897,355
Financial assets at fair value through other comprehensive income - non-current	264	161
Investments accounted for using the equity method	2,334,255	1,971,347
Property and equipment	215,564	109,981
Right-of-use assets	66,326	86,912
Intangible assets	72,415	65,702
Deferred tax assets	9,987	61,909
Other non-current assets	<u>694,255</u>	<u>767,312</u>
Total	<u>\$ 47,533,710</u>	<u>\$ 27,960,679</u>
 <b>Liabilities</b>		
Current liabilities	\$ 35,397,429	\$ 19,097,852
Lease liabilities - non-current	26,687	31,205
Deferred tax liabilities	20,480	-
Other non-current liabilities	<u>34,306</u>	<u>26,593</u>
Total liabilities	<u>35,478,902</u>	<u>19,155,650</u>
 <b>Equity</b>		
Share capital	7,300,000	6,000,000
Capital surplus	898,167	498,167
Retained earnings	3,150,407	1,867,311
Other equity	<u>706,234</u>	<u>439,551</u>
Total equity	<u>12,054,808</u>	<u>8,805,029</u>
Total	<u>\$ 47,533,710</u>	<u>\$ 27,960,679</u>

**Cathay Securities Corporation**

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Revenues	\$ 1,618,074	\$ 1,098,853
Service fee expenses	(83,018)	(37,191)
Employee benefit expenses	(433,322)	(342,273)
Operating expenses	(498,796)	(406,812)
Share of profit of subsidiaries and associates accounted for using the equity method	13,186	(72,095)
Non-operating income and expenses	<u>12,654</u>	<u>8,962</u>
Profit before income tax	628,778	249,444
Income tax expense	<u>(104,614)</u>	<u>(40,997)</u>
Net income	524,164	208,447
Other comprehensive income (loss)	<u>160,702</u>	<u>(20,068)</u>
Total comprehensive income	<u>\$ 684,866</u>	<u>\$ 188,379</u>
Basic earnings per share	<u>\$0.72</u>	<u>\$0.32</u>

**Cathay Futures Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 14,541,491	\$ 12,350,938
Financial assets at fair value through other comprehensive income - non-current	808,398	493,019
Property and equipment	64,091	63,069
Investment property	291,175	290,341
Right-of-use assets	7,548	2,795
Intangible assets	15,885	20,474
Other non-current assets	<u>165,184</u>	<u>150,217</u>
Total	<u>\$ 15,893,772</u>	<u>\$ 13,370,853</u>
 <b>Liabilities</b>		
Current liabilities	\$ 14,140,250	\$ 11,960,714
Deferred tax liabilities	6,765	6,833
Other non-current liabilities	<u>5,953</u>	<u>2,174</u>
Total liabilities	<u>14,152,968</u>	<u>11,969,721</u>
 <b>Equity</b>		
Share capital	667,000	667,000
Capital surplus	680	680
Retained earnings	295,241	270,559
Other equity	<u>777,883</u>	<u>462,893</u>
Total equity	<u>1,740,804</u>	<u>1,401,132</u>
Total	<u>\$ 15,893,772</u>	<u>\$ 13,370,853</u>

**Cathay Futures Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Revenues	\$ 99,752	\$ 94,039
Operating expenses	<u>(101,557)</u>	<u>(98,551)</u>
Operating loss	(1,805)	(4,512)
Non-operating income and expenses	<u>17,089</u>	<u>18,650</u>
Profit before income tax	15,284	14,138
Income tax expense	<u>(3,026)</u>	<u>(3,162)</u>
Net income	12,258	10,976
Other comprehensive income (loss)	<u>165,241</u>	<u>(44,771)</u>
Total comprehensive income (loss)	<u>\$ 177,499</u>	<u>\$ (33,795)</u>
Basic earnings per share	<u>\$0.18</u>	<u>\$0.16</u>

**Cathay Securities (Hong Kong) Limited**

**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 1,984,642	\$ 2,028,662
Property and equipment	4,127	9,507
Right-of-use assets	5,860	20,004
Intangible assets	1,827	1,943
Investments accounted for using the equity method	13,159	3,866
Other non-current assets	<u>47,009</u>	<u>73,360</u>
Total	<u>\$ 2,056,624</u>	<u>\$ 2,137,342</u>
<b>Liabilities</b>		
Current liabilities	\$ 1,462,150	\$ 1,563,272
Non-current liabilities	<u>859</u>	<u>3,724</u>
Total liabilities	<u>1,463,009</u>	<u>1,566,996</u>
<b>Equity</b>		
Capital	1,108,244	1,108,244
Retained earnings	(442,640)	(503,459)
Other equity	<u>(71,989)</u>	<u>(34,439)</u>
Total equity	<u>593,615</u>	<u>570,346</u>
Total	<u>\$ 2,056,624</u>	<u>\$ 2,137,342</u>

**Cathay Securities (Hong Kong) Limited**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars)

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Revenues	\$ 32,396	\$ (44,222)
Service fee expenses	(844)	(674)
Employee benefit expenses	(15,831)	(14,014)
Operating expenses	(24,701)	(25,525)
Non-operating income and expenses	<u>9,910</u>	<u>1,365</u>
Profit (loss) before income tax	930	(83,070)
Income tax expense	<u>-</u>	<u>-</u>
Net income (loss)	930	(83,070)
Other comprehensive (loss) income	<u>(1,177)</u>	<u>13,483</u>
Total comprehensive loss	<u>\$ (247)</u>	<u>\$ (69,587)</u>
Basic earnings per share	Note	Note

Note: Cathay Securities (Hong Kong) is a limited company, and no earnings per share is disclosed accordingly.

**Cathay Capital (Asia) Limited**

**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ 520,073	\$ 3,930
Total	<u>\$ 520,073</u>	<u>\$ 3,930</u>
<b>Liabilities</b>		
Current liabilities	\$ 506,914	\$ 64
Total liabilities	<u>506,914</u>	<u>64</u>
<b>Equity</b>		
Capital	3,875	3,875
Retained earnings	9,444	(36)
Other equity	<u>(160)</u>	<u>27</u>
Total equity	<u>13,159</u>	<u>3,866</u>
Total	<u>\$ 520,073</u>	<u>\$ 3,930</u>



**Cathay Capital (Asia) Limited**

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars)**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Revenues	\$ 9,974	\$ -
Operating expenses	<u>(91)</u>	<u>(36)</u>
Profit (loss) before income tax	9,883	(36)
Income tax expense	<u>-</u>	<u>-</u>
Net income (loss)	9,883	(36)
Other comprehensive income	<u>22</u>	<u>27</u>
Total comprehensive income (loss)	<u>\$ 9,905</u>	<u>\$ (9)</u>
Basic earnings per share	Note	Note

Note 1: Cathay Capital (Asia) is a limited company, and no earnings per share is disclosed accordingly.

Note 2: Cathay Capital (Asia) has been included in the consolidated financial statements as a subsidiary since February 24, 2020.

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

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 3,172,740	\$ 2,834,420
Financial assets at fair value through other comprehensive income - non-current	10,120	9,295
Investments accounted for using the equity method	476,993	443,830
Property and equipment	30,775	38,062
Right-of-use assets	37,427	84,332
Intangible assets	19,037	20,033
Deferred tax assets	28,458	23,614
Other non-current assets	<u>307,598</u>	<u>235,828</u>
Total	<u>\$ 4,083,148</u>	<u>\$ 3,689,414</u>
 <b>Liabilities</b>		
Current liabilities	\$ 667,898	\$ 634,875
Non-current liabilities	<u>150,429</u>	<u>160,572</u>
Total liabilities	<u>818,327</u>	<u>795,447</u>
 <b>Equity</b>		
Share capital	1,500,000	1,500,000
Capital surplus	16,453	16,453
Retained earnings	1,855,622	1,471,932
Other equity	<u>(107,254)</u>	<u>(94,418)</u>
Total equity	<u>3,264,821</u>	<u>2,893,967</u>
Total	<u>\$ 4,083,148</u>	<u>\$ 3,689,414</u>

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

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 902,566	\$ 723,319
Operating expenses	<u>(467,341)</u>	<u>(459,314)</u>
Operating profit	435,225	264,005
Non-operating income and expenses	<u>(7,066)</u>	<u>(9,268)</u>
Profit before income tax	428,159	254,737
Income tax expense	<u>(87,140)</u>	<u>(53,375)</u>
Net income	341,019	201,362
Other comprehensive loss	<u>(359)</u>	<u>(5,249)</u>
Total comprehensive income	<u>\$ 340,660</u>	<u>\$ 196,113</u>
Basic earnings per share	<u>\$2.27</u>	<u>\$1.34</u>

**Cathay Private Equity Co., Ltd.**

**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ 60,462	\$ 31,188
Other non-current assets	<u>29,465</u>	<u>11,526</u>
Total	<u>\$ 89,927</u>	<u>\$ 42,714</u>
<b>Liabilities</b>		
Current liabilities	\$ 16,353	\$ 6,855
Other non-current liabilities	<u>405</u>	<u>414</u>
Total liabilities	<u>16,758</u>	<u>7,269</u>
<b>Equity</b>		
Share capital	100,000	50,000
Capital surplus	63	63
Retained earnings	<u>(26,894)</u>	<u>(14,618)</u>
Total equity	<u>73,169</u>	<u>35,445</u>
Total	<u>\$ 89,927</u>	<u>\$ 42,714</u>

**Cathay Private Equity Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 4,123	\$ 1,415
Operating expenses	<u>(8,859)</u>	<u>(4,021)</u>
Operating loss	(4,736)	(2,606)
Non-operating income and expenses	<u>(448)</u>	<u>(25)</u>
Loss before income tax	(5,184)	(2,631)
Income tax benefit	<u>947</u>	<u>520</u>
Net loss	<u>(4,237)</u>	<u>(2,111)</u>
 Total comprehensive loss	 <u>\$ (4,237)</u>	 <u>\$ (2,111)</u>
 Basic loss per share	 <u>\$ (0.42)</u>	 <u>\$ (0.42)</u>

**Cathay Venture Inc.**

**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 1,212,562	\$ 1,499,244
Financial assets at fair value through profit or loss - non-current	4,590,545	3,603,759
Investments accounted for using the equity method	324,780	317,045
Property and equipment	2,486	3,387
Right-of-use assets	9,444	14,873
Deferred tax assets	69,140	55,497
Other non-current assets	<u>1,267</u>	<u>1,267</u>
 Total	 <u>\$ 6,210,224</u>	 <u>\$ 5,495,072</u>
 <b>Liabilities</b>		
Current liabilities	\$ 28,220	\$ 43,905
Non-current liabilities	<u>12,447</u>	<u>16,608</u>
Total liabilities	<u>40,667</u>	<u>60,513</u>
 <b>Equity</b>		
Share capital	4,842,362	4,565,146
Capital surplus	576,667	576,667
Retained earnings	750,384	292,671
Other equity	<u>144</u>	<u>75</u>
Total equity	<u>6,169,557</u>	<u>5,434,559</u>
 Total	 <u>\$ 6,210,224</u>	 <u>\$ 5,495,072</u>

**Cathay Venture Inc.**

**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 198,463	\$ (165,692)
Operating costs	(9,380)	(9,960)
Operating expenses	(2,969)	(3,548)
Non-operating income and expenses	<u>188</u>	<u>(57)</u>
Profit (loss) before income tax	186,302	(179,257)
Income tax (expense) benefit	<u>(5,345)</u>	<u>2,361</u>
Net income (loss)	<u>180,957</u>	<u>(176,896)</u>
 Total comprehensive income (loss)	 <u>\$ 180,957</u>	 <u>\$ (176,896)</u>
 Basic earnings (loss) per share	 <u>\$ 0.37</u>	 <u>\$ (0.39)</u>

**Cathay Investment Inc.**

**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ 34,227	\$ 34,870
Non-current assets	<u>778</u>	<u>984</u>
Total	<u>\$ 35,005</u>	<u>\$ 35,854</u>
 <b>Liabilities</b>		
Current liabilities	\$ 500	\$ 395
Non-current liabilities	<u>239</u>	<u>593</u>
Total liabilities	<u>739</u>	<u>988</u>
 <b>Equity</b>		
Share capital	35,000	35,000
Retained earnings	<u>(734)</u>	<u>(134)</u>
Total equity	<u>34,266</u>	<u>34,866</u>
Total	<u>\$ 35,005</u>	<u>\$ 35,854</u>

**Cathay Investment Inc.**

**Condensed Statements of Comprehensive Income**  
**(In Thousands of New Taiwan Dollars, Except Loss Per Share)**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 11	\$ 35
Operating expenses	(133)	(156)
Non-operating income and expenses	<u>(2)</u>	<u>(3)</u>
Loss before income tax	(124)	(124)
Income tax (expense) benefit	<u>(142)</u>	<u>32</u>
Net loss	<u>(266)</u>	<u>(92)</u>
 Total comprehensive loss	 <u>\$ (266)</u>	 <u>\$ (92)</u>
 Basic loss per share	 <u>\$ (0.08)</u>	 <u>\$ (0.03)</u>

- b. The profitability of the Company, the Group and its insurance subsidiaries, banking subsidiaries and securities subsidiaries.

For the three months ended March 31, 2021

**Unit: %**

	<b>Return on Assets</b>		<b>Return on Equity</b>		<b>Net Income Ratio</b>
	<b>Before Tax</b>	<b>After Tax</b>	<b>Before Tax</b>	<b>After Tax</b>	
The Group	0.58	0.52	7.22	6.51	30.36
The Company	5.80	5.81	6.56	6.57	99.39
Cathay Life	0.71	0.65	7.92	7.20	18.15
Cathay Century	1.25	1.10	4.15	3.65	9.62
Cathay United Bank	0.23	0.20	2.94	2.59	41.19
Cathay Securities	1.32	1.10	5.37	4.48	32.39

For the three months ended March 31, 2020

**Unit: %**

	<b>Return on Assets</b>		<b>Return on Equity</b>		<b>Net Income Ratio</b>
	<b>Before Tax</b>	<b>After Tax</b>	<b>Before Tax</b>	<b>After Tax</b>	
The Group	0.26	0.23	3.62	3.24	14.51
The Company	2.91	2.91	3.25	3.25	98.70
Cathay Life	0.24	0.22	3.10	2.84	8.13
Cathay Century	1.72	1.39	5.83	4.71	11.60
Cathay United Bank	0.29	0.26	3.76	3.27	44.45
Cathay Securities	0.91	0.76	2.86	2.39	18.97

Note: Net income ratio = Net income/Net revenue

### 33. BUSINESS OR TRADING ACTIVITIES WITHIN SUBSIDIARIES

#### a. Integration of business activities

In order to improve the Group's competitiveness and enhance its operation synergy, the Company integrates various services, such as banking, insurance, and securities, and builds up a full-functioning financial platform; with 635 operating location all over Taiwan and about 30 thousand professional salesperson, the Company provides comprehensive financial planning and one-stop shopping services to its clients.

#### b. Cross utilization of information

To provide diversified financial commodities and services to clients, the Company has referred to the Financial Holding Company Act, Personal Data Protection Act, Regulations for Co-selling Activities among Subsidiaries of Financial Holding Company, Self-discipline Standards for Financial Holding Company and its Subsidiaries and other related regulations issued by the FSC, to stipulate the Regulations for Co-selling Activities among Subsidiaries of Cathay Financial Holdings, contracts for Co-selling Activities among Subsidiaries of Cathay Financial Holdings, Non-disclosure Agreement of Business Information and Customers' Personal Data among Subsidiary of Cathay Financial Holdings, Joint Statement for Security Measures of Cathay Financial Holdings and its Subsidiaries, Operation Rules of Cathay Financial Holdings Marketing Planning Division for Monitoring Subsidiaries' Selling Activities, and Guidelines of Cathay Financial Holdings' Data Storage Management; by providing customers with exit mechanism, the Company strives to cross-utilize clients' personal data under a legal and safe environment and provide comprehensive and integrated financial commodities and services to clients.

#### c. Business facilities and locations

In order to achieve the target of providing comprehensive financial services by one-stop shopping, the Group keeps on expanding co-selling activities to the extent allowed by laws and regulations.

- 1) Cathay United Bank is engaged in co-selling activities for securities business through its 165 branches. Cathay United Bank has been engaged in insurance agency business since April 29, 2016 and promoted life insurance products in its 165 branches.
- 2) Cathay Life is engaged in co-selling activities for banking and property and casualty insurance businesses in its service units (65 locations).
- 3) Cathay Securities sets up co-selling offices in Cathay Life's 32 branches (Zhongxiao and others). As permitted by laws, to facilitate account opening services through sharing business facilities and locations.

#### d. Allocation of revenues, costs, expenses, profits and losses

Revenue, costs, expenses, profits or losses arising from integrated business activities among the Company and its subsidiaries are allocated to each subsidiary based on the related business features or other reasonable allocation methods.

### 34. SEGMENT INFORMATION

#### a. General information on operating segments

The Group separated operating segments based on the nature of business and classified them into five reportable segments for management purposes:

- 1) **Banking operating segment:** The banking operating segment is engaged in permitted businesses of commercial banks provided by the Banking Act of the Republic of China, foreign exchange business, guarantee business, advisory service of foreign currency investments, trust business, offshore banking units and other financial business of investments from returning expatriates.
- 2) **Life insurance operating segments:** The life insurance operating segment is engaged in interest-sensitive sales of traditional insurance, investment-linked insurance and annuity insurance and providing financial planning services and policy loan services.
- 3) **Property insurance operating segment:** The property insurance operating segment is engaged in fire insurance, marine insurance, land and air insurance, liability insurance, financial guarantee insurance, reinsurance and other insurance.
- 4) **Securities operating segment:** The securities operating segment is engaged in securities brokerage, discretionary and underwriting and is dedicated to capabilities of research development and design to provide security financial services with a variety of new financial products.
- 5) **Other operating segment:** Such segment includes assets, liabilities, revenue and expenditures which cannot be directly attributable to or reasonably allocated to certain operating segments.

To determine allocation of resources and performance measure, the management monitors results of each operating segment. The accounting policies for each operating segment are the same as those stated in Note 4 the summary of significant accounting policies.

#### b. Information of reporting segment income was as follows:

For the three months ended March 31, 2021

Location	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 9,227,904	\$ 38,739,988	\$ 131,349	\$ 84,779	\$ (131,890)	\$ 48,052,130
Net income and gains other than interest income	4,248,653	131,174,055	1,583,935	1,440,100	3,108,980	141,555,723
Profit from operations	13,476,557	169,914,043	1,715,284	1,524,879	2,977,090	189,607,853
Provision for bad debt, commitments and guarantee reserve	(1,244,699)	(77,143)	-	75	-	(1,321,767)
Net changes in insurance liability reserve	-	(103,606,169)	(241,904)	-	-	(103,848,073)
Operating expenses	(7,466,469)	(8,954,565)	(850,712)	(810,565)	(2,492,172)	(20,574,483)
Profit from continuing operations before taxes	4,765,389	57,276,166	622,668	714,389	484,918	63,863,530
Income tax expense	(906,072)	(4,981,914)	(71,322)	(104,608)	(233,014)	(6,296,930)
Net income from continuing operations	3,859,317	52,294,252	551,346	609,781	251,904	57,566,600



For the three months ended March 31, 2020

Location	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 9,131,131	\$ 39,093,165	\$ 140,128	\$ 40,097	\$ (124,364)	\$ 48,280,157
Net income and gains other than interest income	6,274,357	103,054,867	1,355,137	922,565	2,204,669	113,811,595
Profit from operations	15,405,488	142,148,032	1,495,265	962,662	2,080,305	162,091,752
Provision for bad debt, commitments and guarantee reserve	(589,286)	255,425	-	360	(74)	(333,575)
Net changes in insurance liability reserve	-	(116,371,282)	116,708	-	-	(116,254,574)
Operating expenses	(7,949,856)	(7,608,130)	(796,179)	(676,884)	(2,162,942)	(19,193,991)
Profit (loss) from continuing operations before taxes	6,866,346	18,424,045	815,794	286,138	(82,711)	26,309,612
Income tax expense	(1,321,769)	(1,236,343)	(136,332)	(41,005)	(60,849)	(2,796,298)
Net income (loss) from continuing operations	5,544,577	17,187,702	679,462	245,133	(143,560)	23,513,314

Note: All intercompany transactions among the operating segments have been eliminated.

### 35. RISK MANAGEMENT FOR INSURANCE CONTRACTS AND FINANCIAL INSTRUMENTS

#### a. Cathay Life and its subsidiaries

##### 1) Risk management objectives, policies, procedures and methods:

##### a) Objectives of risk management

Cathay Life's risk management policy aims to promote operational efficiency, ensure asset safety, increase shareholders' value, and comply with applicable domestic and overseas laws and regulations for the purpose of steady growth and sustainable management.

##### b) Framework of risk management, organizational structure and responsibilities

##### i. The board of directors

- i) The board of directors should establish appropriate risk management framework and culture, ratify appropriate risk management policy and review it regularly and allocate resources in the most effective manner.
- ii) The board of directors and senior management should consistently promote, execute risk management and keep the consistency of the operational objectives of Cathay Life as well as operational strategies and operations management.
- iii) The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.
- iv) The board of directors should delegate authority to risk management department to deal with violation to risk limits by other departments.

ii. Risk management committee

- i) The committee should propose the risk management policies, framework and organizational functions and establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly and making necessary suggestions for improvement.
- ii) The committee should execute the risk management policies set by the board of directors and review the development, build-up and performance of overall management mechanisms regularly.
- iii) The committee should assist and monitor the risk management activities.
- iv) The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.
- v) The committee should enhance cross-department interaction and communication.

iii. Chief risk officer

- i) The chief risk officer should maintain independence. Besides a position directly related to risk management and without conflict of interest, the chief risk officer should not hold a position in any profit center of Cathay Life.
- ii) The chief risk officer should be able to access any business information which may have an impact on risk overview of Cathay Life.
- iii) The chief risk officer should be in charge of overall risk management of Cathay Life.
- iv) The chief risk officer should participate in Cathay Life's important decision-making process and, as appropriate, provide opinions from a risk management perspective.

iv. Risk management department

- i) The department is responsible for operational affairs such as monitoring, measuring and evaluating daily risks, which should be performed independently to business units.
- ii) The department should perform the following functions with regard to different business activities:
  - Propose and execute the risk management policies set by the board of directors.
  - Propose the risk limits based on risk appetite.
  - Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.
  - Regularly present risk management reports.
  - Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.
  - Assist to execute stress testing.

- Execute back testing if necessary.
- Other risk management related issues.

v. Business units

- i) Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.
- ii) The duties of the risk management include the following:
  - Identify and measure risks and report risk exposures and potential impacts on time.
  - Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.
  - Assist to develop the risk model and ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.
  - Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
  - Assist to collect data related to operational risk.
  - Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to mitigate such risks.
  - Manager of a business unit should supervise the unit to submit risk management information regularly to the risk management department.

vi. Audit department

The department is responsible for the audit of each department's implementation status of risk management pursuant to the applicable laws and regulations and related rules and guidance of Cathay Life.

vii. 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 Cathay Life's risk management committee for future reference.

c) Range and nature of risk assessment or risk reporting

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

i. Market risk

Market risk is the risk of losses in value of Cathay Life's financial assets arising from the changes in market prices of financial instruments. Cathay Life adopts measurement indicators for market risk based on VaR and reviews regularly. In addition, Cathay Life performs back testing to ensure the accuracy of the market risk model regularly. Furthermore, Cathay Life applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly. In response to the implementation of foreign exchange valuation reserve, Cathay Life determines the ceiling of foreign exchange risk, implements warning system and monitors foreign exchange risk regularly.

ii. Credit risk

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

iii. Country risk

Country risk is the risk that Cathay Life suffers losses from loans, financial investments and long-term investments in a specific country as a result of market price fluctuation or default of security issuers or debtors stemming from local political and/or economic situations. Cathay Life adopts measurement indicators for country risk, which are calculated by total investments in a certain country or specific area divided by total foreign investments or adjusted net assets. The Company reviews and adjusts the indicator on a regular basis.

iv. Liquidity risk

Liquidity risk is comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Cathay Life is not capable of performing their matured commitment because it fails to realize assets or obtain sufficient funds. Cathay Life has established measurement indicators of funding liquidity risk and reviews the indicators regularly. In addition, a funding reporting system has been established under which the risk management department manages funding liquidity based on the information provided by relevant business units. Furthermore, the cash flow analysis model has been applied and monitored regularly, and improvements should be made once unusual events occur. The cash flow analysis model is also applied to set the annual assets allocation plan to maintain appropriate liquidity of assets. Market liquidity risk is the risk of significant changes in fair values when Cathay Life sells or offsets its positions during a market disorder or a lack of sufficient market depth. Cathay Life has established a liquidity threshold for investment positions. Each investment department evaluates the market trading volumes and adequacy of positions held according to the features and objectives of its investment positions.

v. Operational risk

Operational risk is the risk 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. Cathay Life has set the standard operating procedures based on the nature of the business and established reporting system for loss events of operation risk as well as to collect and manage information with respect to losses resulting from operational risk. To maintain Cathay Life's operation and ability to provide customer services while minimizing the losses under a major crisis, Cathay Life has established business continuity management system, emergency handling mechanism and information system damage responses.

vi. Insurance risk

Cathay Life assumes certain risks which is transferred from policyholders after the collection of premiums from policyholders, and Cathay Life may bear losses due to unexpected changes when paying claims and related expenses. This risk is involved with policy design and pricing risk, underwriting risk, reinsurance risk, catastrophe risk, claim risk and reserve-related risk.

vii. Asset and liability matching risk

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

viii. Capital adequacy

Cathay Life regards RBC ratio and equity ratio as a management indicator for capital adequacy. The RBC ratio is the total capital of Cathay Life divided by its risk-based capital, as regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies. The equity ratio is Cathay Life's equity audited (or reviewed) by the auditors divided by the total assets excluding the total assets recorded in separate accounts for investment type insurance policies.

ix. Risk of information security and personal data management

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

x. ESG and climate risks

ESG risks includes environmental, social and corporate governance risks, which refer to the risks of financial losses directly or indirectly incurred to Cathay Life due to the investees which fail to pay attention to ESG issues. Climate risk is part of the environmental risks of ESG risks and refers to the potential negative impact of climate changes, including transformation risk (the wide range of risks resulting from the trend of low-carbon economy, including policy, legal, technology and market change risks) and physical risk (the risk of financial losses due to extreme weather events). Cathay Life has established related management measures as a response.

- d) Process of assuming, measuring, monitoring and controlling risks and the underwriting policies to determine the proper risk classification and premium levels
  - i. The process of assuming, measuring, monitoring and controlling insurance risks
    - i) Stipulate Cathay Life's insurance risk management standards including the definitions and range of risks, management structure, risk management indicators and other risk management measures.
    - ii) Establish methods to evaluate insurance risks.
    - iii) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and for developing insurance risk management strategies.
    - iv) Regularly summarize the results of implementing risk management policies and report to the risk management committee. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of Cathay Life and that of the Company.
  - ii. The underwriting policies to determine proper risk classification and premium levels
    - i) Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from the insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.
    - ii) Cathay Life has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards
    - iii) Cathay Life has set up a special panel for large policies to enhance risk management over large policies and avoid adverse selection and moral hazard.
- e) The scope of insurance risk assessment and management from a company-wide perspective
  - i. Insurance risk assessment covers the following risks:
    - i) Product design and pricing risk: The risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.
    - ii) Underwriting risk: Unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.
    - iii) Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.
    - iv) Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect Cathay Life's credit rating or solvency.
    - v) Claim risk: This risk arises from mishandling claims.

- vi) Reserve-related risk: This risk occurs when Cathay Life does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.
- ii. The scope of management of insurance risk
  - i) Develop a risk control framework of Cathay Life's insurance risk to empower related development to execute risk management.
  - ii) Establish Cathay Life's insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.
  - iii) Develop related response in consideration of Cathay Life's growth strategy and changes in the domestic and global economic and financial environments.
  - iv) Determine methods to measure insurance risks.
  - v) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.
  - vi) Other insurance risk management issues.
- f) Method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

Cathay Life limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed considering Cathay Life's risk taking ability, risk profiling and legal issues factors to determine whether to retain or cede a policy. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, Cathay Life has established reinsurer selection standards.

- g) Asset/liability management
  - i. Cathay Life established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks Cathay Life faces.
  - ii. Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of Cathay Life. Furthermore, the annual report is delivered to the risk management committee of the Company.
  - iii. When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of Cathay Life and that of the Company.

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

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

- i. Capital adequacy management

- i) Regularly provide capital adequacy management reports and analysis to the finance department of the Company
- ii) Regularly provide the analysis report to the risk management committee.
- iii) Conduct simulation analysis to figure out the use of funding, the changes of the financial environment or the amendments to applicable laws and regulations affecting RBC ratio and equity ratio.
- iv) Regularly review RBC ratio, equity ratio and related control standards to ensure a solid capital adequacy management.

- ii. Exception management process

When RBC ratio or equity ratio exceeds the internal risk control criteria or other exceptions occur, Cathay Life is required to notify the risk management department and the finance department and the risk management department of Cathay Financial Holdings together with the capital adequacy analysis report and actions.

- i) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments
  - i. Cathay Life enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from Cathay Life's investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.
  - ii. Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. Cathay Life executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.
  - iii. Cathay Life assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.



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

Considering the credit risk factors, Cathay Life has set up the measurement indicators for credit and investment positions by countries, industries and business groups. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, Cathay Life shall not grant loans or make investment in general. However, if Cathay Life has to undertake the business under certain circumstances, Cathay Life shall follow the internal regulations, including but not limited to “Guidelines for sovereign risk management”, “Guidelines for securities investment risk limit” and “Guidelines for credit and investment risk management on conglomerate and other juristic person institute”.

## 2) Information of insurance risk

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

### i. Cathay Life

For the Three Months Ended March 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 775,118	Decrease (increase)	\$ 620,094
Expense	×1.05 (×0.95)	Decrease (increase)	770,279	Decrease (increase)	616,224
Surrender rate	×1.05 (×0.95)	Increase (decrease)	75,587	Increase (decrease)	60,469
Rate of return	+0.1%	Increase	1,666,192	Increase	1,332,954
Rate of return	-0.1%	Decrease	1,666,605	Decrease	1,333,284

For the Three Months Ended March 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 739,609	Decrease (increase)	\$ 591,687
Expense	×1.05 (×0.95)	Decrease (increase)	688,482	Decrease (increase)	550,786
Surrender rate	×1.05 (×0.95)	Increase (decrease)	141,557	Increase (decrease)	113,245
Rate of return	+0.1%	Increase	1,540,549	Increase	1,232,439
Rate of return	-0.1%	Decrease	1,540,932	Decrease	1,232,746

### ii. Cathay Lujiazui Life

For the Three Months Ended March 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 40,870	Decrease (increase)	\$ 30,653
Expense	×1.05 (×0.95)	Decrease (increase)	24,928	Decrease (increase)	18,696
Surrender rate	×1.10 (×0.90)	Increase (decrease)	19,770	Increase (decrease)	14,827
Rate of return	+0.25%	Increase	150,357	Increase	112,768
Rate of return	-0.25%	Decrease	150,731	Decrease	113,048

For the Three Months Ended March 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 39,509	Decrease (increase)	\$ 29,632
Expense	×1.05 (×0.95)	Decrease (increase)	22,859	Decrease (increase)	17,144
Surrender rate	×1.10 (×0.90)	Increase (decrease)	21,199	Increase (decrease)	15,900
Rate of return	+0.25%	Increase	115,458	Increase	86,594
Rate of return	-0.25%	Decrease	115,746	Decrease	86,809

### iii. Cathay Life (Vietnam)

For the Three Months Ended March 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 777	Decrease (increase)	\$ 622
Expense	×1.05 (×0.95)	Decrease (increase)	17,309	Decrease (increase)	13,847
Surrender rate	×1.10 (×0.95)	Increase (decrease)	2,907	Increase (decrease)	2,326
Rate of return	+0.1%	Increase	5,853	Increase	4,683
Rate of return	-0.1%	Decrease	5,855	Decrease	4,684

For the Three Months Ended March 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 220	Decrease (increase)	\$ 176
Expense	×1.05 (×0.95)	Decrease (increase)	12,260	Decrease (increase)	9,808
Surrender rate	×1.10 (×0.95)	Increase (decrease)	758	Increase (decrease)	606
Rate of return	+0.1%	Increase	3,959	Increase	3,167
Rate of return	-0.1%	Decrease	3,960	Decrease	3,168

- i) Changes in income before tax listed above referred to the effects of income before tax for the three months ended March 31, 2021 and 2020. The changes in equity of Cathay Life, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.
- ii) As an increase (decrease) of 0.1% in discount rates is applied to the liability adequacy test, the result of the test is still adequate for Cathay Life and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.

iii) Sensitivity test

- Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.
- Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.
- Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.
- Rate of return sensitivity test is executed by adjusting the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

Note 1: Expense items includes underwriting expenses, commission expenses, other operating costs as well as general expenses, administration expenses, employee training expenses of operating expenses, and expected credit impairment losses and gains on reversal from non-investments.

Note 2: Rate of return is calculated as follows (to be annualized):

$$2 \times (\text{Net investment} - \text{Finance costs}) \div (\text{The beginning balance of available funds} + \text{The ending balance of available funds} - \text{net incomes (losses) on investment} + \text{Finance costs})$$

b) Concentration of insurance risks

Cathay Life's insurance business is mainly from the R.O.C., and all the insurance policies have similar risk exposure; for example, the risk exposure to the unexpected changes in trend (mortality, morbidity, and surrender rate) or the risk exposure to multiple insurance contracts caused by a single incident (for example, simultaneous risk exposure to life insurance, health insurance, and casualty insurance caused by an earthquake). Cathay Life reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

In principle, Cathay Life reviews the overall results of claims and payments and its ability to assume risk periodically, and performs an evaluation of insurance risks according to the retention amounts, which is submitted for approval by authority. Cathay Life cedes the excess of insurance risks over the retention amounts to reinsurers. At the same time, Cathay Life considers unexpected human and natural disasters to estimate the reasonable maximum of losses according to the retained risks regularly; Cathay Life determines whether it is necessary to adjust the reinsured amount or catastrophe reinsurance according to the range of losses 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.

c) Claim development trend

i. Cathay Life

i) Direct business development trend

Accident Year	Development Year							Unreported Claim	Reserve for Unreported Claim
	1	2	3	4	5	6	7		
2014Q2-2015Q1	14,551,675	17,833,415	18,170,312	18,237,819	18,237,267	18,254,733	18,270,796	-	-
2015Q2-2016Q1	15,615,418	19,060,569	19,414,149	19,490,509	19,535,269	19,565,981	19,583,213	17,232	17,266
2016Q2-2017Q1	16,022,652	19,698,946	20,049,004	20,144,517	20,181,975	20,208,165	20,226,248	44,273	44,361
2017Q2-2018Q1	18,053,937	22,165,777	22,599,673	22,725,720	22,771,578	22,800,302	22,820,011	94,291	94,480
2018Q2-2019Q1	19,772,694	24,473,328	24,935,985	25,053,553	25,104,053	25,135,388	25,156,710	220,725	221,166
2019Q2-2020Q1	21,630,150	26,416,592	26,917,586	27,045,368	27,099,240	27,132,745	27,155,170	738,578	740,055
2020Q2-2021Q1	21,519,459	26,368,812	26,854,080	26,977,776	27,032,195	27,066,433	27,089,895	5,570,436	5,581,577
Expected future payment								\$ 6,698,905	
Add: Assumed reserve for incurred but not reported claim								16,117	
Reserve for unreported claim								6,715,022	
Add: Reported but not paid claim								4,678,896	
Claims reserve balance								\$ 11,393,918	

ii) Retained business development trend

Accident Year	Development Year							Unreported Claim	Reserve for Unreported Claim
	1	2	3	4	5	6	7		
2014Q2-2015Q1	\$ 14,661,087	\$ 17,981,392	\$ 18,322,594	\$ 18,390,825	\$ 18,390,977	\$ 18,408,548	\$ 18,424,699	\$ -	\$ -
2015Q2-2016Q1	15,734,806	19,228,641	19,586,570	19,663,817	19,708,692	19,739,521	19,756,821	17,300	17,334
2016Q2-2017Q1	16,103,354	19,813,468	20,168,320	20,264,138	20,301,761	20,328,037	20,346,179	44,418	44,506
2017Q2-2018Q1	18,179,256	22,338,184	22,773,159	22,899,499	22,945,808	22,974,700	22,994,525	95,026	95,216
2018Q2-2019Q1	19,868,021	24,577,826	25,041,707	25,160,136	25,211,277	25,242,959	25,264,514	222,807	223,252
2019Q2-2020Q1	21,660,481	26,456,342	26,958,514	27,086,736	27,140,945	27,174,642	27,197,196	740,854	742,336
2020Q2-2021Q1	21,550,230	26,408,003	26,894,469	27,018,628	27,073,401	27,107,845	27,131,445	5,581,215	5,592,378
Expected future payment								\$ 6,715,022	
Add: Reported filed but not paid claim								4,615,053	
Retained claims reserve balance								\$ 11,330,075	

Note: Retained business equals direct business plus assumed reinsurance business less ceded reinsurance business.

In accordance with Jin Guan Bao Shou No. 10402133590 issued on December 22, 2015 by the FSC, reserve for claims not yet filed is provided as claims filed and adjusted for related expenses; reserve for claims filed but not yet paid is provided on a case-by-case basis. The loss reserve is the sum of the above reserve, and due to uncertainty, estimation, and judgment, there is a high degree of complexity in the provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Life may be delayed in certain cases, and estimates of the payments for cases not yet filed are involved with a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the

balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the development year is the number of years of the development for the cases; the amounts above the diagonal line represent 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 the current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

ii. Cathay Lujiazui Life

i) Direct business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2014Q2-2015Q1	\$ 246,945	\$ 423,762	\$ 453,964	\$ 460,047	\$ 460,047	\$ 460,047	\$ 460,047	\$ -
2015Q2-2016Q1	254,058	480,141	514,346	514,346	514,346	514,346	514,346	-
2016Q2-2017Q1	287,250	519,236	549,074	555,302	555,302	555,302	555,302	-
2017Q2-2018Q1	344,544	374,244	452,375	452,375	452,375	452,375	452,375	-
2018Q2-2019Q1	403,944	752,918	836,576	841,804	841,804	841,804	841,804	5,228
2019Q2-2020Q1	389,113	551,243	606,584	610,376	610,376	610,376	610,376	59,133
2020Q2-2021Q1	516,489	831,794	915,301	921,022	921,022	921,022	921,022	404,533
Expected future payment								\$ 468,894
Less: Expected reported but not paid claim								(2,936)
Reserve for unreported claim								465,958
Add: Reported but not paid claim								18,919
Claims reserve balance								<u>\$ 484,877</u>

ii) Retained business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2014Q2-2015Q1	\$ 244,454	\$ 421,148	\$ 451,351	\$ 457,311	\$ 457,311	\$ 457,311	\$ 457,311	\$ -
2015Q2-2016Q1	242,369	465,982	500,126	500,126	500,126	500,126	500,126	-
2016Q2-2017Q1	277,311	445,280	472,896	478,359	478,359	478,359	478,359	-
2017Q2-2018Q1	332,623	357,880	433,488	433,488	433,488	433,488	433,488	-
2018Q2-2019Q1	397,277	733,136	823,748	828,813	828,813	828,813	828,813	5,065
2019Q2-2020Q1	389,113	551,243	609,970	613,721	613,721	613,721	613,721	62,478
2020Q2-2021Q1	516,489	815,860	902,778	908,329	908,329	908,329	908,329	391,840
Expected future payment								\$ 459,383
Less: Expected reported but not paid claim								(2,936)
Add: Reported but not paid claim								16,464
Retained claim reserve balance								<u>\$ 472,911</u>

Note: Retained business equals direct business plus assumed reinsurance less ceded reinsurance business.

Cathay Lujiazui Life provides loss reserve for claims filed but not paid and claims not yet filed. Due to uncertainty, estimation, and judgment, there is a high degree of complexity in provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Lujiazui Life may be delayed in certain cases, and estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final

settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the development year is the number of years of the development for the cases; the amounts above the diagonal line represent the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in a specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

iii. Cathay Life (Vietnam)

i) Direct business development trend

Accident Year	Development Year				
	1	2	3	4	5
2016Q2-2017Q1	2,639	4,248	4,248	4,248	4,248
2017Q2-2018Q1	18,877	27,345	27,406	27,454	27,454
2018Q2-2019Q1	86,751	98,467	109,379	109,530	109,530
2019Q2-2020Q1	112,072	163,707	177,008	177,252	177,252
2020Q2-2021Q1	280,999	373,530	403,879	404,434	404,434

ii) Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2016Q2-2017Q1	2,639	4,248	4,248	4,248	4,248
2017Q2-2018Q1	18,877	27,345	27,406	27,454	27,454
2018Q2-2019Q1	86,751	98,467	109,379	109,530	109,530
2019Q2-2020Q1	112,072	163,707	177,008	177,252	177,252
2020Q2-2021Q1	280,999	373,530	403,879	404,434	404,434

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

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

### 3) Credit risk, liquidity risk, and market risk for insurance contracts

#### a) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, Cathay Life chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with Cathay Life's Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of Cathay Life's reinsurers are above a certain level, complying with Cathay Life's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to Cathay Life's total assets; therefore, no significant credit risk exists.

#### b) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance payments and expenses of valid insurance contracts in the future deduct total premium on the balance sheet date. The actual future payment amounts may differ due to the difference between the actual and expected experiences.

**Unit: In Billions of NTD**

	<b>Insurance Contracts and Financial Instruments with Discretionary Participation Features</b>		
	<b>Within 1 Year</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>
March 31, 2021	\$ (564)	\$ 4,747	\$ 178,205
December 31, 2020	(1,025)	4,481	182,228
March 31, 2020	(1,586)	3,485	180,481

Note: Separate account products are not included.

#### c) Market risk

Cathay Life measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for Cathay Life's valid insurance contracts are considered minor to profit or loss of equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of Cathay Life. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

b. Cathay Century and its subsidiaries

1) Risk management objectives, policies, procedures and methods:

a) Framework of risk management, organizational structure and responsibilities

i. Board of directors

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

ii. Risk management department

i) Risk management committee

- The committee should propose the risk management policies, framework, and organization functions and establish quantitative and qualitative management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly, and making necessary suggestions for improvement.
- The committee should execute the risk management policies set by the board of directors and review development, build-up and performance of overall management mechanisms regularly.
- The committee should assist and monitor the risk management activities performed by each department.
- The committee should arrange the risk category, risk limit allocation and risk taking method according to the changes in environment.
- The committee should enhance cross-department interaction and communication.

ii) Chief risk officer

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

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

### iii) Risk management department

Cathay Century and its subsidiaries established a risk management department, which is responsible for monitoring, measuring and evaluating major risks, performed independently to business units.

Duties of risk management department are as follows:

- Propose and execute the risk management policies set by the board of directors.
- Propose the risk limits based on risk appetite.
- Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.
- Regularly present risk management reports.
- Regularly review the risk limits and its use of each business unit.
- Assist to execute stress testing and back testing if necessary.
- Other risk management related issues.

### iii. Business unit

i) The risk management duties of the manager of a business unit are as follows:

- Manage and report daily risk of the business unit and take necessary responsive actions.
- Supervise regular submission of risk management information to the risk management department.

ii) The risk management duties of a business unit are as follows:

- Identify and measure risks and report risk exposures.
- Evaluate the impacts (quantitative or qualitative) when risks occur and deliver the risk information in a timely and accurate manner.
- Regularly review the risks and their limits to ensure the effective execution of risk limits within business unit.
- Monitor risk exposures and, in case of any excess to risk limits, report the excess to risk limits along with the corresponding actions of business units.
- Assist to develop the risk model and ensure that the risk measurement, application of model, and the parameter settings are reasonable and consistent.
- Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
- Assist to collect data related to operational risk.



iv. Audit department

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

b) Risk reporting and the scope and nature of risk assessment for property insurance business

i. Risk management reports

- i) Each business unit should regularly deliver risk information to risk management department, and report the excess of risk limits and responding measures when risk exposure exceeds the limit.
- ii) The risk management department summarizes the risk information provided by each department, tracks the uses of major risk limit, submits a monthly risk management report to the general manager, and makes quarterly report to the risk management committee and the board of directors.

ii. Risk reporting range and nature of risk assessment for property insurance business

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

c) Processes to undertake, evaluate, supervise and control insurance risk of property insurance business and underwriting policies to ensure proper risk classification and premium level.

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

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

Insurance risk management of Cathay Century and its subsidiaries covers product design and pricing, underwriting, reinsurance, catastrophe, claim, and reserve. Proper management mechanisms are set up and executed thoroughly.

e) Methods to limit insurance risk exposure and avoid inappropriate concentration risk

When Cathay Century and its subsidiaries implement business, the underwriter evaluates the quality of the business based on the underwriting criteria of each insurance to decide whether to undertake the business to properly hedge and control the risk and reduce the exposure.

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

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

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

Insurance by Type	For the Years Ended December 31	
	2021	2020
Fire insurance	\$ 1,200,000	\$ 1,200,000
Marine insurance	1,200,000	1,200,000
Engineering insurance	1,200,000	1,200,000
Miscellaneous insurance/Liability insurance	1,200,000	1,200,000
Healthy and Accident insurance	1,200,000	1,200,000
Automobile insurance	50,000	50,000
Liability insurance	250,000	250,000

f) Risk coordinated asset-liability management

i. Asset-liability coordinated with risk identification and measurement

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

ii. Asset-liability coordinated with risk response

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

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

Cathay Century and its subsidiaries have established a set of capital adequacy management standards, including RBC management indicators for regular review, under which RBC is calculated each quarter and RBC management report is prepared every half year as implementation of RBC management.

If the RBC ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose a response to the risk management committee and inform the Company to review the impact on the Group's CAR.

2) Liability on policyholders' claims filed and losses not yet filed

Claims and payments recoverable for policyholders' claims filed and paid

Insurance by Type	Claims Filed and Paid		
	March 31, 2021	December 31, 2020	March 31, 2020
Fire insurance	\$ (4,568)	\$ 13,274	\$ 14,512
Marine insurance	16,956	11,468	7,270
Land and air insurance	33,252	37,194	39,921
Liability insurance	26,184	45,977	43,953
Financial guarantee insurance	739	157	3,787
Other property insurance	20,245	19,898	26,596
Accident insurance	13,095	15,417	14,640
Health insurance	-	-	-
Policy-related residential earthquake insurance	-	-	1,700
Compulsory auto liability insurance	<u>185,892</u>	<u>161,235</u>	<u>265,384</u>
	291,795	304,620	417,763
Less: Loss allowance	<u>(14,590)</u>	<u>(15,231)</u>	<u>(20,888)</u>
Net amount	<u>\$ 277,205</u>	<u>\$ 289,389</u>	<u>\$ 396,875</u>

3) Receivables and payables of insurance contracts

a) Receivables

Insurance by Type	Premiums Receivable		
	March 31, 2021	December 31, 2020	March 31, 2020
Fire insurance	\$ 537,391	\$ 936,657	\$ 353,906
Marine insurance	348,029	356,045	271,744
Land and air insurance	99,125	137,421	101,990
Liability insurance	259,919	304,996	199,082
Financial guarantee insurance	24,449	34,644	28,169
Other property insurance	233,335	237,919	279,776
Accident insurance	136,616	119,462	122,560
Health insurance	4,849	4,849	6,209
Policy-related residential earthquake insurance	30,394	30,466	34,161
Compulsory auto liability insurance	<u>14,157</u>	<u>19,596</u>	<u>19,058</u>
	1,688,264	2,182,055	1,416,655
Less: Loss allowance	<u>(36,480)</u>	<u>(36,713)</u>	<u>(22,945)</u>
Net amount	<u>\$ 1,651,784</u>	<u>\$ 2,145,342</u>	<u>\$ 1,393,710</u>

Aging analysis of premiums receivable:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Up to 90 days	\$ 1,088,377	\$ 1,845,819	\$ 1,042,164
Over 90 days	<u>599,887</u>	<u>336,236</u>	<u>374,491</u>
	<u>\$ 1,688,264</u>	<u>\$ 2,182,055</u>	<u>\$ 1,416,655</u>

The overdue amounts as of March 31, 2021, December 31, 2020 and March 31, 2020 in the above premiums receivable were \$599,887 thousand, \$336,236 thousand and \$374,491 thousand, respectively, and loss allowance of \$25,063 thousand, \$18,347 thousand and \$12,653 thousand were provided, respectively.

b) Payables

	<b>March 31, 2021</b>		
<b>Insurance by Type</b>	<b>Commission Payable</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 24,884	\$ 11,755	\$ 36,639
Marine insurance	14,175	14,273	28,448
Land and air insurance	110,622	95,731	206,353
Liability insurance	26,970	27,016	53,986
Financial guarantee insurance	4,347	336	4,683
Other property insurance	6,967	9,009	15,976
Accident insurance	9,603	27,995	37,598
Health insurance	1,562	1,204	2,766
Policy-related residential earthquake insurance	1,503	1,321	2,824
Compulsory automobile liability insurance	<u>27,208</u>	<u>-</u>	<u>27,208</u>
	<u>\$ 227,841</u>	<u>\$ 188,640</u>	<u>\$ 416,481</u>

	<b>December 31, 2020</b>		
<b>Insurance by Type</b>	<b>Commission Payable</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 28,222	\$ 12,555	\$ 40,777
Marine insurance	13,293	11,805	25,098
Land and air insurance	106,137	98,872	205,009
Liability insurance	23,814	25,884	49,698
Financial guarantee insurance	3,840	378	4,218
Other property insurance	7,176	9,654	16,830
Accident insurance	10,325	25,601	35,926
Health insurance	1,352	878	2,230
Policy-related residential earthquake insurance	1,646	1,225	2,871
Compulsory automobile liability insurance	<u>26,369</u>	<u>-</u>	<u>26,369</u>
	<u>\$ 222,174</u>	<u>\$ 186,852</u>	<u>\$ 409,026</u>

<b>March 31, 2020</b>			
<b>Insurance by Type</b>	<b>Commission Payable</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 27,403	\$ 10,638	\$ 38,041
Marine insurance	9,927	13,489	23,416
Land and air insurance	77,366	82,676	160,042
Liability insurance	18,519	20,387	38,906
Financial guarantee insurance	2,773	710	3,483
Other property insurance	4,887	12,299	17,186
Accident insurance	8,917	24,172	33,089
Health insurance	2,119	663	2,782
Policy-related residential earthquake insurance	1,976	1,229	3,205
Compulsory automobile liability insurance	<u>25,808</u>	<u>-</u>	<u>25,808</u>
	<u>\$ 179,695</u>	<u>\$ 166,263</u>	<u>\$ 345,958</u>

c) Due from (to) reinsurers and ceding companies - reinsurance

<b>March 31, 2021</b>		
<b>Items</b>	<b>Due from Reinsurers and Ceding Companies</b>	<b>Due to Reinsurers and Ceding Companies</b>
Non-Life Insurance Association of the R.O.C.	\$ 300,225	\$ 386,552
AON	63,967	143,119
Central Re	1	83,310
Guy Carpenter	27,386	89,770
Marsh	73,712	61,379
Swiss Re	-	116,161
Willis	50,476	89,311
Others (individually below 5%)	<u>191,286</u>	<u>724,192</u>
	707,053	1,693,794
Less: Loss allowance	<u>(44,814)</u>	<u>-</u>
Net amount	<u>\$ 662,239</u>	<u>\$ 1,693,794</u>

Items	December 31, 2020	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 311,559	\$ 360,628
AON	44,900	188,748
Central Re	11,634	131,069
Comos	1,248	117,131
Guy Carpenter	47,162	25,353
Marsh	85,855	225,611
Swiss Re	19,000	113,884
Willis	58,826	57,680
Others (individually below 5%)	<u>171,960</u>	<u>558,089</u>
	752,144	1,778,193
Less: Loss allowance	<u>(43,501)</u>	<u>-</u>
Net amount	<u>\$ 708,643</u>	<u>\$ 1,778,193</u>

Items	March 31, 2020	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 326,449	\$ 375,460
Central Re	55,731	170,993
AON	43,424	128,717
Swiss Re	13,921	125,508
Others (individually below 5%)	<u>492,291</u>	<u>753,964</u>
	931,816	1,554,642
Less: Loss allowance	<u>(50,404)</u>	<u>-</u>
Net amount	<u>\$ 881,412</u>	<u>\$ 1,554,642</u>

The overdue amounts as of March 31, 2021, December 31, 2020 and March 31, 2020 in the above due from (to) reinsurers and ceding companies were \$15,142 thousand, \$11,495 thousand and \$8,895 thousand, respectively, and loss allowances of \$15,142 thousand, \$11,495 thousand and \$8,895 thousand were provided, respectively.

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

4) Acquisition cost of insurance contracts

<b>For the Three Months Ended March 31, 2021</b>					
<b>Insurance by Type</b>	<b>Commission Expenses</b>	<b>Service fee Charge</b>	<b>Reinsurance Commission Expenses</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 38,596	\$ 4,606	\$ 33,388	\$ 4,053	\$ 80,643
Marine insurance	17,277	271	1,889	419	19,856
Land and air insurance	290,235	394	11,431	106,450	408,510
Liability insurance	50,566	15	164	7,840	58,585
Financial guarantee insurance	2,199	1	(65)	349	2,484
Other property insurance	16,444	2,118	6,813	839	26,214
Accident insurance	80,770	480	(259)	18,382	99,373
Health insurance	7,657	87	348	306	8,398
Policy-related residential earthquake insurance	4,994	41	-	608	5,643
Compulsory auto liability insurance	-	92,416	-	-	92,416
	<u>\$ 508,738</u>	<u>\$ 100,429</u>	<u>\$ 53,709</u>	<u>\$ 139,246</u>	<u>\$ 802,122</u>
<b>For the Three Months Ended March 31, 2020</b>					
<b>Insurance by Type</b>	<b>Commission Expenses</b>	<b>Service fee Charge</b>	<b>Reinsurance Commission Expenses</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 37,795	\$ 5,081	\$ 38,734	\$ 3,872	\$ 85,482
Marine insurance	15,069	110	1,416	534	17,129
Land and air insurance	259,417	423	9,630	105,441	374,911
Liability insurance	39,499	28	69	7,244	46,840
Financial guarantee insurance	2,102	195	4,405	73	6,775
Other property insurance	15,816	2,210	12,137	1,343	31,506
Accident insurance	88,614	196	(15)	23,956	112,751
Health insurance	12,285	179	716	2,451	15,631
Policy-related residential earthquake insurance	5,261	60	-	667	5,988
Compulsory auto liability insurance	-	91,180	-	-	91,180
	<u>\$ 475,858</u>	<u>\$ 99,662</u>	<u>\$ 67,092</u>	<u>\$ 145,581</u>	<u>\$ 788,193</u>

Acquisition costs of the insurance contracts were not deferred.

5) Profit and loss analysis of the insurance business

Direct underwriting business

For the Three Months Ended March 31, 2021						
Insurance by Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 523,296	\$ (298,371)	\$ 47,254	\$ 28,846	\$ 1,394,871	\$ (649,304)
Marine insurance	168,341	(28,136)	17,967	55,491	(35,834)	158,853
Land and air insurance	2,577,806	59,770	397,078	1,427,403	45,366	648,189
Liability insurance	433,530	48,105	58,422	148,447	43,548	135,008
Financial guarantee insurance	18,387	(8,341)	2,549	(31,127)	6,125	49,181
Other property insurance	326,936	48,527	19,403	101,327	(38,190)	195,869
Accident insurance	710,570	30,119	99,631	315,140	(5,589)	271,269
Health insurance	37,144	2,824	8,050	16,537	(4,762)	14,495
Policy-related residential earthquake insurance	106,789	(4,584)	5,643	-	12	105,718
Compulsory auto liability insurance	<u>670,931</u>	<u>852</u>	<u>92,416</u>	<u>474,199</u>	<u>(28,054)</u>	<u>131,518</u>
	<u>\$ 5,573,730</u>	<u>\$ (149,235)</u>	<u>\$ 748,413</u>	<u>\$ 2,536,263</u>	<u>\$ 1,377,493</u>	<u>\$ 1,060,796</u>
For the Three Months Ended March 31, 2020						
Insurance by Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 512,242	\$ (230,187)	\$ 46,750	\$ 96,692	\$ 186,280	\$ 412,707
Marine insurance	149,559	(16,119)	15,713	51,543	47,830	50,592
Land and air insurance	2,326,901	(59,840)	365,280	1,409,650	(40,378)	652,189
Liability insurance	346,951	(23,204)	46,771	242,388	(77,165)	158,161
Financial guarantee insurance	23,663	(831)	2,370	3,300	1,819	17,005
Other property insurance	361,874	101,587	19,369	76,564	92,029	72,325
Accident insurance	756,942	(22,523)	112,766	374,093	(2,465)	295,071
Health insurance	74,038	(9,861)	14,915	27,748	(3,622)	44,858
Policy-related residential earthquake insurance	111,100	5,849	5,987	-	-	99,264
Compulsory auto liability insurance	<u>663,668</u>	<u>(10,078)</u>	<u>91,180</u>	<u>587,954</u>	<u>(39,047)</u>	<u>33,659</u>
	<u>\$ 5,326,938</u>	<u>\$ (265,207)</u>	<u>\$ 721,101</u>	<u>\$ 2,869,932</u>	<u>\$ 165,281</u>	<u>\$ 1,835,831</u>



## Reinsurance inward business

For the Three Months Ended March 31, 2021						
Insurance by Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 160,969	\$ 78,627	\$ 33,387	\$ 92,493	\$ 25,731	\$ (69,269)
Marine insurance	12,442	5,108	1,889	16,920	15,035	(26,510)
Land and air insurance	38,060	16,577	11,431	16,719	3,783	(10,450)
Liability insurance	1,428	378	164	(104)	(24)	1,014
Financial guarantee insurance	(1,487)	(5,293)	(65)	805	17	3,049
Other property insurance	61,689	13,712	6,814	57,499	(9,844)	(6,492)
Accident insurance	3,741	1,480	(259)	744	(770)	2,546
Health insurance	3,478	761	348	2,767	316	(714)
Policy-related residential earthquake insurance	14,941	2,051	-	-	-	12,890
Compulsory auto liability insurance	<u>187,594</u>	<u>2,680</u>	<u>-</u>	<u>209,851</u>	<u>(287)</u>	<u>(24,650)</u>
	<u>\$ 482,855</u>	<u>\$ 116,081</u>	<u>\$ 53,709</u>	<u>\$ 397,694</u>	<u>\$ 33,957</u>	<u>\$ (118,586)</u>
For the Three Months Ended March 31, 2020						
Insurance by Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 200,004	\$ 33,106	\$ 38,734	\$ 106,155	(17,808)	\$ 39,817
Marine insurance	7,016	(3,491)	1,416	6,316	(762)	3,537
Land and air insurance	20,763	2,137	9,629	2,025	2,972	4,000
Liability insurance	1,089	432	70	1	101	485
Financial guarantee insurance	14,756	3,214	4,405	1,705	18,078	(12,646)
Other property insurance	72,102	1,743	12,137	78,606	(10,423)	(9,961)
Accident insurance	2,983	1,097	(15)	648	(313)	1,566
Health insurance	7,155	(773)	716	12,206	198	(5,192)
Policy-related residential earthquake insurance	14,891	2,324	-	1	-	12,566
Compulsory auto liability insurance	<u>179,535</u>	<u>(7,743)</u>	<u>-</u>	<u>184,660</u>	<u>4,654</u>	<u>(2,036)</u>
	<u>\$ 520,294</u>	<u>\$ 32,046</u>	<u>\$ 67,092</u>	<u>\$ 392,323</u>	<u>\$ (3,303)</u>	<u>\$ 32,136</u>

## Ceded reinsurance business

For the Three Months Ended March 31, 2021						
Insurance by Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
Fire insurance	\$ 433,024	\$ (98,820)	\$ 32,375	\$ 46,551	\$ 1,170,303	\$ (717,385)
Marine insurance	102,738	(31,941)	14,164	32,429	(38,794)	126,880
Land and air insurance	80,723	(15,986)	23,553	34,242	3,586	35,328
Liability insurance	83,873	(37,398)	23,069	29,006	33,460	35,736
Financial guarantee insurance	9,854	(5,747)	1,818	(32,661)	2,847	43,597
Other property insurance	283,945	65,308	31,165	59,667	(8,367)	136,172
Accident insurance	66,624	36,215	15,940	16,747	836	(3,114)
Health insurance	108	91	-	-	(3,000)	3,017
Policy-related residential earthquake insurance	106,789	(4,584)	-	-	-	111,373
Compulsory auto liability insurance	279,582	511	-	273,999	(22,637)	27,709
	<u>\$ 1,447,260</u>	<u>\$ (92,351)</u>	<u>\$ 142,084</u>	<u>\$ 459,980</u>	<u>\$ 1,138,234</u>	<u>\$ (200,687)</u>
For the Three Months Ended March 31, 2020						
Insurance by Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
Fire insurance	\$ 265,443	\$ (134,156)	\$ 36,853	\$ 27,914	\$ 211,985	\$ 122,847
Marine insurance	105,111	(3,113)	12,206	37,423	40,774	17,821
Land and air insurance	65,569	(23,795)	20,756	38,137	(5,190)	35,661
Liability insurance	101,237	(23,753)	26,839	125,902	(67,111)	39,360
Financial guarantee insurance	13,747	(1,380)	2,456	(96)	(484)	13,251
Other property insurance	285,982	107,703	28,670	47,044	89,719	12,846
Accident insurance	75,546	36,975	16,135	15,575	(5,291)	12,152
Health insurance	-	-	-	-	-	-
Policy-related residential earthquake insurance	111,100	5,848	-	-	-	105,252
Compulsory auto liability insurance	275,669	(6,047)	-	347,482	(23,565)	(42,201)
	<u>\$ 1,299,404</u>	<u>\$ (41,718)</u>	<u>\$ 143,915</u>	<u>\$ 639,381</u>	<u>\$ 240,837</u>	<u>\$ 316,989</u>

6) Sensitivity to insurance risk

a) Cathay Century

For the three months ended March 31, 2021

Insurance by Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Change in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 496,465	46.67%	\$ (24,823)	\$ (15,169)
Marine insurance	166,119	45.65%	(8,306)	(3,903)
Land and air insurance	2,541,225	63.12%	(127,061)	(124,315)
Liability insurance	432,803	50.28%	(21,640)	(14,441)
Financial guarantee insurance	18,387	42.19%	(919)	(191)
Other property insurance	326,216	53.82%	(16,311)	(3,677)
Accident insurance	700,959	44.78%	(35,048)	(33,497)
Health insurance	37,144	32.95%	(1,857)	(1,520)
Policy-related residential earthquake insurance	106,789	11.00%	(5,339)	(1,068)
Compulsory automobile liability insurance	<u>670,931</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 5,497,038</u>		<u>\$ (241,304)</u>	<u>\$ (197,781)</u>

For the three months ended March 31, 2020

Insurance by Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Change in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 489,522	47.31%	\$ (24,476)	\$ (24,476)
Marine insurance	147,793	34.19%	(7,390)	(3,584)
Land and air insurance	2,287,782	63.93%	(114,389)	(111,011)
Liability insurance	346,237	50.34%	(17,312)	(11,055)
Financial guarantee insurance	23,663	241.03%	(1,183)	(695)
Other property insurance	360,582	64.64%	(18,029)	(14,180)
Accident insurance	748,986	44.57%	(37,449)	(35,467)
Health insurance	74,038	36.07%	(3,702)	(3,702)
Policy-related residential earthquake insurance	111,100	10.65%	(5,555)	(2,777)
Compulsory automobile liability insurance	<u>663,668</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 5,253,371</u>		<u>\$ (229,485)</u>	<u>\$ (206,947)</u>

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

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

b) Cathay Insurance (Vietnam)

For the three months ended March 31, 2021

Insurance by Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Change in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 36,581	21.52%	\$ (1,829)	\$ (1,824)
Marine insurance	2,222	18.45%	(111)	(31)
Fire insurance	26,831	31.49%	(1,342)	(296)
Engineering insurance	720	65.21%	(36)	(6)
Accident insurance	9,611	39.86%	(481)	(480)
Liability insurance	<u>727</u>	12.16%	<u>(36)</u>	<u>(14)</u>
	<u>\$ 76,692</u>		<u>\$ (3,835)</u>	<u>\$ (2,651)</u>

For the three months ended March 31, 2020

Insurance by Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Change in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 39,118	30.61%	\$ (1,956)	\$ (1,948)
Marine insurance	1,766	15.16%	(88)	(20)
Fire insurance	22,720	53.38%	(1,136)	(264)
Engineering insurance	1,291	28.25%	(65)	(20)
Accident insurance	7,912	36.75%	(396)	(395)
Liability insurance	<u>715</u>	14.24%	<u>(36)</u>	<u>(11)</u>
	<u>\$ 73,522</u>		<u>\$ (3,677)</u>	<u>\$ (2,658)</u>

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

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

## 7) Risk concentration

### a) Cathay Century

#### i. Situations that may cause concentration of insurance risk:

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

As of March 31, 2021, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meeting.

##### ii) Exposure to unanticipated changes in trend

As of March 31, 2021, the loss rate of comprehensive travel insurance has increased due to the COVID-19 pandemic and the huge claims. Also, the loss rates of commercial fire insurance, accident insurance and marine insurance have increased due to the huge claims.

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

“The Regulations for Assisting in Filing Lawsuit Cases of Cathay Century Insurance” is set up to safeguard the rights of Cathay Century and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of March 31, 2021, there are no material litigation or legal risks that may lead to substantial losses incurred by a single contract or have an extensive effect on several contracts.

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

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Century established “Operation Standards under Crisis”, under which crisis handling team is set up in reaction to the event and execute emergency tasks such as resource coordination and fund procurement to protect the rights of the insured and Cathay Century and to keep financial stability. As of March 31, 2021, measures have been taken to deal with the impact of COVID-19 on operating, insurance and investment business.

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

Since the 3rd stage of liberalization of property insurance premium rate took effect, Cathay Century has conducted regular reviews on voluntary automobile insurance, commercial fire insurance, and residential fire insurance in accordance with regulations. When the actual loss rate exceeds the expected loss rate to a certain percentage, premium rates will be properly adjusted to avoid persistent enlargement of losses. In addition, the actuarial department observes the changes in trend of loss rates of each product on irregular basis and adjusts pricing and coverage in a timely manner to effectively lower insurance risks.

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

In addition, stress testing is performed for the overall business every year to assess the impacts on financial positions due to extreme scenarios of the assets and insurance risk and understand the major risk factors to response in advance.

vi) Concentration of geographic regions and operating segments

Cathay Century's catastrophe insurance for earthquakes and floods are mainly in Taoyuan, Hsinchu, Taichung, Chiayi, Tainan, Kaohsiung and Pingtung.

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

The following table summarizes Cathay Century's concentration of risk before and after reinsurance by insurance type:

Insurance Type	For the Three Months Ended March 31, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 496,465	\$ 172,548	\$ 422,142	\$ 246,871	5.42
Marine insurance	166,120	12,442	101,327	77,235	1.69
Land and air insurance	2,541,225	38,028	80,723	2,498,530	54.83
Liability insurance	432,803	1,392	83,381	350,814	7.70
Financial guarantee insurance	18,387	(1,487)	9,854	7,046	0.15
Other property insurance	326,216	61,219	283,121	104,314	2.29
Accident insurance	700,959	3,741	66,624	638,076	14.00
Health insurance	37,143	3,479	108	40,514	0.89
Policy-related residential earthquake insurance	106,789	14,941	106,789	14,941	0.33
Compulsory automobile liability insurance	670,931	187,594	279,582	578,943	12.70
Total	\$ 5,497,038	\$ 493,897	\$ 1,433,651	\$ 4,557,284	100.00

Insurance Type	For the Three Months Ended March 31, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 489,522	\$ 199,378	\$ 245,610	\$ 443,290	9.86
Marine insurance	147,793	7,016	103,877	50,932	1.13
Land and air insurance	2,287,782	20,763	65,569	2,242,976	49.89
Liability insurance	346,237	1,089	100,785	246,541	5.48
Financial guarantee insurance	23,664	14,756	13,747	24,673	0.55
Other property insurance	360,582	72,102	285,100	147,584	3.28
Accident insurance	748,986	2,983	75,546	676,423	15.05
Health insurance	74,038	7,155	-	81,193	1.81
Policy-related residential earthquake insurance	111,100	14,891	111,100	14,891	0.33
Compulsory automobile liability insurance	663,668	179,535	275,669	567,534	12.62
Total	\$ 5,253,372	\$ 519,668	\$ 1,277,003	\$ 4,496,037	100.00

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

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

To control and manage risk with low frequency of occurrence but enormous impact, Cathay Century assesses the risk of natural disasters and special insured items (for example, high-tech factory, power plant and traffic engineering) and holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

b) Cathay Insurance (Vietnam)

- i. Situations that may cause concentration of insurance risk:

i) Single insurance contract or several related contracts

As of March 31, 2021, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meeting.

ii) Exposure to unanticipated change in trend

As of March 31, 2021, the premium income of comprehensive travel insurance have decreased due to the reduced demand for traveling in case of COVID-19; however, there is no effect to business risk so far, and Cathay Insurance (Vietnam) will keep on observing risk exposure.

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

“The Procedure for Subrogation” and “The Proceedings of the Court” are set up to safeguard the rights of Cathay Insurance (Vietnam) and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of March 31, 2021, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

- iv) Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe. In order to mitigate the risks of catastrophic events in its operations, Cathay Insurance (Vietnam) established the Points for Handling Major Events of Cathay Insurance (Vietnam), under which crisis handling team is set up as a response to such events and executes tasks such as resource coordination and fund procurement to protect the rights of the insured and Cathay Century, as well as to maintain financial stability. As of March 31, 2021, there was no interaction among different risks resulting from a catastrophic event.

- v) Concentration of geographical regions and operating segments

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

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

The following table summarizes the Cathay Insurance (Vietnam)’s concentration of risk before and after reinsurance by insurance type:

Insurance Type	For the Three Months Ended March 31, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 36,581	\$ 32	\$ -	\$ 36,613	70.35
Flood insurance	2,222	-	1,412	810	1.55
Fire insurance	26,831	3,364	25,825	4,370	8.40
Engineering insurance	720	185	573	332	0.64
Accident insurance	9,611	-	-	9,611	18.47
Liability insurance	727	320	741	306	0.59
Total	\$ 76,692	\$ 3,901	\$ 28,551	\$ 52,042	100.00



Insurance Type	For the Three Months Ended March 31, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 39,118	\$ -	\$ -	\$ 39,118	75.59
Flood insurance	1,766	-	1,234	532	1.03
Fire insurance	22,720	626	19,833	3,513	6.79
Engineering insurance	1,291	-	882	409	0.79
Accident insurance	7,912	-	-	7,912	15.29
Liability insurance	715	-	452	263	0.51
Total	\$ 73,522	\$ 626	\$ 22,401	\$ 51,747	100.00

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

Catastrophes such as typhoon and flood, will bring tremendous insurance risk to property insurance business. To control and manage risk with low frequency occurrence but enormous impact, Cathay Insurance (Vietnam) assesses the risk of natural disasters and special insured items and holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

## 8) Development trends of claims

### a) Cathay Century

#### March 31, 2021

Accident Year	≤ 2014	2015	2016	2017	2018	2019	2020	2021	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 7,559,012	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	\$ 2,437,324	
After the first year	-	7,418,703	11,455,620	8,025,062	8,574,948	10,063,196	10,706,033	-	
After the second year	-	7,548,387	10,970,548	7,965,701	8,479,083	10,004,478	-	-	
After the third year	-	7,495,744	11,133,431	8,000,179	8,465,675	-	-	-	
After the fourth year	-	7,449,663	11,177,663	8,000,429	-	-	-	-	
After the fifth year	-	7,456,430	11,099,080	-	-	-	-	-	
After the sixth year	-	7,453,017	-	-	-	-	-	-	
Final estimated claim payments	-	7,453,017	11,099,080	8,000,429	8,465,675	10,004,478	10,706,033	2,437,324	
Accumulated claims disbursed	-	7,416,261	11,030,822	7,877,214	8,205,575	8,820,985	6,587,978	329,894	
	303,923	36,756	68,258	123,215	260,100	1,183,493	4,118,055	2,107,430	\$ 8,201,230
Adjustment	-	-	-	-	-	-	-	147,390	147,390
Amount recognized in balance sheet	\$ 303,923	\$ 36,756	\$ 68,258	\$ 123,215	\$ 260,100	\$ 1,183,493	\$ 4,118,055	\$ 2,254,820	\$ 8,348,620

#### December 31, 2020

Accident Year	≤ 2013	2014	2015	2016	2017	2018	2019	2020	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 7,066,945	\$ 7,559,012	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	
After the first year	-	7,217,836	7,418,703	11,455,620	8,025,062	8,574,948	10,063,196	-	
After the second year	-	7,156,309	7,548,387	10,970,548	7,965,701	8,479,083	-	-	
After the third year	-	7,135,341	7,495,744	11,133,431	8,000,179	-	-	-	
After the fourth year	-	7,133,873	7,449,663	11,177,663	-	-	-	-	
After the fifth year	-	7,145,756	7,456,430	-	-	-	-	-	
After the sixth year	-	7,168,709	-	-	-	-	-	-	
Final estimated claim payments	-	7,168,709	7,456,430	11,177,663	8,000,179	8,479,083	10,063,196	9,508,911	
Accumulated claims disbursed	-	6,948,860	7,415,068	11,098,912	7,856,050	8,173,127	8,556,037	5,089,598	
	84,801	219,849	41,362	78,751	144,129	305,956	1,507,159	4,419,313	\$ 6,801,320
Adjustment	-	-	-	-	-	-	-	142,430	142,430
Amount recognized in balance sheet	\$ 84,801	\$ 219,849	\$ 41,362	\$ 78,751	\$ 144,129	\$ 305,956	\$ 1,507,159	\$ 4,561,743	\$ 6,943,750

## March 31, 2020

Accident Year	≤ 2013	2014	2015	2016	2017	2018	2019	2020	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 7,066,945	\$ 7,559,012	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 2,295,184	
After the first year	-	7,217,836	7,418,703	11,455,620	8,025,062	8,574,948	10,321,360	-	
After the second year	-	7,156,309	7,548,387	10,970,548	7,965,701	8,544,991	-	-	
After the third year	-	7,135,341	7,495,744	11,133,431	7,985,278	-	-	-	
After the fourth year	-	7,133,873	7,449,663	11,150,596	-	-	-	-	
After the fifth year	-	7,145,756	7,453,292	-	-	-	-	-	
After the sixth year	-	7,164,663	-	-	-	-	-	-	
Final estimated claim payments	-	7,164,663	7,453,292	11,150,596	7,985,278	8,544,991	10,321,360	2,295,184	
Accumulated claims disbursed	-	6,936,878	7,406,295	11,040,276	7,781,312	7,900,839	6,931,045	394,875	
	97,288	227,785	46,997	110,320	203,966	644,152	3,390,315	1,900,309	\$ 6,621,132
Adjustment	-	-	-	-	-	-	-	142,990	142,990
Amount recognized in balance sheet	\$ 97,288	\$ 227,785	\$ 46,997	\$ 110,320	\$ 203,966	\$ 644,152	\$ 3,390,315	\$ 2,043,299	\$ 6,764,122

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

Note 2: The above tables excludes direct loss reserve of compulsory insurance, policy-related residential earthquake insurance and inward loss reserve of \$1,610,745 thousand and \$1,275,116 thousand as of March 31, 2021, \$1,638,786 thousand and \$1,241,160 thousand as of December 31, 2020, \$1,536,541 thousand and \$1,135,293 thousand as of March 31, 2020.

### b) Cathay Insurance (Vietnam)

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

## 36. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 1,800,120,582	\$ 1,748,081,143	\$ 1,709,967,441
Financial assets at FVTOCI	1,571,029,708	1,562,998,457	1,176,111,042
Financial assets for hedging	146,269	146,959	1,297,567
Financial assets at amortized cost			
Cash and cash equivalents	448,129,821	536,716,255	321,229,598
Due from the Central Bank and call loans to banks	152,315,784	129,503,924	157,221,939
Debt instruments at amortized cost	3,186,546,185	3,161,044,538	3,129,777,159
Notes and bonds purchased under resale agreements	50,881,539	67,264,342	49,363,416
Discounts and loans, net	2,219,536,128	2,141,276,205	2,038,406,629
Receivables, net	204,782,871	191,916,164	192,117,626
Other financial assets, net	686,655,474	660,547,975	524,242,723
Guarantee deposits paid	51,753,875	40,044,829	50,644,963

(Continued)

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	\$ 130,825,360	\$ 140,778,098	\$ 150,262,539
Financial liabilities for hedging	43,129	139,858	67,834
Financial liabilities at amortized cost			
Deposits from the Central Bank and banks	80,305,732	66,131,059	87,131,752
Due to the Central Bank and banks	1,076,000	1,076,000	-
Notes and bonds sold under repurchase agreements	17,604,400	12,299,564	52,251,310
Commercial paper payable, net	42,609,669	39,519,918	51,349,599
Payables	84,660,437	68,696,694	80,742,011
Deposits and remittances	2,654,702,795	2,615,799,063	2,350,051,515
Bonds payable	147,300,000	148,800,000	118,900,000
Other borrowings	819,855	1,657,576	615,488
Other financial liabilities	719,131,201	692,760,284	578,638,827
Lease liabilities	14,395,259	13,011,637	12,683,498
Guarantee deposits received	8,049,620	21,314,390	10,003,434
			(Concluded)

b. The valuation technique and assumptions used in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- 1) The carrying amount of cash and cash equivalents, accounts receivable, short-term debts and accounts payable approximates their fair value due to their short maturities.
- 2) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- 3) Fair values of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of liquidity, P/E ratio of similar entities and Price-Book ratio of similar entities).
- 4) Fair value of debt instruments without market quotations is determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk information).
- 5) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using the interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

- 6) The Group evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Group will not default, the Group determines its credit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Group calculates its debit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the Group. The Group decides the estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Group sets estimated loss given default at 60% by considering the experiences of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded on the Taipei Exchange.

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

1) Fair value hierarchy

Items	March 31, 2021				December 31, 2020				March 31, 2020			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>												
Assets												
Financial assets at FVTPL												
Stocks	\$ 601,416,122	\$ 574,855,489	\$ 19,195,590	\$ 7,365,043	\$ 538,241,070	\$ 511,087,638	\$ 20,099,118	\$ 7,054,314	\$ 544,098,445	\$ 493,101,820	\$ 44,166,237	\$ 6,830,388
Bonds	270,458,900	8,384,179	259,107,739	2,966,982	213,583,160	7,624,176	203,032,964	2,926,020	298,821,008	6,565,194	290,179,429	2,076,385
Other	859,345,283	516,141,374	213,442,677	129,761,232	895,567,396	541,181,304	234,648,942	119,737,150	768,091,300	460,419,537	209,607,119	98,064,644
Financial assets at FVTOCI												
Stocks	151,421,188	140,217,072	-	11,204,116	123,365,677	113,328,058	-	10,037,619	65,981,905	56,241,951	-	9,739,954
Bonds (Note)	1,392,360,632	135,475,433	1,256,885,199	-	1,401,383,513	171,349,180	1,230,034,333	-	1,022,962,629	97,827,043	924,679,507	456,079
Other	28,381,769	-	28,381,769	-	39,411,018	-	39,411,018	-	88,309,034	-	88,309,034	-
Liabilities												
Financial liabilities at FVTPL												
Financial liabilities designated as at FVTPL	42,722,501	-	42,722,501	-	44,204,582	-	44,204,582	-	52,503,297	-	52,503,297	-
Held for trading	6,199,961	6,199,961	-	-	15,146,735	15,146,735	-	-	5,610,563	5,610,563	-	-
<u>Derivative instruments</u>												
Assets												
Financial assets at FVTPL	68,900,277	1,189,210	62,098,829	5,612,238	100,689,517	1,504,002	93,823,683	5,361,832	98,956,688	3,501,821	84,391,885	11,062,982
Financial assets for hedging	146,269	-	146,269	-	146,959	-	146,959	-	1,297,567	-	1,297,567	-
Liabilities												
Financial liabilities at FVTPL	81,902,898	1,076,713	75,213,947	5,612,238	81,426,781	611,466	75,453,483	5,361,832	92,148,679	1,265,301	79,820,396	11,062,982
Financial liabilities for hedging	43,129	-	43,129	-	139,858	-	139,858	-	67,834	-	67,834	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the three months ended March 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value.

2) Reconciliation for movements in Level 3 fair value measurements

	<b>For the Three Months Ended March 31, 2021</b>		
	<b>Financial Assets</b>		<b>Financial Liabilities</b>
	<b>At FVTPL</b>	<b>At FVTOCI</b>	<b>At FVTPL</b>
Beginning balance	\$ 135,079,316	\$ 10,037,619	\$ 5,361,832
Recognized in profit or loss			
Gain on financial assets and liabilities at FVTPL	8,962,397	-	193,314
Loss on reclassification using the overlay approach	(5,335,164)	-	-
Recognized in other comprehensive income			
Exchange differences on translating the financial statements of foreign operations	2,354	1	-
Other comprehensive gain reclassified using the overlay approach	5,335,164	-	-
Gain on equity instruments at FVTOCI	-	1,257,301	-
Acquisitions or issuances	9,043,766	-	123,216
Disposals or settlements	(7,084,138)	(90,805)	(66,124)
Transfers out of Level 3	<u>(298,200)</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 145,705,495</u>	<u>\$ 11,204,116</u>	<u>\$ 5,612,238</u>
	<b>For the Three Months Ended March 31, 2020</b>		
	<b>Financial Assets</b>		<b>Financial Liabilities</b>
	<b>At FVTPL</b>	<b>At FVTOCI</b>	<b>At FVTPL</b>
Beginning balance	\$ 113,469,910	\$ 11,107,719	\$ 10,681,179
Recognized in profit or loss			
Gain on financial assets and liabilities at FVTPL	3,235,702	-	1,001,786
Gain on reclassification using the overlay approach	364,363	-	-
Recognized in other comprehensive income			
Exchange differences on translating the financial statements of foreign operations	(19,011)	29	-
Other comprehensive loss reclassified using the overlay approach	(364,363)	-	-
Loss on equity instruments at FVTOCI	-	(882,827)	-
Acquisitions or issuances	9,066,442	2,732	54,779
Disposals or settlements	(7,623,019)	(31,620)	(674,762)
Transfers out of Level 3	<u>(95,625)</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 118,034,399</u>	<u>\$ 10,196,033</u>	<u>\$ 11,062,982</u>

Regarding the above amounts recognized in profit or loss for the three months ended March 31, 2021 and 2020, unrealized gains of \$920,465 thousand and unrealized gains of \$897,106 thousand were related to financial assets held at the end of the period, respectively.

Regarding the above amounts recognized in profit or loss for the three months ended March 31, 2021 and 2020, unrealized losses of \$193,314 thousand and unrealized losses of \$1,001,786 thousand were related to financial liabilities held at the end of the period, respectively.

3) Information on significant unobservable inputs applied for Level 3 fair value measurement

The significant unobservable inputs applied for recurring Level 3 fair value measurement were as follows:

Cathay Life and its subsidiaries

March 31, 2021				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	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.	19%-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%)-30%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	60%-140%	The higher the dividend payout ratio, the higher the fair value estimates
December 31, 2020				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	11%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	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

March 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.	23%-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%)-20%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	80%-140%	The higher the dividend payout ratio, the higher the fair value estimates

Cathay United Bank and its subsidiaries

March 31, 2021				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

December 31, 2020				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares



March 31, 2020				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

#### Cathay Century and its subsidiaries

March 31, 2021				
Financial Assets	Valuation Techniques	Significant Unobservable Inputs	Weighted Average Number	Relationship Between Inputs and Fair Value
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	29%	The higher the discount for lack of liquidity the lower the fair value of the shares

December 31, 2020				
Financial Assets	Valuation Techniques	Significant Unobservable Inputs	Weighted Average Number	Relationship Between Inputs and Fair Value
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	29%	The higher the discount for lack of liquidity, the lower the fair value of the shares

March 31, 2020				
Financial Assets	Valuation Techniques	Significant Unobservable Inputs	Weighted Average Number	Relationship Between Inputs and Fair Value
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	29%	The higher the discount for lack of liquidity, the lower the fair value of the shares

#### Cathay Securities and its subsidiaries

March 31, 2021					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Investments in equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

December 31, 2020					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Investments in equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

Items	Valuation Techniques	Significant Unobservable Inputs	March 31, 2020		
			Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Investments in equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

4) Valuation process for Level 3 fair value measurements.

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

d. Fair values of financial instruments not measured at fair value

Except for the accounts whose carrying amounts approximate their fair values, including cash and cash equivalents, due from the Central Bank and call loans to banks, notes and bonds purchased under resale agreements, receivables, loans, guarantee deposits paid, deposits from the Central Bank and banks, due to the Central Bank and banks, notes and bonds sold under repurchase agreements, commercial paper payable, bonds payable, other borrowings, payables, deposits and remittances, lease liabilities and guarantee deposits received, the fair values of the financial instruments which are not measured at fair value are listed in the following table:

March 31, 2021

		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost (Note)	\$ 3,196,441,223	\$ 32,638,993	\$ 3,338,841,406	\$ 762,670	\$ 3,372,243,069

December 31, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost (Note)	\$ 3,170,942,822	\$ 122,770,951	\$ 3,443,887,987	\$ 743,273	\$ 3,567,402,211

March 31, 2020

		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost (Note)	\$ 3,139,674,586	\$ 103,771,596	\$ 3,147,649,885	\$ 1,179,134	\$ 3,252,600,615

Note: Including those serving as refundable deposits.

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with the income approach based on a discounted cash flow analysis. Significant unobservable inputs used in Level 3 fair value measurement were the discount rates that reflect the credit risk of counterparties and the cash flows that reflect the feature of early reimbursement.

e. Hedge accounting disclosures

Cathay Life and its subsidiaries

1) Cash flow hedges

The future cash flows of the bond investments held by Cathay Life and its subsidiaries may fluctuate due to the changes in market interest rates and thus lead to risks. Accordingly, Cathay Life and its subsidiaries held interest rate derivatives to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

a) Hedging instruments

March 31, 2021					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 131,747	\$ -	Financial assets for hedging	\$ (3,337)
IRS	1,043,165	-	43,129	Financial liabilities for hedging	4,350
December 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 146,959	\$ -	Financial assets for hedging	\$ 31,333
IRS	1,086,868	-	48,887	Financial liabilities for hedging	(20,076)
March 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 6,800,000	\$ 206,029	\$ -	Financial assets for hedging	\$ 37,260
IRS	1,285,795	-	67,834	Financial liabilities for hedging	(36,667)

b) Maturities of the nominal amount of hedging instruments and average price or rate

		Period Till Maturity				
		1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>March 31, 2021</u>						
IRS						
Nominal principal	\$	-	\$ -	\$ 205,067	\$ 4,838,098	\$ -
Average fixed rate		-	-	2.5%	1.7%-2.5%	-
		Period Till Maturity				
		1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2020</u>						
IRS						
Nominal principal	\$	-	\$ -	\$ 195,993	\$ 4,890,875	\$ -
Average fixed rate		-	-	2.5%	1.7%-2.5%	-
		Period Till Maturity				
		1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>March 31, 2020</u>						
IRS						
Nominal principal	\$	-	\$ -	\$ 2,932,361	\$ 5,153,434	\$ -
Average fixed rate		-	-	1.6%-2.5%	1.7%-2.5%	-

c) Hedged items

For the Three Months Ended March 31, 2021								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ 3,337	\$ 131,747	N/A	\$ (3,337)	\$ -	\$ -	\$ (11,875)	Net other noninterest gain
Payables	(4,350)	(43,129)	N/A	4,350	-	-	-	Net other noninterest gain
Discontinued hedge - bond investments	N/A	N/A	(250)	N/A	N/A	N/A	2	Net other noninterest gain
For the Three Months Ended March 31, 2020								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ (37,260)	\$ 206,029	N/A	\$ 37,260	\$ -	\$ -	\$ (16,437)	Net other non-interest gain
Payables	36,667	(67,834)	N/A	(36,667)	-	-	-	Net other non-interest gain
Discontinued hedge - bond investments	N/A	N/A	(274)	N/A	N/A	N/A	2	Net other non-interest gain

- d) Reconciliation for equity component applying hedge accounting and related other comprehensive income were summarized below:

	For the Three Months Ended March 31	
	2021	2020
Beginning balance	\$ 74,960	\$ 116,269
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	1,013	592
Amount reclassified from the cash flow hedge reserve to profit or loss	(11,873)	(16,435)
Income tax	<u>3,090</u>	<u>7,329</u>
Ending balance	<u>\$ 67,190</u>	<u>\$ 107,755</u>

2) Fair value hedges

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

a) Hedging instruments

March 31, 2021					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in the Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
CCS	\$ 4,829,585	\$ 14,522	\$ -	Financial assets for hedging	\$ 241,024
December 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in the Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
CCS	\$ 4,825,692	\$ -	\$ 90,971	Financial liabilities for hedging	\$ (525,402)
March 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in the Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
CCS	\$ 8,554,924	\$ 1,091,538	\$ -	Financial assets for hedging	\$ 144,050

b) Maturities of the nominal amount of hedging instruments and average price or rate

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>March 31, 2021</u>					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,829,585
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
<u>December 31, 2020</u>					
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
<u>March 31, 2020</u>					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 8,554,924
Interest rate	-	-	-	-	2.20%-2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285-1.1353

c) Hedged items

For the Three Months Ended March 31, 2021								
	Book Value of Hedged Item		Cumulative Adjustment for Change in Fair Value of Hedged Item Included in the Book Value of the Hedged Item		Line item in the Statement of Financial Position That Includes the Hedged items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period	Ineffectiveness Recognized in Profit or loss	Line item in Profit or Loss That Includes the Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Overseas bonds	\$ 4,829,585	\$ -	\$ (241,024)	\$ -	Debt instruments at amortized cost	\$ (241,024)	\$ -	\$ -

  

For the Three Months Ended March 31, 2020								
	Book Value of Hedged Item		Cumulative Adjustment for Change in Fair Value of Hedged Item Included in the Book Value of the Hedged Item		Line item in the Statement of Financial Position That Includes the Hedged items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period	Ineffectiveness Recognized in Profit or loss	Line item in Profit or Loss That Includes the Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Overseas bonds	\$ 8,554,924	\$ -	\$ (144,050)	\$ -	Debt instruments at amortized cost	\$ (144,050)	\$ -	\$ -

- d) Reconciliation for equity component applying hedge accounting and related other comprehensive income were summarized below:

	For the Three Months Ended March 31	
	2021	2020
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 272,911	\$ 215,661
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	(135,530)	584,619
Income tax	<u>27,106</u>	<u>(116,924)</u>
Ending balance	<u>\$ 164,487</u>	<u>\$ 683,356</u>

- f. Offsetting of financial assets and financial liabilities

Cathay Life and its subsidiaries

Cathay Life and its subsidiaries engage in derivative financial instruments that do not meet the offsetting criteria of standards, but enters into master netting arrangements or other similar agreements with counterparties. Financial instruments subject to master netting arrangements or other similar agreements could be settled at net amount as agreed by both parties of the transaction, or the financial instrument should be settled at gross amount otherwise. However, if one of both parties of the transaction defaults, the other party could choose to settle the transaction at net amount.

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

March 31, 2021

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		
				Financial Instruments	Cash Collateral Received	Net Amount (e)=(c)-(d)
Derivative financial instruments	\$ 12,083,137	\$ -	\$ 12,083,137	\$ 11,247,439	\$ 337,807	\$ 497,891

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		
				Financial Instruments	Cash Collateral Received	Net Amount (e)=(c)-(d)
Derivative financial instruments	\$ 29,197,716	\$ -	\$ 29,197,716	\$ 11,247,439	\$ 13,177,696	\$ 4,772,581

## December 31, 2020

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

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

## March 31, 2020

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 14,269,854	\$ -	\$ 14,269,854	\$ 10,303,893	\$ 2,843,349	\$ 1,122,612

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 12,238,510	\$ -	\$ 12,238,510	\$ 10,303,893	\$ 2,068,496	\$ (133,879)

## Cathay United Bank and its subsidiaries

Cathay United Bank and its subsidiaries engages in financial instrument transactions that are offset in accordance with IAS 32, section 42, and the financial assets and financial liabilities that are relevant to such transactions are presented in the balance sheets at net amounts.

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



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

March 31, 2021

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 56,663,336	\$ -	\$ 56,663,336	\$ 52,252,929	\$ 4,250,368	\$ 160,039

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 52,252,929	\$ -	\$ 52,252,929	\$ 52,252,929	\$ -	\$ -
Repurchase bonds	14,987,334	-	14,987,334	14,243,835	743,499	-

December 31, 2020

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 73,217,904	\$ -	\$ 73,217,904	\$ 71,410,047	\$ 1,807,857	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 71,410,047	\$ -	\$ 71,410,047	\$ 71,410,047	\$ -	\$ -
Repurchase bonds	10,092,058	-	10,092,058	9,278,702	813,356	-

March 31, 2020

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 82,620,150	\$ -	\$ 82,620,150	\$ 78,851,837	\$ 3,768,313	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 78,851,837	\$ -	\$ 78,851,837	\$ 78,851,837	\$ -	\$ -
Repurchase bonds	49,263,193	-	49,263,193	46,556,795	2,706,398	-

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

Cathay Securities and its subsidiaries

Cathay Securities enters into secured repurchase agreements with counterparties, for which Cathay Securities provides securities as collateral. Only in the event of default, insolvency or bankruptcy, these transactions are allowed to be offset, which does not meet the offsetting criteria of financial instrument transactions, Article 42 of IAS 32, and they are not subject to enforceable master netting arrangements or other similar agreements and should be settled at gross amounts. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

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

March 31, 2021

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Repurchase bonds	\$ 2,617,066	\$ -	\$ 2,617,066	\$ 2,512,177	\$ -	\$ 104,889

December 31, 2020

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Repurchase bonds	\$ 2,207,506	\$ -	\$ 2,207,506	\$ 2,218,853	\$ -	\$ (11,347)

March 31, 2020

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Repurchase bonds	\$ 2,988,117	\$ -	\$ 2,988,117	\$ 3,078,966	\$ -	\$ (90,849)

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

g. Transfers of financial assets

Financial assets transferred that have not been fully removed

Cathay United Bank and its subsidiaries

In the daily operations of Cathay United Bank and its subsidiaries, transferred financial assets that do not meet the criteria for full removal are mostly debt securities used as counterparty collateral for repurchase agreements or equity securities lent out as part of securities lending agreement. The nature of these transactions are secured loans, and reflects the liability where Cathay United Bank is obligated to repurchase the transferred financial assets according to a fixed price in future periods. With respect to such transactions, Cathay United Bank will not be able to use, sell or pledge such transferred financial assets during the effective period. However Cathay United Bank is still exposed to interest rate risk and credit risk, hence they are not removed.

The following table analyses financial assets and financial liabilities that have not been fully removed:

March 31, 2021					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase agreements	\$ 14,310,829	\$ 13,639,111	\$ 14,310,829	\$ 13,639,111	\$ 671,718
Financial assets at amortized cost					
Repurchase agreements	1,103,388	1,348,223	1,145,629	1,348,223	(202,594)

December 31, 2020					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase agreements	\$ 9,706,456	\$ 9,175,931	\$ 9,706,456	\$ 9,175,931	\$ 530,525
Financial assets at amortized cost					
Repurchase agreements	865,651	916,127	961,477	916,127	45,350

March 31, 2020					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase agreements	\$ 49,030,670	\$ 46,052,260	\$ 49,030,670	\$ 46,052,260	\$ 2,978,410
Financial assets at amortized cost					
Repurchase agreements	3,418,028	3,210,933	3,470,365	3,210,933	259,432

Cathay Securities and its subsidiaries

Transferred financial assets that are part of Cathay Securities and its subsidiaries' daily operations that do not meet the criteria for full derecognition are mostly made up of notes and bonds sold under repurchase agreements. The cash flows of these transactions have been transferred, and reflects the liability where Cathay Securities and its subsidiaries are obligated to buy back the transferred financial assets according to fixed prices in future periods. With respect to such transactions, Cathay Securities and its subsidiaries will not be able to use, sell or pledge the said transferred financial assets during the effective period. However, Cathay Securities and its subsidiaries are still exposed to interest rate risk and credit risk, hence the assets are not fully derecognized.

The following table analyses Cathay Securities and its subsidiaries' financial assets and financial liabilities that have not been fully derecognized:

March 31, 2021

<b>Categories of Financial Assets</b>	<b>Carrying Value of Transferred Financial Assets</b>	<b>Carrying Value of Related Financial Liabilities</b>	<b>Carrying Value of Related Financial Liabilities</b>	<b>Fair Value of Related Financial Liabilities</b>	<b>Net Fair Value</b>
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 2,512,177	\$ 2,617,066	\$ 2,512,177	\$ 2,617,066	\$ (104,889)

December 31, 2020

<b>Categories of Financial Assets</b>	<b>Carrying Value of Transferred Financial Assets</b>	<b>Carrying Value of Related Financial Liabilities</b>	<b>Carrying Value of Related Financial Liabilities</b>	<b>Fair Value of Related Financial Liabilities</b>	<b>Net Fair Value</b>
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 2,218,853	\$ 2,207,506	\$ 2,218,853	\$ 2,207,506	\$ 11,347

March 31, 2020

<b>Categories of Financial Assets</b>	<b>Carrying Value of Transferred Financial Assets</b>	<b>Carrying Value of Related Financial Liabilities</b>	<b>Carrying Value of Related Financial Liabilities</b>	<b>Fair Value of Related Financial Liabilities</b>	<b>Net Fair Value</b>
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 3,078,966	\$ 2,988,117	\$ 3,078,966	\$ 2,988,117	\$ 90,849

h. Financial risk management objectives and policies

Cathay Life and its subsidiaries

Cathay Life and its subsidiaries' major financial instruments include equity and debt investments, derivative instruments, receivables, payables and bonds payable. The main financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk analysis

a) Sources of market risk

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

Cathay Life and its subsidiaries continuously utilize market risk management instruments such as Value at Risk ("VaR") and stress testing to completely and effectively measure, monitor and manage market risk.

i. Value at Risk

VaR is the maximum loss on the investment portfolio due to changes in market risk factors over a given period and at a specified confidence level. Currently, Cathay Life and its subsidiaries respectively adopt the one-week VaR at 95% and 99% confidence levels to measure market risk.

ii. Stress testing

In addition to the VaR model, Cathay Life and its subsidiaries carry out regular stress testing to measure the potential risk in the case of extreme and abnormal events.

Cathay Life and its subsidiaries perform stress testing on positions regularly by applying the simple sensitivity test and scenario analysis. Such tests cover the losses on positions which resulted from changes in specific risk factors in various kinds of historical scenarios.

i) Simple sensitivity test

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

ii) Scenario analysis

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

- Historical scenario

By considering the fluctuations in risk factors during a specific historical event, Cathay Life and its subsidiaries evaluate the losses that would be incurred for the current investment portfolio at the time of the event.

- Hypothetical scenario

Cathay Life and its subsidiaries simulate rational expectations for possible extreme market changes to evaluate the losses incurred on the investment positions by considering the fluctuations in related risk factors and the relevance between the investment targets and the risk factors.

The risk management department regularly performs stress testing with historical and hypothetical scenarios to serve as a basis for risk analysis, early warning for risk and business management.

**Table of Stress Testing**

Risk Factor	Variable (+/-)	For the Three Months Ended March 31	
		2021	2020
Equity risk (stock price index)	-10%	\$ (69,594,655)	\$ (56,258,380)
Interest rate risk (yield curve)	+100bps	(176,165,022)	(95,424,726)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(9,795,346)	(11,140,941)

Note 1: Impact of credit spread changes was not considered.

Note 2: Effects of hedging were considered.

Note 3: Data of subsidiaries was not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

iii. Sensitivity analysis

**Summary of Sensitivity Analysis**

<b>For the Three Months Ended March 31, 2021</b>			
<b>Risk Factor</b>	<b>Variable (+/-)</b>	<b>Change in Profit or Loss</b>	<b>Change in Equity</b>
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 4,682,451	\$ 5,210,849
	Appreciation of CNY/USD by 1%	1,260,916	338,712
	Appreciation of HKD/USD by 1%	325	294,647
	Appreciation of EUR/USD by 1%	(166,362)	238,801
	Appreciation of GBP/USD by 1%	(60,798)	290,840
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	-	(1,381,215)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(56,855)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(17,285)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(5,198)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(324,910)
	Increase in equity price by 1%	(27,272)	7,026,491
<b>For the Three Months Ended March 31, 2020</b>			
<b>Risk Factor</b>	<b>Variable (+/-)</b>	<b>Change in Profit or Loss</b>	<b>Change in Equity</b>
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 5,954,505	\$ 5,297,845
	Appreciation of CNY/USD by 1%	308,609	307,915
	Appreciation of HKD/USD by 1%	761	313,659
	Appreciation of EUR/USD by 1%	(20,217)	181,269
	Appreciation of GBP/USD by 1%	(43,351)	282,757
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	(105)	(761,186)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(10,264)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(7,277)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(4,212)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(252,055)
	Increase in equity price by 1%	(5,755)	5,647,456

Note 1: Impact of credit spread changes was not considered.

Note 2: Effects of hedging were considered.

Note 3: Change in equity was not included in the impact on the change in profit or loss.

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

Note 5: Data of subsidiaries was not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

#### iv. Effect of interest rate benchmark reform

In order to implement the benchmark reform of interbank offered rates, several countries are currently carrying out interest rate benchmark reform plans to implement new risk-free interest rates to replace IBORs, such as USD London Interbank Offered Rate (USD LIBOR), EURO Interbank Offered Rate (EURIBOR) and Australia Interbank Offered Rate (AUS Bank Bill Swap Rate), which are expected to cease on December 31, 2021.

Cathay Life and its subsidiaries are exposed to above-mentioned Interbank Offered Rates in several countries which are subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities, which are mainly related to USD LIBOR; therefore, USD LIBOR is used to represent the main exposure in the following disclosures.

As a response to the cessation of USD LIBOR, Secured Overnight Financing Rate (SOFR) is expected to replace USD LIBOR in the future, but there are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. To transit existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

At the end of November 2020, the Federal Reserve Board (FED) and UK’s Financial Conduct Authority announced the plan to extend publications of the overnight, one-month, three-month, six-month and 12-month USD LIBOR until June 30, 2023, to ensure existing LIBOR contracts to naturally expire; for other interest rate benchmarks, it is suggested to adopt appropriate measures as soon as possible to reduce the risks arising from interest rate benchmark reform.

Risks arising from interest rate benchmark reform relate to interest rate basis, hedge accounting and related operation risk as follows:

##### i) Interest rate basis risk

Risk arising from the transition relate principally to the potential impact of interest rate basis risks. If the bilateral negotiations with the Group’s counterparties are not successfully concluded before the cessation of USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

##### ii) Hedge accounting

If a hedged financial instrument and the related hedging derivative instrument are transited to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

iii) Operation risk

If the update and adjustments for related accounting and tax, valuation of financial instrument, and information systems as well as the testing for operational effectiveness of the systems are not finished on schedule before the cessation of USD LIBOR, operating risk may occur.

In light of the abovementioned risks, Cathay Life and its subsidiaries made a transition plan for interest rate benchmark reform toward the required adjustment and updates for risk management policies, internal process, information system, valuation model of financial instrument, and related accounting and tax. As of March 31, 2021, Cathay Life and its subsidiaries have identified all of required updates for information systems and internal process, and part of these updates was finished. Afterwards, Cathay Life and its subsidiaries will complete the required updates on schedule, discuss with counterparties of financial instruments on modification of affected contracts, and report the progress for the cessation of USD LIBOR to the board of the directors semi-annually as required by authority.

The following table contains details of all of the financial instruments subject to the reform held by Cathay Life and its subsidiaries at March 31, 2021, including bonds and loans, for which the required modification of affected contracts are planned to complete before the end of 2021.

	<b>Carrying Amounts</b>	
	<b>USD LIBOR</b>	<b>Other Interest Rates Benchmarks</b>
<u>Financial assets</u>		
Bonds	\$ 223,385,455	\$ 26,198,939
Loans	1,883,518	13,526,519

Note: Only including those with interest reset dates after December 31, 2021.

2) Credit risk

a) Sources of credit risk

When engaged in financial transactions, Cathay Life is exposed to credit risks, including issuer credit risk, counterparty credit risk and credit risk of underlying assets:

- i. Issuer credit risk is the risk that Cathay Life may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations on agreed conditions due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk that Cathay Life may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
- iii. Credit risk of underlying assets is the risk that Cathay Life may suffer losses due to deterioration of the credit quality, increase of credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.



b) Concentration risk

i. Regional distribution of maximum risk exposure for Cathay Life's financial assets:

March 31, 2021

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 293,379,465	\$ 10,022,052	\$ 187,410	\$ 77,643,113	\$ 14,200,000	\$ 395,432,040
Financial assets at FVTPL	47,457,493	21,508,451	72,988,716	49,599,107	28,545,830	220,099,597
Financial assets at FVTOCI	43,253,007	40,808,102	168,680,925	489,416,687	423,719,242	1,165,877,963
Financial assets for hedging	67,025	-	14,523	64,721	-	146,269
Financial assets at amortized cost	<u>143,593,822</u>	<u>174,542,312</u>	<u>440,292,378</u>	<u>1,253,221,799</u>	<u>633,156,175</u>	<u>2,644,806,486</u>
	<u>\$ 527,750,812</u>	<u>\$ 246,880,917</u>	<u>\$ 682,163,952</u>	<u>\$ 1,869,945,427</u>	<u>\$ 1,099,621,247</u>	<u>\$ 4,426,362,355</u>
Proportion	11.9%	5.6%	15.4%	42.3%	24.8%	100%

December 31, 2020

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

March 31, 2020

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 147,803,378	\$ 37,651,333	\$ 94,949	\$ 87,332,857	\$ 21,400,003	\$ 294,282,520
Financial assets at FVTPL	43,139,126	26,608,000	99,854,818	46,176,984	56,156,851	271,935,779
Financial assets at FVTOCI	48,361,230	34,809,420	149,686,310	332,746,975	218,322,123	783,926,058
Financial assets for hedging	99,144	-	1,091,538	106,885	-	1,297,567
Financial assets at amortized cost	<u>178,726,210</u>	<u>175,771,647</u>	<u>446,214,017</u>	<u>1,176,955,817</u>	<u>689,184,706</u>	<u>2,666,852,397</u>
	<u>\$ 418,129,088</u>	<u>\$ 274,840,400</u>	<u>\$ 696,941,632</u>	<u>\$ 1,643,319,518</u>	<u>\$ 985,063,683</u>	<u>\$ 4,018,294,321</u>
Proportion	10.4%	6.8%	17.4%	40.9%	24.5%	100%

ii. Regional distribution of maximum risk exposure for Cathay Life's secured loans:

March 31, 2021

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 207,096,107	\$ 41,759,242	\$ 59,233,993	\$ 2,454,952	\$ 310,544,294
Non-accrual receivables	<u>157,667</u>	<u>29,975</u>	<u>45,628</u>	<u>2,036,840</u>	<u>2,270,110</u>
	<u>\$ 207,253,774</u>	<u>\$ 41,789,217</u>	<u>\$ 59,279,621</u>	<u>\$ 4,491,792</u>	<u>\$ 312,814,404</u>
Proportion	66.2%	13.4%	19.0%	1.4%	100%

December 31, 2020

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

March 31, 2020

<b>Location of Collaterals</b>	<b>Northern and Eastern Areas</b>	<b>Central Area</b>	<b>Southern Area</b>	<b>Overseas</b>	<b>Total</b>
Secured loans	\$ 222,787,560	\$ 40,310,435	\$ 61,377,013	\$ 4,851,114	\$ 329,326,122
Non-accrual receivables	<u>451,937</u>	<u>81,774</u>	<u>126,823</u>	<u>-</u>	<u>660,534</u>
	<u>\$ 223,239,497</u>	<u>\$ 40,392,209</u>	<u>\$ 61,503,836</u>	<u>\$ 4,851,114</u>	<u>\$ 329,986,656</u>
Proportion	67.7%	12.2%	18.6%	1.5%	100%

c) Categories for credit risk quality

Cathay Life classified credit risk into low credit risk, medium credit risk, high credit risk and credit impaired. The definitions of each category are as follows:

- i. Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment obligations will be kept and maintained.
- ii. Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.
- iii. High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform financial commitment depends on the favorability of its business environment and financial conditions.
- iv. Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and Cathay Life evaluates the potential losses and determines it as impaired.

d) Determination on the credit risk that has increased significantly since initial recognition

- i. Cathay Life assesses whether there is a significant increase in credit risk of a financial instrument applicable for impairment requirements under IFRS 9 since initial recognition at each reporting date. To make this assessment, Cathay Life considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.
- ii. If the credit risk of a financial instrument is determined to be low at the reporting date, it indicates that the credit risk of the financial instrument has not increased significantly since initial recognition.

e) The definition of default and credit-impaired financial assets

Cathay Life's definition of default on financial assets is the same as that of a credit-impaired financial asset. If one or more of the following criteria are met, a financial asset is considered defaulted and credit-impaired:

- i. Quantitative factor: When the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit-impaired.

- ii. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:
    - i) The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.
    - ii) The issuers or borrowers fail to pay interest or principal according to the issue terms and conditions.
    - iii) The collaterals of the borrowers are provisionally seized or enforced.
    - iv) The borrowers claim for a change of credit conditions due to financial difficulties.
  - iii. The abovementioned definitions of default on a financial asset and a credit-impaired financial asset are applicable to all financial assets held by Cathay Life, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.
- f) Measurement of expected credit loss

- i. The methodology and assumptions applied

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

Expected credit losses in the next 12 months and for the duration of the instrument is calculated separately for the two periods using probability of default (“PD”) of issuers, guarantee agencies or borrowers multiplied by loss given default (“LGD”) and exposure at default (“EAD”), in consideration of time value of money.

PD is the rate that a default occurs on issuers, guarantee agencies or borrowers. LGD is the loss rate that resulted from a default of issuers, guarantee agencies or borrowers. Loss given default used by Cathay Life in impairment assessment is based on information regularly issued by Moody’s. Probability of default is based on information regularly issued by Taiwan Ratings Corp. and Moody’s and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of financial assets.

- ii. Forward-looking information considerations

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

g) Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i. Financial assets of Cathay Life

	March 31, 2021					
	Stage 1		Stage 2		Stage 3	
	12-month Expected Credit Losses		Lifetime Expected Credit Losses		Purchased or Originated Credit-impaired Financial Assets	Loss Allowance
Investment grade						
Debt instruments at FVTOCI	\$ 1,150,899,068		\$ -		\$ -	\$ -
Financial assets at amortized cost	2,630,930,114		-		-	(1,328,237)
Non-investment grade						
Debt instruments at FVTOCI	14,978,895		-		-	-
Financial assets at amortized cost	12,815,340		2,841,225		-	(451,956)

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

	March 31, 2020					
	Stage 1		Stage 2		Stage 3	
	12-month Expected Credit Losses		Lifetime Expected Credit Losses		Purchased or Originated Credit-impaired Financial Assets	Loss Allowance
Investment grade						
Debt instruments at FVTOCI	\$ 766,636,082		\$ -		\$ -	\$ -
Financial assets at amortized cost	2,631,475,164		-		-	(953,462)
Non-investment grade						
Debt instruments at FVTOCI	16,092,877		1,197,099		-	-
Financial assets at amortized cost	25,379,578		11,936,478		-	(985,361)

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

ii. Secured loans and non-accrual receivables of Cathay Life

	March 31, 2021					
	Stage 1		Stage 2		Stage 3	
	12-month Expected Credit Losses		Lifetime Expected Credit Losses		Purchased or Originated Credit-impaired Financial Assets	Loss Allowance
Secured loans and non-accrual receivables	\$ 304,352,608		\$ 598,069		\$ 7,863,727	\$ -
						\$ (959,740)
						\$ (3,864,089)
						\$ 307,990,575
	December 31, 2020					
	Stage 1		Stage 2		Stage 3	
	12-month Expected Credit Losses		Lifetime Expected Credit Losses		Purchased or Originated Credit-impaired Financial Assets	Loss Allowance
Secured loans and non-accrual receivables	\$ 308,159,666		\$ 46,631		\$ 7,989,631	\$ -
						\$ (640,289)
						\$ (4,093,427)
						\$ 311,462,212

March 31, 2020							
	Stage 1	Stage 2	Stage 3		Loss Allowance	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets			
Secured loans and non-accrual receivables	\$ 321,440,603	\$ 259,732	\$ 8,286,321	\$ -	\$ (1,508,823)	\$ (3,096,918)	\$ 325,380,915

h) Reconciliation for loss allowance is summarized below:

i. Debt instruments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2021	\$ 690,084	\$ 3,063	\$ -	\$ -	\$ 693,147
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	130	(130)	-	-	-
New financial assets originated or purchased	197,885	-	-	-	197,885
Financial assets that have been derecognized during the period	(64,346)	(2,853)	-	-	(67,199)
Changes in models/risk parameters	(189,068)	(69)	-	-	(189,137)
Foreign exchange and other movements	(313)	(11)	-	-	(324)
March 31, 2021	<u>\$ 634,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,372</u>
	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2020	\$ 337,078	\$ 9,666	\$ -	\$ -	\$ 346,744
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(1,623)	1,623	-	-	-
New financial assets originated or purchased	47,192	-	-	-	47,192
Financial assets that have been derecognized during the period	(37,161)	(8,413)	-	-	(45,574)
Changes in models/risk parameters	(18,928)	192,801	-	-	173,873
Foreign exchange and other movements	440	(376)	-	-	64
March 31, 2020	<u>\$ 326,998</u>	<u>\$ 195,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 522,299</u>

ii. Financial assets at amortized cost

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2021	\$ 1,775,172	\$ 798,243	\$ -	\$ -	\$ 2,573,415
New financial assets originated or purchased	76,608	-	-	-	76,608
Financial assets that have been derecognized during the period	(66,849)	(163,406)	-	-	(230,255)
Changes in models/risk parameters	(423,023)	(213,211)	-	-	(636,234)
Foreign exchange and other movements	(1,394)	(1,947)	-	-	(3,341)
March 31, 2021	<u>\$ 1,360,514</u>	<u>\$ 419,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,780,193</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2020	\$ 1,043,037	\$ 153,984	\$ -	\$ -	\$ 1,197,021
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(5,651)	5,651	-	-	-
New financial assets originated or purchased	103,432	-	-	-	103,432
Financial assets that have been derecognized during the period	(80,277)	(62,530)	-	-	(142,807)
Changes in models/risk parameters	(57,826)	839,651	-	-	781,825
Foreign exchange and other movements	473	(1,121)	-	-	(648)
March 31, 2020	<u>\$ 1,003,188</u>	<u>\$ 935,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,938,823</u>

iii. Secured loans and non-accrual receivable

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2021	\$ 33,284	\$ 32	\$ 606,973	\$ -	\$ 640,289	\$ 4,093,427	\$ 4,733,716
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(2,365)	2,365	-	-	-	-	-
Transferred to credit-impaired financial assets	(18)	(23)	41	-	-	-	-
Transferred to 12-month expected credit losses	249	(5)	(244)	-	-	-	-
New financial assets originated or purchased	1,187	-	581	-	1,768	-	1,768
Financial assets that have been derecognized during the period	(780)	-	(14,054)	-	(14,834)	-	(14,834)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(229,338)	(229,338)
Changes in models/risk parameters	6,966	11,558	313,993	-	332,517	-	332,517
March 31, 2021	<u>\$ 38,523</u>	<u>\$ 13,927</u>	<u>\$ 907,290</u>	<u>\$ -</u>	<u>\$ 959,740</u>	<u>\$ 3,864,089</u>	<u>\$ 4,823,829</u>

		Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2020	\$ 84,809	\$ 299	\$ 1,146,939	\$ -	\$ 1,232,047	\$ 3,593,929	\$ 4,825,976
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(44 )	44	-	-	-	-	-
Transferred to credit-impaired financial assets	(124 )	(119 )	243	-	-	-	-
Transferred to 12-month expected credit losses	135	(96 )	(39 )	-	-	-	-
New financial assets originated or purchased	1,776	-	4,245	-	6,021	-	6,021
Financial assets that have been derecognized during the period	(5,819 )	(30 )	(40,020 )	-	(45,869 )	-	(45,869 )
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(497,011 )	(497,011 )
Changes in models/risk parameters	41,076	1,002	274,546	-	316,624	-	316,624
March 31, 2020	<u>\$ 121,809</u>	<u>\$ 1,100</u>	<u>\$ 1,385,914</u>	<u>\$ -</u>	<u>\$ 1,508,823</u>	<u>\$ 3,096,918</u>	<u>\$ 4,605,741</u>

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

i) Exposure to credit risk and loss allowance of receivables

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

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>March 31, 2021</u>					
Gross carrying amount (Note)	\$ 34,207,421	\$ 57,731	\$ 561	\$ -	\$ 34,265,713
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,155	56	-	1,211

Note: Cathay Life's receivables included notes receivable of \$20,805 thousand and other receivables of \$34,244,908 thousand.

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

Note: Cathay Life's receivables included notes receivable of \$81,757 thousand and other receivables of \$16,135,443 thousand.

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>March 31, 2020</u>					
Gross carrying amount (Note)	\$ 41,510,882	\$ 92,116	\$ 2,916	\$ -	\$ 41,605,914
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,842	292	-	2,134

Note: Cathay Life's receivables included notes receivable of \$20,256 thousand and other receivables of \$41,585,658 thousand.

The movements of loss allowance were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 1,611	\$ 1,541
(Reversal) provision for the current period	<u>(400)</u>	<u>593</u>
Ending balance	<u>\$ 1,211</u>	<u>\$ 2,134</u>

### 3) Liquidity risk analysis

#### a) Sources of liquidity risk

Liquidity risks of financial instruments are comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Cathay Life is not capable of performing matured commitment because its fails to realize assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when Cathay Life sells or offsets its positions during a market disorder or a lack of sufficient market depth.

#### b) Liquidity risk management

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

Cathay Life uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situations. Also, for abnormal and urgent financing needs, management of Cathay Life makes an emergency operating procedure to deal with significant liquidity risks.

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

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

	<b>March 31, 2021</b>				
	<b>Less than 6 Months</b>	<b>Due in 6-12 Months</b>	<b>Due in 1-2 Years</b>	<b>Due in 2-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>					
Payables	\$ 37,126,717	\$ 736,593	\$ 427,345	\$ 908,624	\$ -
Bonds payable (Note 2)	200,235	883,726	2,715,000	8,145,000	84,770,000
Lease liabilities (Note 3)	220,353	530,597	816,527	1,578,068	20,783,908
<u>Derivative financial liabilities</u>					
SWAP	6,993,285	8,598,524	-	-	-
Forward	18,084,514	1,314,900	-	-	-
CCS	-	-	63,272	31,703	-



December 31, 2020					
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables (Note 1)	\$ 22,135,418	\$ 326,161	\$ 466,043	\$ 973,975	\$ 3,287
Bonds payable (Note 2)	559,620	1,194,411	2,715,000	8,145,000	84,770,000
Lease liabilities (Note 3)	317,787	458,732	689,696	1,400,670	17,942,761
<u>Derivative financial liabilities</u>					
SWAP	2,664,438	1,258,529	-	-	-
Forward	13,569,120	224,100	-	-	-
CCS	-	-	10,673	42,933	90,971
March 31, 2020					
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 40,655,900	\$ 609,185	\$ 354,734	\$ 1,116,643	\$ 42,225
Bonds payable (Note 2)	199,885	883,726	2,715,000	8,145,000	87,485,000
Lease liabilities (Note 3)	257,875	382,900	582,190	1,365,014	18,247,367
<u>Derivative financial liabilities</u>					
SWAP	5,782,242	3,887,971	-	-	-
Forward	8,166,319	-	132,320	-	-

Note 1: Income tax payable for integrated income tax is excluded.

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

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

#### Cathay United Bank and its subsidiaries

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

Cathay United Bank has set up the risk management committee, whose responsibilities are as follows:

- 1) To amend the risk management policies, risk appetite or risk tolerance and report the above issues to board of directors for approval.
- 2) To manage and decide the strategy about Cathay United Bank's credit risk, market risk and operational risk.
- 3) To report the significant risk management issues, such as credit ratings, market assessment and risk indicators.
- 4) To analyze the issues that Cathay United Bank's business unit brought up for discussion.
- 5) Other issues.

Cathay United Bank organized a risk management group to monitor, lead, develop, and establish the integral risk management framework.

1) Credit risk

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

a) Credit risk policy and implementation

i. Cathay United Bank, Indovina Bank and CUBCN Bank

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management Division and its subdivisions assist in reviewing and monitoring risk tolerance ability and risk control procedures; and establish credit approval processes, credit limit management, credit rating information, collateral information, periodic reviews and remedial management systems. The subdivisions include the Market Risk Management Division, Credit and Operational Management Division, Consumer Finance Credit Management Division, Corporate Finance Credit Management Division, and International Credit Management Division. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts implement credit risk controls. Cathay United Bank and Indovina Bank perform periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios.

Cathay United Bank, Indovina Bank and CUBCN Bank maintain a strict policy to evaluate customers' credit ratings when providing loans, loan commitments and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank, Indovina Bank and CUBCN Bank retains the legal right to foreclose on or liquidate the collateral, which effectively reduces the credit risk of Cathay United Bank, Indovina Bank and CUBCN Bank. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

ii. CUBC Bank

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

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

b) Judgment that credit risk has increased significantly since initial recognition

i. Cathay United Bank

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

i) Quantitative indicators

- Changes in credit rating

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

- Information on the overdue status of the contract

When the contract payment was overdue for 30 days to 89 days as at the reporting date, it is determined that the credit risk has increased significantly since the initial recognition.

ii) Qualitative indicators

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

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Auditors' opinion- adverse opinion.
- Auditors' opinion- disclaimer of opinion.
- The stock was placed in full-cash delivery stock.
- Other changes in the internal or external information on determining the changes in credit quality.

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

## ii. CUBCN Bank

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

### i) Quantitative indicators

- Changes in credit rating

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

- Information on the overdue status of the contract

When the contract payment was overdue for 30 days to 89 days as at the reporting date, it is determined that the credit risk has increased significantly since the initial recognition.

### ii) Qualitative indicators

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

- Any financial instruments are classified as special mention.
- Other changes in the internal or external information on judging the credit quality changes.

## iii. Indovina Bank

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

### i) Notch downgrade

A notch downgrade of obligor's internal or external ratings between the current grade and the grade at initial recognition greater than specific threshold would be classified as a significant increase in credit risk since initial recognition.

### ii) Low credit risk criteria

An exposure rated below Moody's investment grade (i.e. the credit rating is lower than the credit rating Baa3 of Moody's, an international credit rating agency) at the reporting date would be classified as a significant increase in credit risk since initial recognition.

### iii) Past due information

The contract payment over 30 days past due would be classified as a significant increase in credit risk since initial recognition.

iv) Internal credit assessment indicators

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

iv. CUBC Bank

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

i) Past due information

Contract payment is more than 30 days past due for long-term loans or 15 days past due for short-term loans would indicate a significant increase in credit risk since initial recognition.

ii) Loan classification from NBC

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

iii) Internal credit assessment indicators

The indicators with credit quality information that is weaker than upon initial recognition would be classified as a significant increase in credit risk since initial recognition.

c) Default and credit impairment of financial asset

i. Cathay United Bank

Cathay United Bank's definition of default on financial assets is the same with the one of judging the credit impairment of financial assets. Where one or more of the following conditions are met, Cathay United Bank determines the financial assets to be subject to default and credit impairment.

i) Quantitative indicators

- Changes in credit rating

When the credit rating of the financial asset at the reporting date falls into the default level, it is determined to be credit impaired.

- Information on the overdue status of the contract

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

ii) Qualitative indicator

When the information observed at the reporting date meets the following conditions, the financial asset is determined to be credit impaired.

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- Other internal or external information on judging the deterioration in credit quality.

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

ii. CUBCN Bank

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

i) Quantitative indicators

- Changes in credit rating

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

- Information on the overdue status of the contract

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

ii) Qualitative indicator

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

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

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

iii. Indovina Bank

Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if the credit risk is subject to default:

i) Notch downgrade

When the credit rating of the financial asset at the reporting date falls into the default level, it is determined to be credit-impaired.

ii) Past due information

The contract payment over 90 days past due would be classified as a credit-impaired loan.

iii) Internal credit assessment indicators

Assets that show credit deterioration according to the internal credit risk management indicators at the reporting date would be recognized as credit-impaired assets.

iv. CUBC Bank

CUBC Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if the credit risk is subject to default:

i) Past due information

The contract payment is more than 90 days past due for long-term loans or 30 days past due for short-term loans would be classified as a credit-impaired loan.

ii) Loan classification from National Bank of Cambodia

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

iii) Internal credit assessment indicators

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

d) The measurement of expected credit loss

i. Cathay United Bank

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

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

When the credit risk of the financial instrument has not increased significantly after initial recognition (Stage 1), Cathay United Bank will measure the allowance for losses using 12-month expected credit losses. When the credit risk of the financial instrument has increased significantly (Stage 2) or the financial instrument is credit impaired (Stage 3) after initial recognition, Cathay United Bank should measure the allowance for losses based on lifetime expected credit losses.

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

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

Cathay United Bank assesses the EAD of loans at the reporting date. According to internal and external information, Cathay United Bank considers the portion of the loan commitments that is expected to be drawn on over the next 12 months after the reporting date and the lifetime, to determine the EAD for calculating the expected credit losses.

Cathay United Bank performs impairment assessment on debt instruments at FVTOCI and those measured at amortized cost in accordance with related requirements:

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

ii. CUBCN Bank

For the purpose of assessing the expected credit losses, CUBCN Bank classifies the credit assets into the following groups.

<b>Credit Category</b>	<b>Definition</b>
Loan activities, call loans to banks business, and off-balance sheet credit business	Grouped by product category and internal/external credit rating
Billing business	Grouped by product category and internal/external credit rating
Bond business	Grouped by product category and internal/external credit rating

- i) The expected credit losses of financial instruments are measured on a case-by-case basis as follows:
  - For financial instruments in Stage 1, the allowance for losses is measured by the 12-month expected credit losses.



- For financial instruments in Stage 2, the allowance for losses is measured by the lifetime expected credit losses.
  - For financial instruments in Stage 3, if the single account loan balance exceeds a certain amount, the discounted cash flow method can be used for individual assessment; if not using individual assessment, the allowance for losses is measured by the lifetime expected credit losses, and the PD is 100%.
- ii) The expected credit loss parameters of financial instruments are calculated according to the following principles respectively:
- The PD is based on the information regularly published by Moody's, and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information.
  - The LGD is based on LGD regulated in the Capital of Commercial Banks (for trial implementation) published by China Banking and Insurance Regulatory Commission.
  - The EAD is measured at current exposure method. Besides, off-balance sheet credit business also converts using credit conversion factor regulated in the Capital of Commercial Banks (for trial implementation) published by China Banking and Insurance Regulatory Commission.

iii. Indovina Bank

Indovina Bank has grouped their exposures on the basis of shared credit risk characteristic, including product category, counterparty type and enterprise size as follows.

Category	Description
Loan portfolio	Grouped by counterparty type and enterprise size
Bond portfolio	Grouped by product category, external credit rating and payment ranks

i) Loan portfolio

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

ii) Bond portfolio

The measurement of expected credit loss of Indovina Bank's bond portfolio is based on its issuer's category, issuer's credit rating and risk characteristics. The probabilities of default and loss given default were built by the delinquent information and calibrated by selected macroeconomic factors for forward-looking adjustment. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

iv. Cathay United Bank Cambodia (CUBC Bank)

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

Category	Description
Loan	Grouped by product characteristics, industry and counterparty type
Credit Card	Grouped by product characteristic

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

e) Write-off policy

Cathay United Bank and its subsidiaries write off all or part of their financial assets when all or part of their financial assets cannot reasonably be expected to be recovered.

Indicators that show that the financial assets cannot be reasonably collected are as follows:

- i. The recovery activity has stopped.
- ii. The borrower is assessed to have no sufficient assets or sources of income to pay the overdraft.

Financial assets have been written-off by Cathay United Bank and its subsidiaries may still have ongoing recovery activity, and continue to follow the relevant policies to litigation proceedings.

f) Consideration of forward-looking information

Cathay United Bank

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

The significant economic factors identified by Cathay United Bank on March 31, 2021 are as follows:

<b>Credit Category</b>	<b>Probability of Default (PD)</b>
Enterprise loan	GDP % Government Expenditures
Consumer loan	Proportion of savings in GDP (%) Unemployment rate % Price Index
Credit card	Price index Proportion of government revenue in GDP (%)

CUBCN Bank

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

The relevant economic factors identified by CUBCN Bank in 2021 include but are not limited to GDP gross domestic product published by the China Statistics Bureau, China Customs and other government authorities, CPI consumer price index, import price index, and government expenditure data, etc.

Indovina Bank

Based on the qualitative and quantitative analysis of historical default data and macroeconomic factors, Indovina Bank applies the selected local and global economic factors in different portfolios. Regression models and interpolation adjustment were used to estimate the forward-looking parameters complied with regulatory requirements. The selected economic factors and their effects on PDs varied from different types of portfolios.

The macroeconomic factors selected by the Indovina Bank for the forward-looking adjustments in 2021 are as follows:

<b>Segment</b>	<b>Selected Factors</b>
Loan portfolio	Vietnam GDP growth rate
Bond portfolio	Global GDP growth rate Global inflation index

### CUBC Bank

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

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments in 2021 are as follows.

Segment	Selected Factors
Loans	Change in inflation (%) Change in volume of imports (%) Proportion of investments in GDP (%)
Credit card	Change in volume of exports (%) Proportion of savings in GDP (%) Proportion of current account balance in GDP (%)

The valuation techniques or significant assumptions used by the Company for assessing the expected credit losses have no significant change as of March 31, 2021.

#### g) Credit risk management policy

The category of credit asset and the grade of credit quality were narrated as follow:

##### i. Categories of credit asset

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

##### ii. Grades of credit quality

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

In order to measure the credit risk of the clients, Cathay United Bank employs statistical methods and the professional judgment from the experts. Cathay United Bank develops the rating model of business credit after considering the clients' relevant information. The model is reviewed periodically to verify if the calculated results conform to reality and revise every parameter to optimize the results.

With respect to consumer credit assets such as mortgages, credit cards, and small-amount credit loans, Cathay United Bank also evaluates default risk of clients by using the credit rating scores developed by Cathay United Bank and the external due diligence services.

The credit quality of Cathay United Bank's corporate borrowers is classified as excellent, good, average, and bad.

To ensure the reasonable estimated values of credit rating system's design, process, and relevant risk factors, Cathay United Bank executes the relevant verification and tests the model according to the actual default every year so that the calculated results will be close to actual default.

Cathay United Bank evaluates the counterparties' credit quality before transactions and refers to the domestic and foreign credit rating agencies, when rendering different lines of credit based on the credit quality.

iii. Hedge of credit risk and easing policy

i) Collateral

Cathay United Bank adopts a series of policies to lower the credit risk, and one of the frequently-used methods is requesting borrowers to provide collateral. To ensure the creditor's rights, Cathay United Bank sets the scope available as collateral and the procedures of appraising, managing, and disposing the collaterals. In addition, a credit contract is in place to provide the credit claim preservation, collateral, and offset provisions to stipulate when a credit trigger event occurs, Cathay United Bank may reduce the limit, cut down the payback period, or deem all debts mature. Also, Cathay United Bank will use the deposits that the borrowers saved in Cathay United Bank to offset the liabilities to lower the credit risk.

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

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

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

iii) Net settlement agreement

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

iv. Cathay United Bank's maximum exposure to credit risk

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

i) Cathay United Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2021	December 31, 2020	March 31, 2020
Irrevocable loan commitments	\$ 192,138,549	\$ 190,736,959	\$ 184,376,622
Credit card commitments	744,171,001	744,977,230	710,032,702
Unused commercial letters of credit	6,820,941	5,731,441	6,458,460
Guarantees on duties and contracts	17,043,919	17,071,951	13,177,764

ii) Indovina Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2021	December 31, 2020	March 31, 2020
Financial guarantee contracts	\$ 1,249,362	\$ 1,323,647	\$ 1,396,823
Unused commercial letters of credit	563,318	972,917	550,182
Irrevocable loan commitments	690	-	-

iii) CUBC Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2021	December 31, 2020	March 31, 2020
Financial guarantee contracts	\$ 18,276	\$ 17,406	\$ 23,769
Credit card commitments	281,162	277,491	306,579
Irrevocable loan commitments	218,552	234,582	402,374

iv) CUBCN Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2021	December 31, 2020	March 31, 2020
Financial guarantee contracts	\$ 281,461	\$ 236,475	\$ 451,838
Unused commercial letters of credit	168,556	210,453	171,253
Irrevocable loan commitments	1,477,602	928,613	805,352

To reduce the risk from any businesses, Cathay United Bank conducts an overall assessment and takes appropriate risk reduction measures, such as obtaining collateral and guarantors. For obtaining of collateral, Cathay United Bank has collateral management guidelines, to ensure that collateral meet the specific criteria and has the effect of reducing the business risk.

The management deems Cathay United Bank and its subsidiaries are able to control and minimize the credit risk exposures in off-balance-sheet items as Cathay United Bank and its subsidiaries use more strict rating procedures when extending credits and conduct reviews regularly.

The carrying amounts of the maximum credit risk exposure of on-balance-sheet financial assets are as follows:

Cathay United Bank and its subsidiaries' discounts and loans:

	March 31, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Total carrying amount	\$ 1,697,261,357	\$ 63,597,026	\$ 12,019,836	\$ -	\$ 1,772,878,219
Less: Loss allowance	(3,439,284)	(1,789,477)	(5,115,132)	-	(10,343,893)
Difference from impairment charged in accordance with regulations	-	-	-	(18,933,578)	(18,933,578)
	<u>\$ 1,693,822,073</u>	<u>\$ 61,807,549</u>	<u>\$ 6,904,704</u>	<u>\$ (18,933,578)</u>	<u>\$ 1,743,600,748</u>

Cathay United Bank and its subsidiaries' receivables:

	March 31, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Total carrying amount	\$ 89,943,878	\$ 2,023,513	\$ 2,151,204	\$ -	\$ 94,118,595
Less: Loss allowance	(473,457)	(168,044)	(1,770,741)	-	(2,412,242)
Difference from impairment charged in accordance with regulations	-	-	-	(63,717)	(63,717)
	<u>\$ 89,470,421</u>	<u>\$ 1,855,469</u>	<u>\$ 380,463</u>	<u>\$ (63,717)</u>	<u>\$ 91,642,636</u>

Cathay United Bank and its subsidiaries' discounts and loans:

	December 31, 2020				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Total carrying amount	\$ 1,621,545,452	\$ 55,888,623	\$ 12,109,964	\$ -	\$ 1,689,544,039
Less: Loss allowance	(4,643,771)	(2,095,225)	(5,124,881)	-	(11,863,877)
Difference from impairment charged in accordance with regulations	-	-	-	(16,384,201)	(16,384,201)
	<u>\$ 1,616,901,681</u>	<u>\$ 53,793,398</u>	<u>\$ 6,985,083</u>	<u>\$ (16,384,201)</u>	<u>\$ 1,661,295,961</u>

Cathay United Bank and its subsidiaries' receivables:

	December 31, 2020				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Total carrying amount	\$ 98,245,219	\$ 1,889,559	\$ 2,141,088	\$ -	\$ 102,275,866
Less: Loss allowance	(465,842)	(202,476)	(1,731,461)	-	(2,399,779)
Difference from impairment charged in accordance with regulations	-	-	-	(62,941)	(62,941)
	<u>\$ 97,779,377</u>	<u>\$ 1,687,083</u>	<u>\$ 409,627</u>	<u>\$ (62,941)</u>	<u>\$ 99,813,146</u>

Cathay United Bank and its subsidiaries' discounts and loans:

	March 31, 2020			Difference from Impairment Charged in Accordance with "Guidelines for Handling Assessment of Assets"	Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses		
Total carrying amount	\$ 1,484,637,828	\$ 72,479,778	\$ 11,996,023	\$ -	\$ 1,569,113,629
Less: Loss allowance	(3,946,286)	(2,610,655)	(5,603,357)	-	(12,160,298)
Difference from impairment charged in accordance with regulations	-	-	-	(15,710,624)	(15,710,624)
	<u>\$ 1,480,691,542</u>	<u>\$ 69,869,123</u>	<u>\$ 6,392,666</u>	<u>\$ (15,710,624)</u>	<u>\$ 1,541,242,707</u>

Cathay United Bank and its subsidiaries' receivables:

	March 31, 2020			Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses		
Total carrying amount	\$ 84,334,311	\$ 1,899,983	\$ 2,397,424	\$ -	\$ 88,631,718
Less: Loss allowance	(464,704)	(145,534)	(1,725,003)	-	(2,335,241)
Difference from impairment charged in accordance with regulations	-	-	-	(53,081)	(53,081)
	<u>\$ 83,869,607</u>	<u>\$ 1,754,449</u>	<u>\$ 672,421</u>	<u>\$ (53,081)</u>	<u>\$ 86,243,396</u>

v. Credit risk concentration of Cathay United Bank and its subsidiaries

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

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

Industry Type Item	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%
Manufacturing	\$ 146,502,132	8.17	\$ 136,414,473	7.98	\$ 120,850,328	7.62
Financial institutions and insurance	80,951,746	4.51	77,235,347	4.52	76,350,611	4.82
Leasing and real estate	164,289,805	9.16	151,233,185	8.85	148,030,781	9.34
Individuals	1,080,420,734	60.26	1,029,137,040	60.20	907,596,389	57.26
Others	320,835,029	17.90	315,605,920	18.45	332,354,492	20.96
	<u>\$ 1,792,999,446</u>	<u>100.00</u>	<u>\$ 1,709,625,965</u>	<u>100.00</u>	<u>\$ 1,585,182,601</u>	<u>100.00</u>
Geographic Region Item	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 1,517,384,808	84.63	\$ 1,432,739,575	83.80	\$ 1,291,152,256	81.45
Asia	207,672,146	11.58	208,251,320	12.18	218,450,487	13.78
America	47,531,301	2.65	47,564,475	2.78	51,773,096	3.27
Others	20,411,191	1.14	21,070,595	1.24	23,806,762	1.50
	<u>\$ 1,792,999,446</u>	<u>100.00</u>	<u>\$ 1,709,625,965</u>	<u>100.00</u>	<u>\$ 1,585,182,601</u>	<u>100.00</u>



## 2) Liquidity risk

### a) Source and definition of liquidity risk

Liquidity risk means that Cathay United Bank cannot provide sufficient funding for asset size growth and for meeting obligations on matured liabilities or that it has to make late payments to counterparties or raise emergency funding to cover funding gaps.

### b) Liquidity risk management strategy and principles

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. The Asset and Liability Management Committee is responsible for the planning of liquidity risk management strategy and the Financial Trading Department is responsible for the implementation, including liquidity risk measurement, interest rate sensitivity analysis, stress testing and continuous contingency planning with quantitative management requirements and systems. Cathay United Bank adjusts its liquidity gap according to its daily funds and market changes to ensure appropriate liquidity. When the liquidity has or expects significant changes, the Cathay United Bank immediately reports to the board of directors.

### c) Analysis of financial assets held to manage liquidity risk and non-derivative financial liabilities by remaining contractual maturities

#### i. Financial assets held to manage liquidity risk

Cathay United Bank and its subsidiaries holds highly marketable and diverse financial assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets were held to manage liquidity risk including cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, financial assets at FVTOCI, debt instruments at amortized cost, discounts and loans, notes and bonds purchased under resale agreements.

#### ii. Maturity analysis of non-derivative financial liabilities of Cathay United Bank

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

	March 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 54,983,088	\$ 3,455,326	\$ 20,252,053	\$ 110,958	\$ 78,801,425
Due to the Central Bank and banks	-	960,000	116,000	-	1,076,000
Non-derivative financial liabilities at FVTPL	-	626,898	274,349	36,804,990	37,706,237
Notes and bonds sold under repurchase agreements	9,041,396	1,409,246	-	112	10,450,754
Payables	9,153,874	6,108,957	2,778,242	381,041	18,422,114
Deposits and remittances	331,418,794	1,074,429,063	1,063,842,345	139,624,556	2,609,314,758
Financial debentures payable	416,026	5,855,042	-	46,800,000	53,071,068
Lease liabilities	132,533	586,038	579,562	2,278,066	3,576,199
Other capital outflow at maturity	10,158,440	15,436,932	5,776,850	1,153,428	32,525,650

  

	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 21,632,134	\$ 18,939,610	\$ 22,759,390	\$ 174,251	\$ 63,505,385
Due to the Central Bank and banks	-	960,000	116,000	-	1,076,000
Non-derivative financial liabilities at FVTPL	-	-	566,549	36,775,320	37,341,869
Notes and bonds sold under repurchase agreements	8,782,928	1,322,545	-	-	10,105,473
Payables	16,497,492	2,928,046	113,437	426,011	19,964,986
Deposits and remittances	366,399,102	1,030,683,105	1,016,354,012	148,106,423	2,561,542,642
Financial debentures payable	-	7,518,502	37,213	46,800,000	54,355,715
Lease liabilities	116,107	555,111	680,363	2,409,535	3,761,116
Other capital outflow at maturity	12,868,822	15,291,646	6,218,538	1,037,130	35,416,136

	March 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 37,640,443	\$ 5,460,774	\$ 32,155,964	\$ 25,603	\$ 75,282,784
Non-derivative financial liabilities at FVTPL	-	763,762	191,911	44,927,190	45,882,863
Notes and bonds sold under repurchase agreements	32,577,496	7,038,173	-	1,495,450	41,111,119
Payables	11,326,432	8,704,876	3,663,556	525,200	24,220,064
Deposits and remittances	361,190,126	940,899,026	916,181,430	129,056,025	2,347,326,607
Financial debentures payable	517,542	355,401	1,500,000	52,300,000	54,672,943
Lease liabilities	128,745	570,243	591,089	2,770,245	4,060,322
Other capital outflow at maturity	15,998,644	27,765,844	9,533,188	1,337,358	54,635,034

Additional information about the maturity analysis for lease liabilities:

	March 31, 2021				
	Less than 1 Year	1-5 Years	5-10 Years	Over 10 Years	Total
Lease liabilities	\$ 1,298,133	\$ 2,043,390	\$ 234,676	\$ -	\$ 3,576,199

	December 31, 2020				
	Less than 1 Year	1-5 Years	5-10 Years	Over 10 Years	Total
Lease liabilities	\$ 1,351,581	\$ 2,156,451	\$ 250,974	\$ 2,110	\$ 3,761,116

	March 31, 2020				
	Less than 1 Year	1-5 Years	5-10 Years	Over 10 Years	Total
Lease liabilities	\$ 1,290,077	\$ 2,580,277	\$ 189,968	\$ -	\$ 4,060,322

### iii. Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by Cathay United Bank include:

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

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

	March 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 228,328	\$ 68,019	\$ 8,175	\$ 4	\$ 304,526
Interest derivative instruments	<u>221,842</u>	<u>761,227</u>	<u>453,445</u>	<u>18,471,936</u>	<u>19,908,450</u>
	<u>\$ 450,170</u>	<u>\$ 829,246</u>	<u>\$ 461,620</u>	<u>\$ 18,471,940</u>	<u>\$ 20,212,976</u>
	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 144,336	\$ 51,523	\$ 17,164	\$ 5	\$ 213,028
Interest derivative instruments	<u>25,200</u>	<u>879,624</u>	<u>362,723</u>	<u>23,592,651</u>	<u>24,860,198</u>
	<u>\$ 169,536</u>	<u>\$ 931,147</u>	<u>\$ 379,887</u>	<u>\$ 23,592,656</u>	<u>\$ 25,073,226</u>
	March 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 1,360,461	\$ 21,619	\$ 7,854	\$ 5	\$ 1,389,939
Interest derivative instruments	<u>18,013</u>	<u>520,241</u>	<u>637,544</u>	<u>41,549,996</u>	<u>42,725,794</u>
	<u>\$ 1,378,474</u>	<u>\$ 541,860</u>	<u>\$ 645,398</u>	<u>\$ 41,550,001</u>	<u>\$ 44,115,733</u>

Gross settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: SWAP;
- ii) Interest derivative instruments: CCS;
- iii) Credit derivative instruments: All derivatives shown in gross amount pay a periodic fee in return for a payment by the protection seller on credit event if any occurs.

The table below shows Cathay United Bank's gross settled derivative instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. Contractual maturities are evaluated to be the most basic element for understanding all the derivative financial instruments presented on the balance sheets. The disclosed amounts are based on contractual cash flows and part of the disclosed amounts differ from the related items on the consolidated balance sheet. Maturity analysis of gross settled derivative financial liabilities was as follows:

	March 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (4,081,799)	\$ (7,306,304)	\$ (1,343,330)	\$ (427,584)	\$ (13,159,017)
Cash inflow	1,774	2,300	2,269	-	6,343
Interest derivative instruments					
Cash outflow	(515)	(174,870)	(21,872)	(469,133)	(666,390)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(4,082,314)	(7,481,174)	(1,365,202)	(896,717)	(13,825,407)
Cash inflow subtotal	1,774	2,300	2,269	-	6,343
Net cash flow	<u>\$ (4,080,540)</u>	<u>\$ (7,478,874)</u>	<u>\$ (1,362,933)</u>	<u>\$ (896,717)</u>	<u>\$ (13,819,064)</u>
	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (6,206,951)	\$ (9,612,506)	\$ (3,966,155)	\$ (543,230)	\$ (20,328,842)
Cash inflow	9,935	2,984	1,329	-	14,248
Interest derivative instruments					
Cash outflow	-	(114,986)	(47,427)	(473,217)	(635,630)
Cash inflow	38	-	-	-	38
Cash outflow subtotal	(6,206,951)	(9,727,492)	(4,013,582)	(1,016,447)	(20,964,472)
Cash inflow subtotal	9,973	2,984	1,329	-	14,286
Net cash flow	<u>\$ (6,196,978)</u>	<u>\$ (9,724,508)</u>	<u>\$ (4,012,253)</u>	<u>\$ (1,016,447)</u>	<u>\$ (20,950,186)</u>
	March 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (3,362,210)	\$ (6,102,395)	\$ (753,344)	\$ (192,095)	\$ (10,410,044)
Cash inflow	2,177	4,420	-	-	6,597
Interest derivative instruments					
Cash outflow	(1,081)	(15,417)	(84,716)	(193,559)	(294,773)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(3,363,291)	(6,117,812)	(838,060)	(385,654)	(10,704,817)
Cash inflow subtotal	2,177	4,420	-	-	6,597
Net cash flow	<u>\$ (3,361,114)</u>	<u>\$ (6,113,392)</u>	<u>\$ (838,060)</u>	<u>\$ (385,654)</u>	<u>\$ (10,698,220)</u>

iv. Maturity analysis of off-balance sheet items

- i) Irrevocable commitments: Include Cathay United Bank's irrevocable loan commitments and credit card commitments.
- ii) Financial guarantee contracts: Cathay United Bank acts as a guarantor or an issuer of credit lines in a financing guarantee agreement.

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

March 31, 2021

	<b>Not Later Than 1 Year</b>	<b>1-5 Years</b>	<b>Later Than 5 Years</b>	<b>Total</b>
Irrevocable loan commitments	\$ 161,880,404	\$ 25,227,089	\$ 5,031,056	\$ 192,138,549
Credit card commitments	12,081,785	206,472,250	525,616,966	744,171,001
Financial guarantee contracts	15,438,829	8,378,707	47,324	23,864,860

December 31, 2020

	<b>Not Later Than 1 Year</b>	<b>1-5 Years</b>	<b>Later Than 5 Years</b>	<b>Total</b>
Irrevocable loan commitments	\$ 159,685,630	\$ 25,896,936	\$ 5,154,393	\$ 190,736,959
Credit card commitments	52,483,033	233,082,112	459,412,085	744,977,230
Financial guarantee contracts	15,178,359	7,594,933	30,100	22,803,392

March 31, 2020

	<b>Not Later Than 1 Year</b>	<b>1-5 Years</b>	<b>Later Than 5 Years</b>	<b>Total</b>
Irrevocable loan commitments	\$ 143,245,237	\$ 34,322,540	\$ 6,808,845	\$ 184,376,622
Credit card commitments	12,392,380	233,609,264	464,031,058	710,032,702
Financial guarantee contracts	15,031,826	4,576,309	28,089	19,636,224

3) Market risk

a) Source and definition of market risk

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

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

b) Market risk management strategy and process

Market risk management process

i. Identification and measurement

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

ii. Monitoring and reporting

The risk management department periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress test, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. Cathay United Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. If the transaction reaches its stop-loss limitation, stop-loss process will be implemented immediately. If the stop-loss process is not implemented, the transaction department should document the reason of non-implementing stop loss process and responding plan. Furthermore, the department shall report to the executive management for approval and report to the board of directors regularly.

c) Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investment for the purpose of trading or the hedge on the trading book. The portfolio held for trading is intended to earn profit from bid-ask spread. Any positions aside from the above trading book will be in the banking book.

i. Strategy

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

ii. Policy and procedure

Cathay United Bank sets the “Regulation Governing of Market Risk Management” as the important regulation that should be complied with when holding the trading portfolio.

iii. Valuation policy

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

iv. Method of measurement

i) The assumption and calculation of VaR: See the VaR section.

ii) Cathay United Bank executes the stress test monthly with the following scenarios: The fluctuation of interest rate at 100bp, equity securities at 15% and foreign exchange rate at 3%, and reports to the risk management committee regularly.

d) Interest risk management of trading book

i. Definition of interest risk

Interest risk is the risk that the trading portfolios suffer losses or the change of its fair value which is caused by the fluctuations in interest rate. The main instruments include the securities and derivatives that relate to interest rates.

ii. Interest risk management procedure of the trading book

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

iii. Method of measurement

i) The assumptions and calculation of the VaR: See VaR section.

ii) Cathay United Bank uses DV01 to measure the investment portfolio's interest risk exposure on a monthly basis.

e) Interest risk management of the banking book

The main objective of interest risk management of the banking book is to enhance the interest risk management, increase the operating efficiency of the fund and strengthen the business operation.

i. Strategy

Interest risk management enhances Cathay United Bank's ability to take responsive actions to measure, to manage and avoid the risk that the fluctuation of interest rate may cause on the profit and the economic value of assets/liabilities.

ii. Management procedure

When undertaking the operations relating to interest rate instruments, Cathay United Bank identifies the repricing risk of interest rate, yield curve risk, basis risk and options risk characteristics. In addition, Cathay United Bank also measures the potential impact of interest rate changes on the profit and economic value of Cathay United Bank. Cathay United Bank analyzes and monitors the interest risk limits and each target of interest risk management monthly. The results of analysis and monitoring are regularly reported to not only the risk management committee but also the board of directors.

If any risk management targets is found to exceed the limit during the monitoring process, it will be reported to the risk management committee and a solution should be proposed.

iii. Method of measurement

The interest risk of Cathay United Bank mainly measures the repricing risk that is caused by the difference between the maturity date and repricing date of the assets, liabilities, and off balance sheet items in the banking book. To stabilize long-term profitability and ensure business growth, Cathay United Bank sets the monitoring indicators of interest sensitivity in major terms and implements the stress test. Each interest risk indicator and the results of the stress test are reported to the executive management regularly for review.

f) Foreign exchange risk management

i. Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchanged at different times. Cathay United Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option...etc. Cathay United Bank's foreign exchange transactions are implemented daily to offset clients' position. Thus, Cathay United Bank suffers little foreign exchange risk.

ii. Policy, procedure and measurement methodology of foreign exchange risk management

In order to control foreign exchange risk, Cathay United Bank sets the limits of transaction and stop-loss limits for the dealing room and traders. Meanwhile, Cathay United Bank also sets the maximum annual loss limit to control the loss within the tolerable extent. Foreign exchange risk is controlled based on the VaR. The assumptions and calculation of VaR is described in the VaR section.

For foreign exchange risk, Cathay United Bank sets the scenario at 3% fluctuation of interest rate of major currencies to execute the stress test quarterly, and reports to the risk management committee.

g) Risk management of equity securities price

i. Definition of risk of equity securities price

The market risk of equity securities held by Cathay United Bank includes the individual risk from the fluctuation of individual equity securities' market price and general market risk from the fluctuation of the overall price trend.

ii. Purpose of risk management in equity securities prices

To avoid the massive fluctuation of equity securities price to worsen Cathay United Bank's financial situation or earnings. Also, to raise the operating efficiency of capital and strengthen the business operation.

iii. Procedure of risk management of equity securities prices

Cathay United Bank sets an investment limit on industries, using the  $\beta$  value to measure the investment portfolio affected by the systemic risk monthly. The stop-loss point must be authorized by the board of directors, and the equity investment should be authorized by the executives if the stop-loss point is reached but the investment is not going to be disposed of.

iv. Measurement methodology

The risk of equity securities prices in the trading book is mainly controlled by the VaR.

Cathay United Bank's risk of equity securities prices from its non-trading portfolio should be controlled by Cathay United Bank according to its own business scale to develop a stress test under appropriate scenarios and report to the risk management committee.

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

<b>March 31, 2021</b>				
<b>Factors of Market Risk</b>	<b>Average Balance</b>	<b>Maximum Balance</b>	<b>Minimum Balance</b>	<b>Ending Balance</b>
Interest rate	\$ 92,778	\$ 194,699	\$ 43,133	\$ 80,516
Foreign exchange	214,424	371,160	86,439	86,439
Equity securities price	395,540	629,009	103,986	629,009

<b>December 31, 2020</b>				
<b>Factors of Market Risk</b>	<b>Average Balance</b>	<b>Maximum Balance</b>	<b>Minimum Balance</b>	<b>Ending Balance</b>
Interest rate	\$ 98,733	\$ 194,699	\$ 44,753	\$ 44,753
Foreign exchange	223,146	371,160	121,699	162,748
Equity securities price	364,210	791,984	103,986	431,373

<b>March 31, 2020</b>				
<b>Factors of Market Risk</b>	<b>Average Balance</b>	<b>Maximum Balance</b>	<b>Minimum Balance</b>	<b>Ending Balance</b>
Interest rate	\$ 91,689	\$ 151,996	\$ 51,758	\$ 106,371
Foreign exchange	124,189	346,224	35,686	346,224
Equity securities price	285,605	791,984	103,986	103,986

Note: Above information about factors of market risks is defined by risk management of the trading book.

Cathay United Bank enters into a variety of derivative transactions for both trading and non-trading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage Cathay United Bank's exposure to risks and to generate revenues through trading activities. Cathay United Bank trades derivative instruments on behalf of customers and for its own positions. Cathay United Bank provides derivative contracts to address customers' demands for customized derivatives and also takes proprietary positions for its own accounts.



h) Stress testing

The stress testing is used to measure the maximum losses of risk asset portfolio under the worst scenario. Cathay United Bank's stress testing considers various types of risk factors and the results will be reported to the executive management.

<b>Stress Test</b>				
<b>Market/Product</b>	<b>Scenario</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Stock market	Major stock exchanges +15%	\$ 3,692,973	\$ 2,111,674	\$ 388,735
	Major stock exchanges -15%	(3,692,973)	(2,038,832)	(388,735)
Interest rate/bond market	Major interest rate + 100bp	(1,100,158)	(1,433,146)	(1,379,512)
	Major interest rate -100bp	255,968	53,539	302,217
Foreign exchange market	Major currencies +3%	361,591	306,945	146,618
	Major currencies -3%	(354,402)	(306,945)	(137,661)
Composite	Major Stock Exchanges -15%	(4,431,540)	(3,165,033)	(1,621,629)
	Major Interest Rate +100bp			
	Major Currencies +3%			

Note: The information of stress test is defined by risk management policy of the trading book.

i) Sensitivity analysis

i. Interest rate risk

Interest rate factor sensitivities (the present value of one basis point, or "PVBp") represent the change in the net present value of the interest rate derivatives portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting the portfolio. Cathay United Bank's interest rate-sensitive portfolios include bonds, interest rate swaps and structured products composed of such products.

ii. Foreign exchange risk

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

iii. Equity securities price risk

Equity securities price factor sensitivities (“Equity Delta”) represent the change in the equity of the securities price portfolio caused by a parallel shift of 1% (100 basis points) in the underlying share price fluctuation. Cathay United Bank’s equity portfolios include shares and equity index options.

Risk Factors	Changes (+/-)	March 31, 2021	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 126,744	\$ -
	HKD+1%	(5,302)	-
	JPY+1%	(760)	-
	AUD+1%	3,606	-
	CNY+1%	12,656	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(5,691)	-
	Yield curves (HKD) parallel shift+1bp	(185)	-
	Yield curves (JPY) parallel shift+1bp	(8)	-
	Yield curves (AUD) parallel shift+1bp	(283)	-
	Yield curves (CNY) parallel shift+1bp	(1,128)	-
	Equity securities price +1%	42,953	203,245
Equity securities price factor sensitivity (Equity Delta)			
Risk Factors	Changes (+/-)	December 31, 2020	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 87,303	\$ -
	HKD+1%	9,862	-
	JPY+1%	15,101	-
	AUD+1%	12,843	-
	CNY+1%	(7,927)	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(8,730)	-
	Yield curves (HKD) parallel shift+1bp	147	-
	Yield curves (JPY) parallel shift+1bp	2	-
	Yield curves (AUD) parallel shift+1bp	(131)	-
	Yield curves (CNY) parallel shift+1bp	(1,303)	-
	Equity securities price +1%	22,531	118,190
Equity securities price factor sensitivity (Equity Delta)			

Risk Factors	Changes (+/-)	March 31, 2020	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 74,785	\$ -
	HKD+1%	(23,402)	-
	JPY+1%	1,410	-
	AUD+1%	471	-
	CNY+1%	4,188	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(286)	-
	Yield curves (HKD) parallel shift+1bp	(56)	-
	Yield curves (AUD) parallel shift+1bp	(280)	-
	Yield curves (CNY) parallel shift+1bp	(784)	-
	Equity securities price factor sensitivity (Equity Delta)	113	25,803

j) Effect of interest rate benchmark reform

Cathay United Bank is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. Therefore, when existing contracts and agreements that reference USD LIBOR transfer to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Cathay United Bank established a USD LIBOR transition project plan to handle risk management policies changes, internal processes adjustments, IT systems updates and valuation models adjustments, as well as to manage any related tax and accounting issues in accordance with interest rate benchmark reform. As of March 31, 2021, changes required to IT systems and internal processes have been identified and have been partially implemented.

Risks arising from the transition relate principally to interest rate basis risk. If the bilateral negotiations with Cathay United Bank’s counterparties are not successfully concluded before the cessation of USD LIBOR, the case will bring significant uncertainties to the future interest rate basis applied to financial instruments, and give rise to additional interest rate risk that was not anticipated when the contracts were entered into. If a hedged financial instrument and the related hedging derivative instruments are transited to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

The following table contains details of non-derivative financial instruments held by Cathay United Bank as of March 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	<b>Carrying Amount</b>
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets linked to USD LIBOR	
Financial assets at FVTOCI	\$ 5,966,005
Debt instruments at amortised cost	4,055,324
Discounts and loans	<u>74,893,245</u>
	<u>84,914,574</u>
Financial assets linked to EUR LIBOR	
Discounts and loans	<u>847,502</u>
Financial assets linked to JPY LIBOR	
Discounts and loans	<u>3,798,726</u>
Financial assets linked to GBP LIBOR	
Discounts and loans	<u>901,866</u>
Financial assets linked to EUR EURIBOR	
Discounts and loans	<u>901,902</u>
Financial assets linked to CNY HIBOR	
Discounts and loans	<u>774,490</u>
Financial assets linked to HKD HIBOR	
Discounts and loans	<u>24,170,106</u>
Financial assets linked to SGD SIBOR	
Discounts and loans	<u>326,267</u>
Financial assets linked to SGD SOR	
Discounts and loans	<u>10,294,607</u>
Financial assets linked to VND VNIBOR	
Discounts and loans	<u>114,664</u>
	<u>\$ 127,044,704</u>

Non-derivative financial liabilities which are subject to the reform

Financial liabilities linked to USD LIBOR	
Notes and bonds sold under repurchase agreement	<u>\$ 142,655</u>

The following table contains details of derivative financial instruments held by Cathay United Bank at March 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

Derivative Financial Instrument	Nominal Amount	Carrying Amount	
		Financial Assets	Financial Liabilities
Financial assets linked to USD LIBOR			
Interest rate swaps	\$ 21,995,510	\$ 802,752	\$ 81,942
Options	<u>2,493,418</u>	<u>-</u>	<u>364</u>
	<u>24,488,928</u>	<u>802,752</u>	<u>82,306</u>

(Continued)

Derivative Financial Instrument	Nominal Amount	Carrying Amount	
		Financial Assets	Financial Liabilities
Financial assets linked to EUR			
EURIBOR			
IRS	\$ 11,777,993	\$ 25,358	\$ 13,259
Financial assets linked to SGD			
SIBOR			
IRS	16,187,425	44,690	38,921
CCS	752,658	-	7,018
	<u>16,940,083</u>	<u>44,690</u>	<u>45,939</u>
	<u>\$ 53,207,004</u>	<u>\$ 872,800</u>	<u>\$ 141,504</u>
			(Concluded)

#### Cathay Century and its subsidiaries

Cathay Century and its subsidiaries' major financial instruments include equity and debt investments, derivatives, receivables, payables and bonds payable. The major risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

#### 1) Market risk analysis

Market risk is the risk resulting from changes in market risk factors, such as exchange rate, product price, interest rate, credit spread, and stock price, which may decrease Cathay Century and its subsidiaries' income or value of investment portfolio.

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

#### a) Value at Risk

VaR is used to measure the maximum potential loss of a portfolio in a given period and confidence level when the market risk factors changes. Cathay Century and its subsidiaries calculate VaR on the next day (week or two weeks) at 99% confidence level.

#### b) Stress testing

In addition to the VaR model, Cathay Century and its subsidiaries periodically use stress testing to assess the potential risk of extreme and abnormal events.

Cathay Century and its subsidiaries conduct stress testing regularly on positions by simple sensitivity analysis test and scenario analysis. Such tests cover the losses on positions resulting from changes of various risk factors in various historical scenarios.

#### i. Simple sensitivity test

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

ii. Scenario analysis

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

i) Historical scenario

By considering the fluctuations in risk factors during a specific historical event, Cathay Century and its subsidiaries evaluate whether the event would result in losses to the current investment portfolio in the event.

ii) Hypothetical scenario

Cathay Century and its subsidiaries make reasonable assumptions for extreme market changes that may occur in the future, put related changes in related risk factors to the current investment portfolio and consider the correlation between the investment targets and risk factors to estimate the possible loss of investments.

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

**Table of Stress Testing**

<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Equity risk (stock index)	-10%	\$ (1,058,621)	\$ (936,002)	\$ (579,850)
Interest rate risk (yield curve)	+20bps	(133,995)	(139,733)	(138,171)
Exchange risk (exchange rate)	USD depreciate against the NTD by 1 dollar	(127,044)	(133,032)	(96,805)

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

Note 3: Information of subsidiaries is not disclosed due to immaterial effects to the consolidated financial statements.

- Foreign currency risk

Cathay Century and its subsidiaries has foreign currency-denominated assets and liabilities, which expose the Cathay Century and its subsidiaries to foreign currency risk.

The carrying amounts of Cathay Century and its subsidiaries' foreign currency-denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 39.

- Interest rate risk

Cathay Century and its subsidiaries is exposed to interest rate risk because entities in the Cathay Century and its subsidiaries hold debt instrument at both fixed and floating interest rates. The risk is managed by the Cathay Century and its subsidiaries by maintaining an appropriate mix of fixed and floating rate debt instrument.

- Price risk

Cathay Century and its subsidiaries was exposed to equity price risk through its investments in listed shares and mutual funds. Equity price exposures were managed by utilizing futures. That positions of futures do not exceed the hedged positions.

c) Sensitivity analysis

<b>For the Three Months Ended March 31, 2021</b>			
<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>
Foreign currency risk sensitivity	USD appreciates 1%	\$ 23,465	\$ 6,714
	CNY appreciates 1%	2,651	-
	HKD appreciates 1%	1,121	4,366
	EUR appreciates 1%	9	472
	VND appreciates 1%	-	6,195
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,860)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(45)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,154)	(695)
Equity securities price sensitivity	Increases 1% in equity price	-	105,862
<b>For the Year Ended December 31, 2020</b>			
<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>
Foreign currency risk sensitivity	USD appreciates 1%	\$ 23,146	\$ 6,311
	CNY appreciates 1%	2,637	-
	HKD appreciates 1%	788	4,396
	EUR appreciates 1%	4	499
	VND appreciates 1%	-	6,105
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,006)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(50)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,292)	(712)
Equity securities price sensitivity	Increases 1% in equity price	-	93,600

For the Three Months Ended March 31, 2020			
Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 20,444	\$ 3,385
	CNY appreciates 1%	2,496	-
	HKD appreciates 1%	674	3,668
	EUR appreciates 1%	100	231
	VND appreciates 1%	-	6,075
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,991)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(65)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,133)	(786)
Equity securities price sensitivity	Increases 1% in equity price	-	57,985

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

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

Note 4: Information of subsidiaries is not disclosed due to immaterial effects to the consolidated financial statements.

## 2) Credit risk

- a) Cathay Century and its subsidiaries' credit risk exposure of financial transactions include issuer credit risk, counterparty credit risk and credit risk of underlying assets.
  - i. Issuer's credit risk is the risk that Cathay Century and its subsidiaries or banks may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations due to default, bankruptcy or liquidation.
  - ii. Counterparty credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
  - iii. Credit risk of the underlying assets is the risk that Cathay Century may suffer losses due to deterioration of the credit quality, increase in credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.



b) Credit risk concentration analysis

- i. Regional distribution of maximum risk exposure for Cathay Century and its subsidiaries' financial assets:

March 31, 2021

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 10,342,857	\$ -	\$ -	\$ -	\$ 234,787	\$ 10,577,644
Financial assets at FVTPL	391,817	-	-	-	-	391,817
Financial assets at FVTOCI	752,147	-	-	-	-	752,147
Debt instruments at amortized cost	2,103,856	71,513	1,235,789	2,915,441	1,583,204	7,909,803
Total	\$ 13,590,677	\$ 71,513	\$ 1,235,789	\$ 2,915,441	\$ 1,817,991	\$ 19,631,411
Proportion	69.23%	0.36%	6.30%	14.85%	9.26%	100.00%

December 31, 2020

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 9,987,740	\$ -	\$ -	\$ -	\$ 248,975	\$ 10,236,715
Financial assets at FVTPL	467,409	-	-	-	-	467,409
Financial assets at FVTOCI	764,184	-	-	-	-	764,184
Debt instruments at amortized cost	2,104,756	71,512	1,231,351	2,916,059	1,582,093	7,909,771
Total	\$ 13,324,089	\$ 71,512	\$ 1,231,351	\$ 2,916,059	\$ 1,831,068	\$ 19,374,079
Proportion	68.77%	0.37%	6.36%	15.05%	9.45%	100.00%

March 31, 2020

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 8,653,408	\$ -	\$ -	\$ -	\$ 206,950	\$ 8,860,358
Financial assets at FVTPL	810,027	-	-	-	-	810,027
Financial assets at FVTOCI	762,883	-	-	-	-	762,883
Debt instruments at amortized cost	1,910,478	349,345	1,456,523	3,176,469	1,723,815	8,616,630
Total	\$ 12,136,796	\$ 349,345	\$ 1,456,523	\$ 3,176,469	\$ 1,930,765	\$ 19,049,898
Proportion	63.71%	1.83%	7.65%	16.67%	10.14%	100.00%

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

- i. Cathay Century and its subsidiaries assess, at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, Cathay Century and its subsidiaries consider reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit ratings, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.
- ii. If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.

d) Definitions of a default occurring on a financial asset and a credit-impaired financial asset

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

- i. Quantitative factors: When contractual payments are more than 90 days past due, a default occurs and a financial asset is credit-impaired.

- ii. Qualitative factors: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
    - i) The issuers and borrowers have entered bankruptcy or are probable to enter bankruptcy or financial reorganization.
    - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
    - iii) The collaterals of the borrowers are seized provisionally or enforced.
    - iv) The borrowers apply for a change of credit conditions due to financial difficulties.
  - iii. The above-mentioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by Cathay Century and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to the related impairment assessment model.
- e) Measurement of expected credit losses
- i. Methods and assumptions adopted

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

In the measurement of expected credit losses, Cathay Century took into consideration the 12-month and lifetime probability of default (“PD”) of issuers, guarantee agencies or borrowers, which is included in loss given default (“LGD”) and multiplied by the exposure at default (“EAD”), at the same time taking into consideration the time value of money, when calculating the 12-month and lifetime expected credit losses.

Default rate is the rate that a default occurs on issuers, guarantee agencies and borrowers. Loss given default is the loss rate resulted from the default of issuers, guarantee agencies and borrowers. Loss given default used by Cathay Century in impairment assessment is based on information regularly issued by Moody’s. Probability of default is based on information regularly issued by Taiwan Ratings and Moody’s and is determined based upon current observable information and macroeconomic information (i.e., gross domestic product and economic growth rate) with adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

- ii. Consideration of forward-looking information

Cathay Century and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets. For example, the default rate used in the bond measurement is based on the default rate regularly published by the International Credit Rating Agency (Moody’s) and adjusted according to general economic information.

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

i. Financial assets of Cathay Century and its subsidiaries

March 31, 2021						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3			
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 752,147	\$ -	\$ -	\$ -	\$ -	\$ 752,147
Financial assets at amortized cost	7,780,147	-	-	-	(4,732)	7,775,415
<u>Non-investment grade</u>						
Financial assets at amortized cost	-	141,354	-	-	(6,966)	134,388
December 31, 2020						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3			
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 764,184	\$ -	\$ -	\$ -	\$ -	\$ 764,184
Financial assets at amortized cost	7,781,007	-	-	-	(6,120)	7,774,887
<u>Non-investment grade</u>						
Financial assets at amortized cost	-	141,195	-	-	(10,311)	130,884
March 31, 2020						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3			
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 762,883	\$ -	\$ -	\$ -	\$ -	\$ 762,883
Financial assets at amortized cost	8,332,807	-	-	-	(3,016)	8,329,791
<u>Non-investment grade</u>						
Financial assets at amortized cost	-	299,164	-	-	(12,325)	286,839

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

ii. Secured loans of Cathay Century and its subsidiaries

March 31, 2021						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3			
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	\$ 208,213	\$ -	\$ -	\$ -	\$ (2,656)	\$ 205,557
December 31, 2020						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3			
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	\$ 197,791	\$ -	\$ -	\$ -	\$ (2,475)	\$ 195,316

	March 31, 2020					Gross Carrying Amount
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 220,378	\$ -	\$ -	\$ -	\$ (2,639)	\$ 217,739

g) Reconciliation for loss allowance is summarized below:

i. Debt instruments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2021	\$ 91	\$ -	\$ -	\$ -	\$ 91
Changes in models/risk parameters	(2)	-	-	-	(2)
March 31, 2021	<u>\$ 89</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89</u>
January 1, 2020	\$ 66	\$ -	\$ -	\$ -	\$ 66
Changes in models/risk parameters	(6)	-	-	-	(6)
March 31, 2020	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>

ii. Financial assets at amortized cost

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2021	\$ 6,120	\$ -	\$ 10,311	\$ -	\$ 16,431
Changes in models/risk parameters	(1,388)	-	(3,345)	-	(4,733)
March 31, 2021	<u>\$ 4,732</u>	<u>\$ -</u>	<u>\$ 6,966</u>	<u>\$ -</u>	<u>\$ 11,698</u>
January 1, 2020	\$ 3,909	\$ -	\$ -	\$ -	\$ 3,909
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit loss	(523)	-	523	-	-
Changes in models/risk parameters	(370)	-	11,802	-	11,432
March 31, 2020	<u>\$ 3,016</u>	<u>\$ -</u>	<u>\$ 12,325</u>	<u>\$ -</u>	<u>\$ 15,341</u>

iii. Secured loans

	12-month Expected Credit Losses	Collectively Assessed	Lifetime Expected Credit Losses		Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Regulations Governing the Procedures to Evaluate Assets	Total
			Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets			
January 1, 2021	\$ 22	\$ -	\$ -	\$ -	\$ 22	\$ 2,453	\$ 2,475
Changes in models/risk parameters	(10)	-	-	-	(10)	-	(10)
Difference from impairment charged in Regulations Governing the Procedures to Evaluate Assets	-	-	-	-	-	191	191
March 31, 2021	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 2,644</u>	<u>\$ 2,656</u>
January 1, 2020	\$ 66	\$ -	\$ -	\$ -	\$ 66	\$ 2,737	\$ 2,803
Changes in models/risk parameters	39	-	-	-	39	-	39
Difference from impairment charged in Regulations Governing the Procedures to Evaluate Assets	-	-	-	-	-	(203)	(203)
March 31, 2020	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105</u>	<u>\$ 2,534</u>	<u>\$ 2,639</u>

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

h) Exposure to credit risk and loss allowance of receivables

Cathay Century and its subsidiaries applies the simplified approach to providing for expected credit loss prescribed by IFRS 9, and the estimation of lifetime credit loss was as follows:

March 31, 2021	Not Overdue	Overdue	Total
Carrying amount	\$ 1,258,787	\$ 601,539	\$ 1,860,326
Expected credit loss rate	1.04%	4.44%	-
Lifetime expected credit losses	\$ 13,121	\$ 26,715	\$ 39,836
December 31, 2020	Not Overdue	Overdue	Total
Carrying amount	\$ 2,017,873	\$ 338,004	\$ 2,355,877
Expected credit loss rate	1.00%	5.95%	-
Lifetime expected credit losses	\$ 20,087	\$ 20,115	\$ 40,202
March 31, 2020	Not Overdue	Overdue	Total
Carrying amount	\$ 1,217,459	\$ 377,480	\$ 1,594,939
Expected credit loss rate	0.99%	4.14%	-
Lifetime expected credit losses	\$ 12,044	\$ 15,642	\$ 27,686

### 3) Liquidity risk

#### a) Sources of liquidity risk

Liquidity risks of the financial instruments are classified as funding liquidity risk and market liquidity risk. Funding liquidity risk represents the default risk that Cathay Century and its subsidiaries is unable to turn assets into cash or obtain sufficient funds. Market liquidity risk represents the risk of significant changes in fair value that Cathay Century faces when it sells or offsets its assets during market disorder.

#### b) Liquidity risk management

Cathay Century and its subsidiaries established a complete capital liquidity management by assessing the business features, monitoring short-term cash flow, and considering the trading volume and holding position to carefully manage the market liquidity risk.

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

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

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

#### March 31, 2021

	<b>Less than 6 Months</b>	<b>6-12 Months</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Payables	\$ 2,884,527	\$ 21,302	\$ 6,341	\$ 9,801	\$ 4,610
Lease liabilities	61,998	12,231	12,883	6,164	-
<u>Derivative financial liabilities</u>					
Swap	22,438	-	-	-	-

#### December 31, 2020

	<b>Less than 6 Months</b>	<b>6-12 Months</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,322,801	\$ 18,618	\$ 8,438	\$ 8,209	\$ 4,850
Lease liabilities	69,228	27,848	7,944	2,033	-
<u>Derivative financial liabilities</u>					
Swap	2,700	-	-	-	-

March 31, 2020

	<b>Less than 6 Months</b>	<b>6-12 Months</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Payables	\$ 2,706,788	\$ 18,194	\$ 7,305	\$ 8,509	\$ -
Lease liabilities	65,640	61,887	52,065	2,120	-
<u>Derivative financial liabilities</u>					
Swap	16,523	-	-	-	-

### Cathay Securities and its subsidiaries

#### 1) Risk management system

##### a) Risk management objectives

Adhering to the risk management policies of the Company, Cathay Securities and its subsidiaries manage the risks during its operating activities in compliance with domestic and foreign regulations as well as in an efficient and flexible manner to maximize the profit.

##### b) Risk management policies

Cathay Securities and its subsidiaries complies with the risk management policies as a guiding principle to establish significant risk management matters such as objectives, coverage, organization duties and operating, management principles and reports.

The management policies of Cathay Securities and its subsidiaries cover different types of risk including market risk, credit risk, operating risk, liquidity risk, capital adequacy management, regulation risk and other risks related to operating activities. Before initiating a business, Cathay Securities and its subsidiaries identify relevant risks and have integrated planning of risk management mechanism and methods to ensure that such business is compliant with the management policies.

##### c) Risk management organization

###### i. Board of directors

The board of directors takes the ultimate responsibilities for risk management. The board of directors approves the risk management policy, ensures that approved risk management policies are in accordance with the nature of operating activities and types of business and cover different types of risk and monitors the effective implementation of risk management policies.

###### ii. Risk management committee

The risk management committee is responsible for reviewing risk management policies, principles, and rules of trading transactions, and for determining the appropriate degree of risk exposure and monitoring the implementation of the risk management policies. The risk management committee is under the board of directors and the chairman of board of directors takes chair of the committee, and the members include the general manager, finance supervisor, accounting manager, risk management supervisor, and the relevant trading department supervisor. The committee meetings are typically held quarterly and provisional meetings are called by the chairman of the board.

iii. Risk management department

The risk management department is under the board of directors. The supervisor and staff of the department are prohibited from holding positions at the trading or settlement department. Their responsibilities are to plan and implement risk management policies, principles and directions, review policies regularly to ensure that those policies are suitable for business development. The risk management department also establishes online monitoring and prevention systems and reaction mechanisms, according to the development of Cathay Securities and its subsidiaries.

iv. Business unit

Each business unit participates in the setting of the risk management mechanism and executes daily risk management and reporting to ensure that the risk model used by the business unit is implemented with the consistent credibility and is in accordance with the internal control procedures to comply with the regulations and risk management policies.

v. Auditing office

The auditing office executes risk management and internal control procedures regularly, and traces and documents findings and deviations of internal control procedures periodically to ensure that the appropriate actions of improvement have been taken in time.

vi. Finance department

The finance department participates in the setting of the risk management mechanism. The department is responsible for executing liquidity risk management and providing the liquidity risk report to the risk management department regularly.

vii. Accounting department

The accounting department participates in the setting of the risk management mechanism and provides the form of capital adequacy to the risk management department monthly.

viii. Legal affairs office

The legal affairs office executes legal risk management to ensure that business operations and risk management procedures are all in compliance with the regulations.

d) Risk management workflows

Risk management workflows for Cathay Securities and its subsidiaries includes risk identification, risk measurement, risk management mechanism, and risk reporting. Risk assessment and response strategies to each risk are addressed as follows:

i. Market risk

i) Definition

Market risk is the risk of losses in Cathay Securities and its subsidiaries' investment positions, including shares, bonds, and derivatives etc. arising from changes in the market prices of financial instruments.



ii) Controls

Cathay Securities and its subsidiaries set up rules of trading transactions including the limits of authorization, risk limitation, stop-loss rules, and responses to the exceeded limits by each product or service line and implement those control procedures efficiently through the front desk risk control staff and on-line monitoring system. Furthermore, Cathay Securities and its subsidiaries provide the market risk management report regularly that includes market price assessments, the dollar amounts of surplus/shortfall and arbitrage, Value at Risk, and back-testing model and perform stress testing by each extreme scenario to control the risks that Cathay Securities and its subsidiaries face and manage all risks as a whole efficiently.

ii. Credit risk

i) Definition

Credit risk is the risk of loss incurred by Cathay Securities and its subsidiaries as a result of a counterparty or debtor not being able to perform its contract obligations due to deterioration of financial conditions or other factors.

ii) Controls

Cathay Securities and its subsidiaries check and review the credit position of each counterparty before trading and manage risk exposure after trading. Risks arising from securities trading are monitored and controlled based on the credit rating model. Investment concentration and risks are analyzed and documented regularly. Investment limit to each counterparty is established by its credit rating (TCRI, Taiwan Ratings, S&P, Moody's, and Fitch). In addition, the customers covered by the high-risk range of self-managed credit integrity and the credit balance of the underlying account for a certain percentage of the market credit balance are regularly reviewed and the credit risk emergency notification mechanism for the Company is established.

iii. Operational risk

i) Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategy risk and credit risk.

ii) Controls

Cathay Securities and its subsidiaries establish authority levels and the segregation of duties for the processes of front, middle and back offices. Trading, confirmation, settlement, financial accounting, and trading documents are archived for future reference. The strict processes are also established to prevent fraud and negligence. Cathay Securities and its subsidiaries request each department to establish and implement internal audit and control policies authentically. The reporting mechanism for loss events from operational risk and database are established to understand the causes of the loss.

In addition, the auditing office is established under the board of directors. The functions of the office are to implement daily process checks to establish completed internal audit control and provide internal review reports periodically to lower the loss arising from the operational failures.

#### iv. Liquidity risk

##### i) Definition

Fund liquidity refers to Cathay Securities and its subsidiaries' acquisition of funds to maintain its needed flexibility to support asset growth or to repay liabilities; market liquidity refers to the managing and avoidance of risk of loss resulting from significant changes in the market price of held positions due to the lack of market depth or market disruption.

##### ii) Controls

The measurement index for liquidity risk is established and Cathay Securities compiles the liquidity risk management report regularly to review the capital conditions and cash flow gap as of the balance sheet date and liquidity of overall foreign currency. Capital allocation planning is based on the compiled structure analysis as of the balance sheet date. In addition, capital liquidity simulation operations are regularly conducted to ensure that there are corresponding contingency measures in the extreme situations which can cover the funding gap. Meanwhile, credit lines of short-term financing are acquired from other financial institutions and receipts and payments are managed properly to sustain appropriate liquidity and ensure payment ability. Investment business units should conduct market liquidity risk control when buying in accordance with market liquidity management index.

#### v. Legal risk

##### i) Definition

Legal risk is the risk of loss that results from a counterparty being unable to legally enter into a contract due to the contract being defective or eligibility of the counterparty.

##### ii) Controls

The procedures of making and reviewing legal documentation are established. All the documents related to the contracts are required to be reviewed and approved by the legal office and may be reviewed with reference to external lawyers' opinions if needed.

#### vi. Capital adequacy management

##### i) Definition

Cathay Securities and its subsidiaries implement capital management to maintain an appropriate capital adequacy ratio, promote business growth and ensure a robust capital structure.

##### ii) Controls

Cathay Securities established the capital adequacy index and compiles the capital adequacy management report regularly to evaluate the appropriateness of the capital adequacy ratio and the robustness of the capital structure.

## vii. Reputation risk and strategy risk

### i) Definition

Reputation risk is the risk of loss resulting from negative aspects of Cathay Securities and its subsidiaries' operations, leading to the loss of customers or revenue, and the need for Cathay Securities and its subsidiaries to bear large amounts of legal fees or other losses from damages. Strategy risk is another risk of current or potential loss to revenue or capital resulting from a strategy that turns out to be defective or inappropriate, or lack of proper responses to the competitors.

### ii) Controls

In response to significant events related to reputation and strategy risk, Cathay Securities and its subsidiaries establish internal regulations to mitigate the risk of losses when significant events occur.

Risk management policies and principles are established based on the above-mentioned risks and management mechanisms from each risk source are set out specifically. Cathay Securities and its subsidiaries also establish the constraints for each risk and review the appropriateness of each constraint regularly. Moreover, the risk management implementation reports are reported to the risk management committee, board of directors, and risk management office of Cathay Securities and its subsidiaries every half year to assess risk tolerance and the appropriateness of the current risk management scheme.

### e) Hedging and mitigation of risk strategies

The hedging and mitigation risk strategies for Cathay Securities and its subsidiaries refer to the implementation of dynamic hedging through the purchase and sale of target investment products to duplicate the same cash flows when derivatives mature. The hedging for outstanding stock warrants and structured products is based on the principle of Delta Neutral. If the prices of those investment positions fluctuate significantly in the financial markets, when the regulations for hedging operations are breached due to the impact from significant events, or when the risk personnel's implementation of hedging strategies are in violation of the regulations of hedging operations, the business department is required to explain in writing, report to the risk management department and be approved by general manager.

Cathay Securities and its subsidiaries establishes the approval limit and stop-loss mechanism based on the attributes of each product. When the position meets the stop-loss point, the risk management department will inform the supervisor or position administrator in time and monitor the change in the position. In addition, the business department should operate in accordance with the approval limits. If the stop-loss point is met, the investment should be sold or the business department is required to provide an exception report detailing the reason and specific response measures.

## 2) Market risk analysis

Cathay Securities and its subsidiaries assess, monitor, and manage market risks completely and effectively by applying market risk management tools such as sensitivity analysis, Value at Risk ("VaR") and stress testing continuously.

a) Sensitivity analysis

Sensitivity analysis is used to measure the degree of impact on each product and investment portfolio due to fluctuations in specific market factors. The relevant monitoring and control regulations are set based on the differences in the types of risk and business attributes of Cathay Securities and its subsidiaries. The degree of risk exposure is monitored and measured by the following sensitivities:

i. Measurement based on interest factors

Price value of basis point (PVBP): Denoting the change in the value of a position given a 1 basis point change in the yield curve.

ii. Measurement based on commodity factors

i) Delta: Measuring the change in the value of a position given a 1% price change of a certain underlying asset.

ii) Gamma: Measuring the dollar amount of change in Delta of a position given a 1% price change of a certain underlying asset.

iii) Vega: Denoting the change in the value of a position given a 1% price volatility change of a certain underlying asset.

b) VaR

VaR is used to measure the risk of the largest potential loss of the investment portfolio arising from movements in market risk factors over a specific time frame and at a certain confidence level. Cathay Securities and its subsidiaries currently measure the VaR of an investment portfolio for the next day at a 99% confidence level. Also, back testing of the VaR model is performed each year to ensure the accuracy of this model.

VaR on one single trading day within the 99% confidence level

	<b>For the Three Months Ended March 31, 2021</b>			
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>End of Period</b>
VaR	\$ 48,652	\$ 79,243	\$ 29,745	\$ 33,447

  

	<b>For the Three Months Ended March 31, 2020</b>			
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>End of Period</b>
VaR	\$ 20,492	\$ 40,377	\$ 11,733	\$ 40,377

c) Stress testing

Cathay Securities and its subsidiaries perform stress testing on a monthly basis to assess the degree of impact on the asset portfolio arising from foreign and domestic significant events, find the risk factors which exert greater significant influence on the asset portfolio, follow up review and report such factors according to the market conditions and customized or extreme scenarios which are performed periodically by taking rapid changes in foreign and domestic financial environments into consideration, and the maximum losses arising from these scenarios are measured to ensure that Cathay Securities and its subsidiaries manage the risk from each potential scenario effectively.

Stress testing scenarios, which include the historical scenario and hypothesis scenario, are described as follows:

i. Historical Scenario

Cathay Securities and its subsidiaries assess the dollar amount of losses for the investment portfolio by choosing a specific time frame of historical events and taking the fluctuations of risk factors into the consideration such as the immediate, significant, and comprehensive impact on financial markets from the bankruptcy of Lehman Brothers in 2008 and the Great East Japan earthquake in 2011.

ii. Hypothesis Scenario

Cathay Securities and its subsidiaries make reasonable expected hypotheses on possible future extreme market fluctuations, include movements of the related risk factors in the current investment portfolio, and measure the loss amount generated from such events on the investment position, including the 10% drop in the total stock market value arising from the breakdown of the global system.

**For the Three Months Ended March 31, 2021  
Stress Test Table**

<b>Risk Factor</b>	<b>Changes (+/-)</b>	<b>Changes in Profit and Loss</b>
Equity risk (stock index)	-10%	\$ (278,273)
Interest rate risk (yield curve)	+100bps	(85,866)
Exchange rate risk (exchange rate)	3%	110,687
Product risk (price)	-10%	6,540

**For the Three Months Ended March 31, 2020  
Stress Test Table**

<b>Risk Factor</b>	<b>Changes (+/-)</b>	<b>Changes in Profit and Loss</b>
Equity risk (stock index)	-10%	\$ (86,851)
Interest rate risk (yield curve)	+100bps	(180,011)
Exchange rate risk (exchange rate)	3%	34,905
Product risk (price)	-10%	126

3) Credit risk analysis

a) Source of credit risk

Credit risk refers to the credit risk that Cathay Securities and its subsidiaries may encounter due to engagement in financial transactions which include the credit risks from issuers, counterparties, and underlying assets:

- i. Issuer credit risk refers to the risk of financial loss that Cathay Securities and its subsidiaries may incur as a result of issuers, guarantors or banks not fulfilling their payment obligations due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk of financial loss that Cathay Securities and its subsidiaries may incur when a counterparty does not fulfill its settlement or payment obligations on the designated date.

- iii. Underlying asset credit risk refers to the risk of loss that Cathay Securities and its subsidiaries may encounter when the credit quality of the target financial instrument turns weak, credit charges increase, credit rating reduces or when the terms of the contracts are violated.

Financial assets that expose Cathay Securities and its subsidiaries to credit risk include bank accounts, debt securities, trading of over-the-counter derivatives, repurchase and resale of debts, trading from the securities lending, refundable deposits, futures deposits in banks, other refundable deposits and accounts receivable etc.

- b) Determinants for whether the credit risk has increased significantly since initial recognition
  - i. Cathay Securities and its subsidiaries assess, at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, Cathay Securities and its subsidiaries consider reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.
  - ii. Low credit risk: If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.
- c) Definitions of a default occurring on a financial asset and a credit-impaired financial asset

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

- i. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
  - i) The issuers, guarantee institutions or counterparties have entered bankruptcy or are probable to close, undergo financial reorganization, file bankruptcy, dissolve or have a significant impact on the entity's ability to continue.
  - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
- ii. The abovementioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by Cathay Securities and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to the related impairment assessment model.

d) Measurement of expected credit losses

i. Methods and assumptions adopted

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

To measure expected credit losses, Cathay Securities and its subsidiaries multiply exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. Cathay Securities and its subsidiaries also consider the effect of the time value of money when calculating the 12-month expected credit losses and the lifetime expected credit losses.

Probability of default is the rate that an issuer, guarantee agency and a borrower defaults. Loss given default is the loss rate that results from the default of issuers, guarantee agencies and borrowers. Loss given default used by Cathay Securities and its subsidiaries in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (i.e., gross domestic product and economic growth rate) after adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

Cathay Securities and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets.

e) Loss allowance of accounts receivables

The movements of the loss allowance of accounts receivables were as follows:

	Debt Instrument Investments	Receivables	Other Receivables	Overdue Receivables	Securities Financing Receivables	Security Lending Receivables	Futures Trading Margins Receivables	Total
Balance at								
January 1, 2021	\$ 1,932	\$ 270	\$ 26	\$ 92,222	\$ 305	\$ 28	\$ 74	\$ 94,857
(Decrease) increase	(527)	112	(14)	(290)	94	22	-	(603)
Balance at								
March 31, 2021	\$ 1,405	\$ 382	\$ 12	\$ 91,932	\$ 399	\$ 50	\$ 74	\$ 94,254
Balance at								
January 1, 2020	\$ 852	\$ 96	\$ 17	\$ 94,993	\$ 166	\$ 16	\$ -	\$ 96,140
Increase (decrease)	288	28	(11)	(439)	66	(5)	74	1
Balance at								
March 31, 2020	\$ 1,140	\$ 124	\$ 6	\$ 94,554	\$ 232	\$ 11	\$ 74	\$ 96,141

4) Capital liquidity risk analysis:

Bank loans are important liquidity resource for Cathay Securities and its subsidiaries. As of March 31, 2021, December 31, 2020 and March 31, 2020, the unused credits of short-term bank loans of Cathay Securities and its subsidiaries amounted to \$8,685,428 thousand, \$6,610,559 thousand and \$8,257,394 thousand, respectively.

a) Cash flow analysis

Capital liquidity risk is the risk that Cathay Securities and its subsidiaries are unable to acquire sufficient capital at a reasonable cost within a reasonable time frame and which results in a cash flow gap, or the risk that Cathay Securities and its subsidiaries sell assets at a loss to meet the cash flow requirements.

March 31, 2021

Cash Flows Analysis of Financial Liabilities

	Payment Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial liabilities</u>					
Short-term borrowings	\$ 819,855	\$ -	\$ -	\$ -	\$ 819,855
Commercial paper payable	4,339,669	-	-	-	4,339,669
Financial liabilities at FVTPL	7,292,974	-	-	-	7,292,974
Liabilities for bonds with repurchase agreements	2,617,066	-	-	-	2,617,066
Short sale margins and payables for short sale collateral received	34,375	68,750	103,125	412,495	618,745
Securities lending margin - deposit received	7,214	14,428	21,642	86,571	129,855
Futures trader's equity	13,065,197	-	-	-	13,065,197
Equity for each customer in the account	4,544	-	-	-	4,544
Accounts payable	19,971,173	214,271	8,458	682,471	20,876,373
Other financial liabilities	264,903	-	-	-	264,903
Lease liabilities	7,409	13,749	15,538	12,640	49,336
Others	<u>116,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,709</u>
Total	<u>\$ 48,541,088</u>	<u>\$ 311,198</u>	<u>\$ 148,763</u>	<u>\$ 1,194,177</u>	<u>\$ 50,195,226</u>
% to the total	<u>96.70%</u>	<u>0.62%</u>	<u>0.30%</u>	<u>2.38%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

March 31, 2021

Cash Flow Gap

	Fund Receipt Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial assets</u>					
Cash and cash equivalents	\$ 3,769,330	\$ -	\$ -	\$ -	\$ 3,769,330
Financial assets at FVTPL					
Operation securities	9,230,880	-	-	-	9,230,880
Open-end funds and beneficiary certificates	50,099	-	-	-	50,099
Call option-futures	30,862	-	-	-	30,862
Futures trading margin	663,520	-	-	-	663,520
Structured products	1,001	-	-	-	1,001
Financial assets at FVTOCI - current	2,512,177	-	-	-	\$ 2,512,177
Securities financing receivables	394,425	774,396	1,161,594	4,646,377	6,976,792
Refinancing margin and refinancing deposits receivable	1,293	2,586	3,879	15,508	23,266
Security lending receivable	83,433	166,866	250,301	-	500,600
Customer's margin accounts	13,075,783	-	-	-	13,075,783
Security lending deposits price and security lending margin deposits paid	156,135	312,270	468,405	1,873,621	2,810,431
Receivables	18,281,550	-	-	15,973	18,297,523
Others	694,471	-	-	1,200,000	1,894,471
	<u>48,944,959</u>	<u>1,256,118</u>	<u>1,884,179</u>	<u>7,751,479</u>	<u>59,836,735</u>
Residual cash	\$ 403,871	\$ 944,920	\$ 1,735,416	\$ 6,557,302	\$ 9,641,509



December 31, 2020

Cash Flows Analysis of Financial Liabilities

	Payment Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial liabilities</u>					
Short-term borrowings	\$ 1,657,576	\$ -	\$ -	\$ -	\$ 1,657,576
Commercial paper payable	1,269,918	-	-	-	1,269,918
Financial liabilities at FVTPL	15,745,711	-	-	-	15,745,711
Liabilities for bonds with repurchase agreements	2,207,506	-	-	-	2,207,506
Short sale margins and payables for short sale collateral received	77,180	154,360	231,540	926,156	1,389,236
Securities lending margin - deposit received	7,208	14,416	21,624	86,502	129,750
Futures trader's equity	13,215,030	-	-	-	13,215,030
Equity for each customer in the account	11,744	-	-	-	11,744
Accounts payable	15,094,904	458,671	236,349	322,227	16,112,151
Other financial liabilities	286,668	-	-	-	286,668
Lease liabilities	7,483	15,076	20,443	20,705	63,707
Others	<u>1,335,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,335,561</u>
Total	<u>\$ 50,916,489</u>	<u>\$ 642,523</u>	<u>\$ 509,956</u>	<u>\$ 1,355,590</u>	<u>\$ 53,424,558</u>
% to the total	<u>95.31%</u>	<u>1.20%</u>	<u>0.95%</u>	<u>2.54%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

December 31, 2020

Cash Flow Gap

	Fund Receipt Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial assets</u>					
Cash and cash equivalents	\$ 4,872,595	\$ -	\$ -	\$ -	\$ 4,872,595
Financial assets at FVTPL					
Lent securities	112,858	-	-	-	112,858
Operation securities	10,375,243	-	-	-	10,375,243
Open-end funds and beneficiary certificates	50,097	-	-	-	50,097
Call option-futures	35,075	-	-	-	35,075
Futures trading margin	1,329,790	-	-	-	1,329,790
Structured products	115,583	-	-	-	115,583
Financial assets at FVTOCI - current	2,218,853	-	-	-	2,218,853
Securities financing receivables	294,283	574,748	862,122	3,448,489	5,179,642
Refinancing margin and refinancing deposits receivable	1,696	3,392	5,088	20,348	30,524
Security lending receivable	47,348	94,696	142,044	-	284,088
Customer's margin accounts	13,222,279	-	-	-	13,222,279
Security lending deposits price and security lending margin deposits paid	349,115	698,230	1,047,345	4,189,380	6,284,070
Receivables	14,943,570	-	-	171,879	15,115,449
Others	<u>2,094,005</u>	<u>1,914</u>	<u>2,870</u>	<u>1,200,000</u>	<u>3,298,789</u>
	<u>50,062,390</u>	<u>1,372,980</u>	<u>2,059,469</u>	<u>9,030,096</u>	<u>62,524,935</u>
Residual cash	\$ (854,099)	\$ 730,457	\$ 1,549,513	\$ 7,674,506	\$ 9,100,377

March 31, 2020

Cash Flows Analysis of Financial Liabilities

	Payment Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial liabilities</u>					
Short-term borrowings	\$ 615,488	\$ -	\$ -	\$ -	\$ 615,488
Commercial paper payable	2,299,599	-	-	-	2,299,599
Financial liabilities at FVTPL	6,846,551	-	-	-	6,846,551
Liabilities for bonds with repurchase agreements	2,988,117	-	-	-	2,988,117
Deposits for securities borrowed	31,887	63,774	95,661	382,642	573,964
Securities lending margin - deposit received	5,102	10,204	15,306	61,217	91,829
Futures trader's equity	10,073,783	-	-	-	10,073,783
Ledgers of securities firms' settlement accounts customer's equity	37,711	-	-	-	37,711
Payables	6,530,005	189,079	1,890	359,018	7,079,992
Other financial liabilities	1,050	-	-	-	1,050
Lease liabilities - current	6,981	13,692	19,813	35,172	75,658
Others	<u>69,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,577</u>
Total	<u>\$ 29,505,851</u>	<u>\$ 276,749</u>	<u>\$ 132,670</u>	<u>\$ 838,049</u>	<u>\$ 30,753,319</u>
% to the total	95.94%	0.90%	0.43%	2.73%	100%

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

March 31, 2020

Cash Flow Gap

	Fund Receipt Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial assets</u>					
Cash and cash equivalents	\$ 4,677,626	\$ -	\$ -	\$ -	\$ 4,677,626
Financial assets at FVTPL					
Lent securities	80,520	-	-	-	80,520
Operation securities	4,665,399	-	-	-	4,665,399
Call option-futures	103,779	-	-	-	103,779
Futures trading margin	2,394,998	-	-	-	2,394,998
Structured products	31,693	-	-	-	31,693
Financial assets at FVTOCI - current	3,078,966	-	-	-	3,078,966
Securities financing receivables	105,480	206,472	309,708	1,238,827	1,860,487
Refinancing margin and refinancing deposits receivable	1,351	2,702	4,053	16,203	24,309
Security lending receivable	20,707	39,706	59,559	-	119,972
Customer's margin accounts	10,084,172	-	-	-	10,084,172
Security lending deposits price and security lending margin deposits paid	122,522	245,044	367,566	1,470,268	2,205,400
Receivables	5,950,932	-	-	23,873	5,974,805
Others	1,179,388	-	-	900,000	2,079,388
	<u>32,497,533</u>	<u>493,924</u>	<u>740,886</u>	<u>3,649,171</u>	<u>37,381,514</u>
Residual cash	\$ 2,991,682	\$ 217,175	\$ 608,216	\$ 2,811,122	\$ 6,628,195

b) Capital liquidity risk stress testing

Cathay Securities and its subsidiaries perform stress testing regularly to measure and evaluate the changes of capital liquidity under extreme and abnormal events to ensure that Cathay Securities and its subsidiaries maintain capital liquidity. Stress scenarios include significant fluctuations in the financial markets, the occurrence of various credit events, the unexpected tightening of capital liquidity in the financial markets and other assumptions that may cause financial liquidity stress, and are used to measure Cathay Securities and its subsidiaries' abilities to meet the demand for cash and the changes in cash flow gap.

If the cash flow gap arises under the specific stress scenario, the following procedures are performed to prevent the occurrence of the stress events:

- i. Cathay Securities and its subsidiaries make fund raising and balance sheet adjustments in accordance with the Crisis Management Principles and Regulations of Emergency Management.
- ii. Financing: (i) short-term loan credit line (ii) collateralized time deposits (iii) issuance of commercial paper
- iii. Balance sheet adjustments: (i) sale of securities (ii) recovery of short-term capital invested in the currency market.

i. Structured entities

1) Consolidated structured entities

The consolidated structured entities in the Group's consolidated financial statements are the real estate investments and management organizations. As of March 31, 2021, December 31, 2020 and March 31, 2020, 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) Cathay Life and its subsidiaries hold interests in structured entities which are not consolidated in Cathay Life and its subsidiaries' consolidated financial statements and Cathay Life and its subsidiaries do not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by Cathay Life and its subsidiaries. The information of these unconsolidated structured entities is disclosed as follows:

<b>Type of Structured Entity</b>	<b>Nature and Purpose</b>	<b>Interests Owned</b>
Private equity fund	Investment in private equity funds issued by external third parties to receive returns	Investment in units or limited partnership interests issued by the funds
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entities

- b) As of March 31, 2021, December 31, 2020 and March 31, 2020, the carrying amounts of Cathay Life and its subsidiaries' assets related to its interests in unconsolidated structured entities are disclosed as follows:

	<b>March 31, 2021</b>	
	<b>Private Equity Funds</b>	<b>Asset-backed Securities</b>
Financial assets at FVTPL	\$ 129,739,994	\$ 37,290,980
Financial assets at FVTOCI	-	60,915,149
Financial assets at amortized cost	-	117,789,091
	<u>\$ 129,739,994</u>	<u>\$ 215,995,220</u>

	<b>December 31, 2020</b>	
	<b>Private Equity Funds</b>	<b>Asset-backed Securities</b>
Financial assets at FVTPL	\$ 119,715,465	\$ 40,232,961
Financial assets at FVTOCI	-	66,528,618
Financial assets at amortized cost	<u>-</u>	<u>119,025,227</u>
	<u>\$ 119,715,465</u>	<u>\$ 225,786,806</u>
	<b>March 31, 2020</b>	
	<b>Private Equity Funds</b>	<b>Asset-backed Securities</b>
Financial assets at FVTPL	\$ 98,058,080	\$ 34,055,104
Financial assets at FVTOCI	-	44,239,469
Financial assets at amortized cost	<u>-</u>	<u>165,458,859</u>
	<u>\$ 98,058,080</u>	<u>\$ 243,753,432</u>

- c) Cathay United Bank and its subsidiaries does not provide financial support or other support to the unconsolidated structured entities. Cathay United Bank's maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets Cathay United Bank recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, the carrying amounts of assets recognized by Cathay United Bank and its subsidiaries' asset relating to its interests in unconsolidated structured entities are disclosed as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Financial assets at FVTOCI	\$ 7,073,191	\$ 14,299,523	\$ 28,314,266
Debt instruments at amortized cost	<u>47,633,069</u>	<u>32,294,807</u>	<u>46,758,989</u>
	<u>\$ 54,706,260</u>	<u>\$ 46,594,330</u>	<u>\$ 75,073,255</u>

- d) Cathay Century and its subsidiaries' does not provide financial support or other support to the unconsolidated structured entities. Cathay Century's maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets recognized by Cathay Century. The information of the recognized unconsolidated structured entities is disclosed as follows:

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, the carrying amounts of assets recognized by Cathay Century relating to its interests in unconsolidated structured entities are disclosed as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets at FVTOCI	\$ 201,419	\$ 33,637	\$ 28,828
Debt instruments at amortized cost	<u>428,217</u>	<u>459,934</u>	<u>585,718</u>
	<u>\$ 629,636</u>	<u>\$ 493,571</u>	<u>\$ 614,546</u>

### 37. CAPITAL MANAGEMENT

The Group's capital adequacy ratios meet the statutory requirements currently. Under the pretext that the Group meets the statutory capital adequacy requirements, dynamic capital management mechanism is utilized to increase the capital efficiency of the subsidiaries. After reallocation of capital, the subsidiaries' capabilities of risk-taking are not affected due to lower level of retained core capital. Accordingly, the Company conducts overall planning based on the status of the subsidiaries' capital in order to improve the capital efficiency of the Group.

### 38. OTHERS

#### a. Impact of COVID-19

The Group has evaluated the economic impact caused by the COVID-19, and as of the date of approval of the financial report, there 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 group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

	March 31, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 143,159,109	28.5310	\$ 4,084,472,539
CNY	42,459,615	4.3435	184,423,338
AUD	6,468,398	21.7121	140,442,504
Non-monetary items			
USD	12,129,396	28.5310	346,063,797
<u>Financial liabilities</u>			
Monetary items			
USD	18,336,097	28.5310	523,147,184

<b>December 31, 2020</b>			
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 136,841,984	28.5080	\$ 3,901,091,280
CNY	42,150,730	4.3813	184,674,993
AUD	6,327,462	21.9725	139,030,159
Non-monetary items			
USD	11,673,378	28.5080	332,784,660
<u>Financial liabilities</u>			
Monetary items			
USD	17,999,522	28.5080	513,130,373
<b>March 31, 2020</b>			
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 129,440,766	30.2540	\$ 3,916,100,935
CNY	20,166,473	4.2600	85,909,175
Non-monetary items			
USD	12,302,938	30.2540	372,213,086
<u>Financial liabilities</u>			
Monetary items			
USD	14,801,269	30.2540	447,797,592

It is not possible to disclose foreign exchange gains (losses) of monetary financial instruments by each significant foreign currency due to the variety of the foreign currencies of the Group. The foreign currency exchange gains for the three months ended March 31, 2021 and 2020 were \$1,379,781 thousand and \$5,470,393 thousand, respectively.

c. Information on discretionary investments

1) Cathay Life and its subsidiaries

- a) As of March 31, 2021, December 31, 2020 and March 31, 2020, Cathay Life entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Domestic shares	\$ 185,743,153	\$ 165,441,030	\$ 119,273,077
Overseas shares	81,118,382	73,520,629	56,272,892
Bonds purchased under resale agreements	17,242,000	20,066,000	9,665,000
Cash in banks	34,985,287	51,308,069	22,687,840
Beneficiary certificates	1,388,036	1,997,792	47,309
Futures and options	<u>216,805</u>	<u>501,910</u>	<u>216,725</u>
	<u>\$ 320,693,663</u>	<u>\$ 312,835,430</u>	<u>\$ 208,162,843</u>

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

- b) As of March 31, 2021, December 31, 2020 and March 31, 2020, the discretionary investments limits are as follows (in thousands):

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
NTD	\$ 100,979,839	\$ 84,358,163	\$ 84,358,163
USD	1,229,100	1,462,200	1,252,200
HKD	19,484	74,084	544,084

2) Cathay Century and its subsidiaries

Cathay Century enters into contracts with securities investment trust companies or consulting companies for discretionary investment management. The investment details are disclosed as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Domestic shares	\$ 1,913,022	\$ 1,588,344	\$ 913,373
Bonds purchased under resale agreements	100,009	200,009	350,107
Cash in banks	485,575	414,548	286,475
Future margins	<u>2,012</u>	<u>2,011</u>	<u>2,011</u>
	<u>\$ 2,500,618</u>	<u>\$ 2,204,912</u>	<u>\$ 1,551,966</u>

The fair values of Cathay Century and its subsidiaries' financial assets of discretionary account management contracts are as same as their carrying amounts.

As of March 31, 2021, December 31, 2020 and March 31, 2020, Cathay Century and its subsidiaries entered into discretionary management contracts with investment limits amounted to \$1,200,000 thousand.

d. Disclosure information as required by Article 16 of Regulations Governing the Preparation of Financial Reports by Public Banks

1) Asset quality - loans

(In Thousands of New Taiwan Dollars, %)

Period			March 31, 2021					March 31, 2020				
Item			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		\$ 850,761	\$ 282,938,888	0.30%	\$ 2,712,731	318.86%	\$ 176,845	\$ 250,804,780	0.07%	\$ 3,696,173	2090.07%
	Unsecured		1,098,862	323,951,049	0.34%	7,640,041	695.27%	311,372	321,872,702	0.10%	8,146,336	2616.28%
Consumer banking	Residential mortgage (Note 4)		270,557	466,443,835	0.06%	7,323,172	2706.71%	586,261	352,706,419	0.17%	5,674,582	967.93%
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		243,367	103,653,337	0.23%	3,998,063	1642.81%	221,548	93,202,710	0.24%	3,064,561	1383.25%
	Other (Note 6)	Secured	748,238	500,322,955	0.15%	5,590,870	747.20%	873,341	464,670,901	0.19%	5,512,693	631.22%
		Unsecured	20,952	23,223,646	0.09%	318,243	1518.93%	45,405	18,073,638	0.25%	260,877	574.55%
Total Loan			3,232,737	1,700,533,710	0.19%	27,583,120	853.24%	2,214,772	1,501,331,150	0.15%	26,355,222	1189.97%
			Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio
Credit cards			\$ 114,916	\$ 75,555,882	0.15%	\$ 1,965,483	1710.37%	\$ 131,771	\$ 71,593,711	0.18%	\$ 1,873,738	1421.96%
Accounts receivable factored without recourse (Note 7)			-	4,530,549	-	109,607	-	-	2,639,380	-	54,103	-

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

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

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

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

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

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

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.



Not reported as nonperforming loans or nonperforming receivables

<div>Items</div> <div>Type</div>	March 31, 2021		March 31, 2020	
	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$ 1,299	\$ 46,047	\$ 1,892	\$ 79,651
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	74,416	1,193,857	59,223	1,190,315
Total	75,715	1,239,904	61,115	1,269,966

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

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

## 2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

March 31, 2021			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A- other financial intermediation	\$ 31,096,376	12.52
2	Group B- packaging and testing of semi-conductors	8,101,221	3.26
3	Group C- other financial intermediation	7,287,904	2.93
4	Group D- ocean transportation	6,971,509	2.81
5	Group E- security consulting	6,658,811	2.68
6	Group F- real estate development activities	6,200,000	2.50
7	Group G- real estate development activities	5,708,000	2.30
8	Group H- other financial intermediation	5,616,188	2.26
9	Group I - manufacture of computers	4,864,536	1.96
10	Group J - other	4,275,876	1.72

March 31, 2020			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A- other financial intermediation	\$ 31,151,532	13.48
2	Group B- packaging and testing of semi-conductors	17,481,930	7.57
3	Group C- ocean transportation	9,084,763	3.93
4	Group D- other financial intermediation	8,144,123	3.52
5	Group E- security consulting	7,295,984	3.16
6	Group F- real estate development activities	6,400,000	2.77
7	Group G- other financial intermediation	5,854,956	2.53
8	Group H- petroleum and coal products manufacturing	4,919,862	2.13
9	Group I - wired telecommunications activities	4,265,673	1.85
10	Group J - enterprise general management organization	4,235,462	1.83

## 3) Information on interest rate sensitivity

Interest Rate Sensitivity (New Taiwan Dollars)  
March 31, 2021

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,021,245,359	\$ 85,564,982	\$ 71,695,747	\$ 136,279,581	\$ 2,314,785,669
Interest rate-sensitive liabilities	165,239,002	1,597,858,368	248,600,409	82,815,351	2,094,513,130
Interest rate-sensitive gap	1,856,006,357	(1,512,293,386)	(176,904,662)	53,464,230	220,272,539
Net worth					248,453,145
Ratio of interest rate-sensitive assets to liabilities					110.52%
Ratio of interest rate sensitivity gap to net worth					88.66%

March 31, 2020

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,870,995,925	\$ 65,869,946	\$ 83,723,047	\$ 122,848,270	\$ 2,143,437,188
Interest rate-sensitive liabilities	194,132,354	1,362,037,802	265,247,450	92,662,555	1,914,080,161
Interest rate-sensitive gap	1,676,863,571	(1,296,167,856)	(181,524,403)	30,185,715	229,357,027
Net worth					231,083,343
Ratio of interest rate-sensitive assets to liabilities					111.98%
Ratio of interest rate sensitivity gap to net worth					99.25%

Note 1: The above amounts included only New Taiwan dollar amounts held by Cathay United Bank (excluding foreign currencies).

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

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

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

**Interest Rate Sensitivity (U.S. Dollars)**  
**March 31, 2021**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 9,469,138	\$ 1,178,816	\$ 835,570	\$ 6,681,580	\$ 18,165,104
Interest rate-sensitive liabilities	11,683,369	3,530,614	4,067,424	4,645,484	23,926,891
Interest rate-sensitive gap	(2,214,231)	(2,351,798)	(3,231,854)	2,036,096	(5,761,787)
Net worth					8,708,182
Ratio of interest rate-sensitive assets to liabilities					75.92%
Ratio of interest rate sensitivity gap to net worth					(66.17%)

**March 31, 2020**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 9,492,769	\$ 1,448,707	\$ 388,395	\$ 7,206,660	\$ 18,536,531
Interest rate-sensitive liabilities	11,629,311	3,000,358	3,246,889	4,313,296	22,189,854
Interest rate-sensitive gap	(2,136,542)	(1,551,651)	(2,858,494)	2,893,364	(3,653,323)
Net worth					7,638,109
Ratio of interest rate-sensitive assets to liabilities					83.54%
Ratio of interest rate sensitivity gap to net worth					(47.83%)

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

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

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

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

#### 4) Maturity analysis of assets and liabilities

##### Maturity Analysis of Assets and Liabilities March 31, 2021

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,002,883,138	\$ 448,022,470	\$ 395,964,408	\$ 295,235,700	\$ 294,647,186	\$ 337,395,881	\$ 1,231,617,493
Main capital outflow on maturity	3,601,858,702	156,682,800	234,366,579	474,769,747	609,198,970	705,138,602	1,421,702,004
Gap	(598,975,564)	291,339,670	161,597,829	(179,534,047)	(314,551,784)	(367,742,721)	(190,084,511)

March 31, 2020

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,788,089,474	\$ 562,322,131	\$ 294,118,520	\$ 328,115,154	\$ 272,371,337	\$ 310,537,001	\$ 1,020,625,331
Main capital outflow on maturity	3,321,996,213	162,431,922	235,719,347	530,999,015	608,819,247	554,482,096	1,229,544,586
Gap	(533,906,739)	399,890,209	58,399,173	(202,883,861)	(336,447,910)	(243,945,095)	(208,919,255)

Note: The above amounts included only New Taiwan dollar amounts held by Cathay United Bank (excluding foreign currency).

##### Maturity Analysis of Assets and Liabilities March 31, 2021

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 70,525,762	\$ 25,267,998	\$ 15,569,243	\$ 10,554,154	\$ 8,795,908	\$ 10,338,459
Main capital outflow on maturity	75,248,948	24,543,627	18,395,741	11,235,936	12,517,951	8,555,693
Gap	(4,723,186)	724,371	(2,826,498)	(681,782)	(3,722,043)	1,782,766

March 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 67,007,101	\$ 19,633,274	\$ 16,545,471	\$ 10,563,726	\$ 9,441,974	\$ 10,822,656
Main capital outflow on maturity	71,529,297	20,383,153	19,130,172	11,124,248	12,870,635	8,021,089
Gap	(4,522,196)	(749,879)	(2,584,701)	(560,522)	(3,428,661)	2,801,567

Note: The above amounts included U.S. dollar amounts held by Cathay United Bank.

### 39. SUPPLEMENTAL DISCLOSURES

a. Information about significant transactions:

Code	Description	Explanation
1	Accumulated purchases and sales balance of specific investee's marketable securities over \$300 million or 10% of the paid-in capital	None
2	Acquisition or disposal of individual real estate at prices over \$300 million or 10% of the paid-in capital	None
3	Discount on processing fee the transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by subsidiaries	None
6	Related information of financial assets securitization or real estate securitization by subsidiaries	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None

b. Information on investees

Code	Description	Explanation
1	Information regarding investee companies and percentage of ownership	None
2	Acquisition and disposal of real estate at prices over \$300 million or 10% of the paid-in capital	Table 3
3	Discount on processing fee for transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by investees	None
6	Related information of financial assets securitization or real estate securitization by investees	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None
8	Financing provided to others	Note
9	Endorsements/guarantees provided	None
10	Marketable securities held as of March 31, 2020	Table 2 (Note)
11	Marketable securities acquired or disposed of at costs or prices over \$300 million or 10% of the paid-in capital	None
12	Derivative transactions	Note 7

Note: Disclosure is not required for subsidiaries belonging to the financial services, insurance and securities industries, and whose principal business activities include financing provided to others, endorsements/guarantees provided, and trading of marketable securities.

- c. Investments in mainland China: Name of companies, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in investees in the mainland China area are disclosed in Table 4.
- d. The significant intercompany transactions among the Group are disclosed in Table 5 and Note 28 to consolidated financial statements.
- e. Information on major shareholders: Name, number of shares, and percentage of ownership of shareholders holding more than 5% of the shares are disclosed in Table 6.

**TABLE 1**

**CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
MARCH 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Cathay Financial Holding Co., Ltd.	Cathay Life Insurance Co., Ltd.	Subsidiary	\$ 14,315,777	Note 1	\$ -	-	\$ -	\$ -
	Cathay United Bank Co., Ltd.	Subsidiary	1,822,086	Note 1	-	-	-	-
	Cathay Century Insurance Co., Ltd.	Subsidiary	445,073	Note 1	-	-	-	-
Cathay United Bank Co., Ltd.	Cathay Life Insurance Co., Ltd.	Subsidiary	421,537	-	-	-	-	-
	Cathay United Bank Co., Ltd.	Subsidiary	816,417	Note 2	-	-	-	-
	Indovina Bank Limited	Subsidiary	470,762	Note 3	-	-	-	-
Conning Holdings Limited	Cathay Life Insurance Co., Ltd.	Subsidiary	326,886	-	-	-	-	-

Note 1: The ending balance mainly consisted of receivables arising from integrated income tax return, which is not applicable for turnover rate.

Note 2: The ending balance is comprised of dividends receivables, which is not applicable for turnover rate.

Note 3: The ending balance is comprised of interest receivables, which is not applicable for turnover rate.

**TABLE 2****CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****MARCH 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Cathay Venture Inc.	<u>Corporate bonds</u> SmartGames CB	N/A	Financial assets at fair value through profit or loss	-	\$ 7	-	\$ 7	
	Guanghe CBI	"	"	-	94,904	-	94,904	
	A2G CB	"	"	-	1,519	-	1,519	
	PT Cemerlang Multimedia CB	"	"	-	87,910	-	87,910	
	Yonggu I	"	"	-	35,739	-	35,739	
	<u>Beneficiary certificates</u> Mega Diamond Money Market Fund	"	"	25,216	319,212	-	319,212	
	Taishin 1699 Money Market Fund	"	"	19,565	267,163	-	267,163	
	Cathay Taiwan Money Market Fund	"	"	22,901	287,214	-	287,214	
	<u>Shares</u> Tien-Tai Management Consulting Co., Ltd.	Investee accounted for using the equity method	Investments accounted for using the equity method	141	6,487	28.20	6,487	
	Tiantai II Optoelectronics Co., Ltd.	"	"	11,427	139,421	32.28	139,421	
	Tien-Tai Optronics Corporation	"	"	10,646	144,605	33.64	144,605	
	F- Fulgent Sun International (Holding) Co., Ltd.	N/A	Financial assets at fair value through profit or loss	626	71,647	-	71,647	
	F- Hiroca Holdings Ltd.	"	"	439	30,649	-	30,649	
	Min Aik Precision Industrial Co., Ltd.	"	"	46	1,325	-	1,325	
	Man Zai Industrial Co., Ltd.	"	"	349	5,532	-	5,532	
	Senhwa Biosciences, Inc.	"	"	1,230	215,250	1.37	215,250	
	Tanvex BioPharma, Inc.	"	"	1,250	111,250	-	111,250	
	Global Tek Fabrication Co., Ltd.	"	"	29	1,757	-	1,757	
	Cathay Superior Venture Capital Limited Partnership	"	"	-	200	100.00	200	
	Shane Global Holdings Inc.	"	"	3,700	296,716	3.35	296,716	
	Brighton-Best International (Taiwan) Inc.	"	"	5,573	151,307	-	151,307	
	Nan Pao Resins Chemical Co., Ltd.	"	"	323	51,729	-	51,729	
	Compal Broadband Networks, Inc.	"	"	38	1,687	-	1,687	
	Ching Chan Optical Technology Co., Ltd.	"	"	705	22,313	1.97	22,313	
	Fusheng Precision Co., Ltd.	"	"	800	181,200	-	181,200	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Tot Biopharm Co., Ltd	N/A	Financial assets at fair value through profit or loss	6,909	\$ 111,066	1.15	\$ 111,066	
	WW Holding Inc.	"	"	1,413	58,074	2.36	58,074	
	Airmate (Cayman) International Co Limited	"	"	718	19,201	-	19,201	
	World Known MFG (Cayman) Limited	"	"	1,478	58,603	4.36	58,603	
	Yonggu Group Inc.	"	"	219	17,836	-	17,836	
	Easywell Biomedicals Inc.	"	"	2,025	33,919	1.45	33,919	
	Ta Chen Stainless Pipe Co., Ltd.	"	"	2,400	75,240	-	75,240	
	Trusval Technology Co., Ltd.	"	"	350	23,520	-	23,520	
	REMOTEK Corp.	"	"	480	3,597	-	3,597	
	Smartdisplayer Technology Co., Ltd.	"	"	1,000	20,700	4.01	20,700	
	Sincere Group	"	"	204	9,360	1.02	9,360	
	BioGend Therapeutics Co., Ltd.	"	"	2,000	61,100	1.97	61,100	
	Winway Technology Co., Ltd.	"	"	638	244,399	1.90	244,399	
	Tigerair Taiwan Co., Ltd.	"	"	1,829	37,440	-	37,440	
	Wendell Industrial Co., Ltd.	"	"	945	46,305	4.43	46,305	
	Evergreen Steel Corp.	"	"	1,500	66,615	-	66,615	
	Weblink International Inc.	"	"	1,786	124,484	2.42	124,484	
	Proconn Technology Co., Ltd.	"	"	2,055	-	3.30	-	
	EasyCard Investment Holdings Co., Ltd.	"	"	1,430	26,988	1.37	26,988	
	Lien-an Service Co., Ltd.	"	"	125	1,058	5.00	1,058	
	Koatech Technology Corp.	"	"	101	1,317	-	1,317	
	Mega Union Technology Incorporated.	"	"	3,022	86,129	9.24	86,129	
	Cathay Healthcare Management Co., Ltd.	"	"	8,250	143,963	15.00	143,963	
	Fashionguide Co., Ltd.	"	"	714	16,659	4.26	16,659	
	Sunmile Group Holding Co., Limited	"	"	528	-	1.85	-	
	NARUKO Beauty Essentials Limited	"	"	43,252	44,549	4.02	44,549	
	SMS Holdings One I	"	"	1	-	5.00	-	
	Shengzhuang Holdings	"	"	122	-	1.09	-	
	Bioengine Capital Inc.	"	"	10,800	166,568	3.16	166,568	
	Bravo Ideas Digital Co., Ltd.	"	"	3,386	3,860	6.03	3,860	
	Episonica Holding	"	"	2,255	38,623	9.72	38,623	
	Andros Pharmaceuticals Co., Ltd.	"	"	1,050	9,471	4.19	9,471	
	Transound Electronics Co., Ltd.	"	"	1,200	9,828	3.30	9,828	
	Hyper Crystal Inc.	"	"	2,000	19,600	13.80	19,600	
	Amaryllo International B.V.	"	"	1,000	5,090	5.68	5,090	
	Noratech Pharmaceuticals, Inc.	"	"	1,000	27,010	-	27,010	
	Kuang Ming Shipping Corp.	"	"	157	-	-	-	
	Grandsys, Inc.	"	"	1,860	32,922	7.77	32,922	

(Continued)



Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	SinoGreenery	N/A	Financial assets at fair value through profit or loss	-	\$ 1	10.00	\$ 1	
	DTCO (Samoa)	"	"	325	3,024	2.94	3,024	
	Tennrich International Corp.	"	"	1,938	78	3.19	78	
	Allianz Pharmascience Limited	"	"	2,000	15,260	6.85	15,260	
	KKDAY	"	"	5,668	14,284	2.17	14,284	
	SmartGames	"	"	164	1,788	1.53	1,788	
	PSS Co., Ltd.	"	"	330	16,513	-	16,513	
	Altek Semiconductor (Cayman) Co., Ltd.	"	"	800	44,792	2.00	44,792	
	Anywhere2Go	"	"	2	2,107	8.99	2,107	
	Yikon Genomics	"	"	1,340	41,125	3.55	41,125	
	Rani Therapeutics, LLC	"	"	119	1,095	-	1,095	
	Mimetas B.V.	"	"	8	14,926	2.81	14,926	
	Xiongchuang (Samoa)	"	"	19	8,523	4.50	8,523	
	91APP	"	"	8,333	37,333	-	37,333	
	Acepodia Inc.	"	"	1,848	50,249	3.75	50,249	
	Greenway Environmental Technology Co., Ltd.	"	"	4,375	40,294	11.22	40,294	
	Emotibot Technology Limited	"	"	2,302	96,947	1.56	96,947	
	Pacific 8 Venture	"	"	-	65,487	15.00	65,487	
	Monk's hill Venture Fund	"	"	-	21,453	2.50	21,453	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	"	"	800	34,160	1.34	34,160	
	One Degree	"	"	350,926	56,148	2.40	56,148	
	Validus	"	"	145	35,461	2.90	35,461	
	VIZIONFOCUS INC.	"	"	1,700	68,493	3.49	68,493	
	Finaxar	"	"	87	17,229	4.72	17,229	
	aetherAI Holding Co., Ltd.	"	"	582	40,019	12.78	40,019	
	Intudo Venture II, LP	"	"	-	47,310	3.76	47,310	
	King Point Enterprise Co., Ltd.	"	"	1,000	17,420	2.53	17,420	
	Cowealth Medical Holding Co., Ltd.	"	"	3,750	47,775	1.26	47,775	
	INNOPACK VIETNAM CO., LTD.	"	"	1,350	16,349	11.70	16,349	
	Pharmosa Biopharma Inc.	"	"	4,700	83,942	9.40	83,942	
	Transcene Corp.	"	"	3,000	26,430	14.76	26,430	
	Cirocomm Technology Corporation	"	"	2,000	17,220	6.85	17,220	
	Shangrao Dingxin Metal Chemical Co., Ltd.	"	"	-	44,104	2.41	44,104	
	Ampak Technology Inc.	"	"	1,400	72,800	2.32	72,800	
	New Garden Co., Ltd.	"	"	5,000	44,040	10.00	44,040	
	Well Tech Energy Inc.	"	"	2,144	28,944	5.66	28,944	
	TMY Technology Inc.	"	"	1,071	30,000	3.00	30,000	
	Great Giant Fiber Garment Co., Ltd.	"	"	300	24,900	-	24,900	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Yuen Foong Yu Consumer Products Co., Ltd.	N/A	Financial assets at fair value through profit or loss	500	\$ 12,575	-	\$ 12,575	
	Handa Pharmaceuticals, Inc.			1,400	29,120	1.21	29,120	
	Taiwan Aerospace Corp.	"	"	1	15	-	15	
	Hua Zhi Venture Capital Co., Ltd.	"	"	-	1	-	1	
	HWA VI Venture Capital Corp.	"	"	-	2	-	2	
	CDIB BioScience Ventures I, Inc.	"	"	-	1	-	1	
	WK 5 Venture Capital Co., Ltd.	"	"	-	1	-	-	
	WK 8 Venture Capital Co., Ltd.	"	"	-	1	-	-	
	WK 6 Venture Capital Co., Ltd.	"	"	-	1	-	-	
	WK 7 Venture Capital Co., Ltd.	"	"	-	1	-	-	
	Winking Entertainment Co., Ltd.	"	"	5,312	67,408	12.68	67,408	
	Mycenax Biotech Inc.,	"	"	1,200	41,400	-	41,400	
	INNOPHARMAX INC.	"	"	500	7,600	-	7,600	
	Palm Drive Capital III LP(Cayman)	"	"	-	16,806	2.00	16,806	
	KEE Fresh & Safe Foodtech Co., Ltd.	"	"	950	40,850	3.24	40,850	
	VisEra Technologies Co., Ltd.	"	"	580	139,200	-	139,200	
Cathay Futures Co., Ltd.	<u>Beneficiary certificates</u>							
	JKO Pion Money Market Fund	N/A	Financial assets at fair value through profit or loss	4,302	50,099	-	50,099	
	<u>Shares</u>							
	Taiwan Futures Exchange	N/A	Financial assets at fair value through other comprehensive income	5,617	808,398	1.52	808,398	

(Concluded)

TABLE 3

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount (Note 1)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Cathay Industrial Research and Design Center Co., Ltd.	Land located at No. 205, Sub-section 2, Changchun section, Zhongshan District, Taipei City	2021.01.27	\$1,675,410	Payment by installment according to the contract	ROC. (Managed by National Taipei University)	Non-related party	-	-	-	\$ -	Valuation report of appraisers	Real estate investment	None

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

**TABLE 4**

**CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Principal business activities	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021	Remittance of Funds for the period		Accumulated Outward Remittance for Investments from Taiwan as of March 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of March 31, 2021	Accumulated Repatriation of Investment Income as of March 31, 2021
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	a	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ 148,173	50.0	\$ 74,086 (Note 2,b,2))	\$ 6,069,865	\$ -
Cathay Century (China)	Property and casualty insurance	12,196,844	a	5,908,393	-	-	5,908,393	265,427	49.0	130,059 (Note 2,b,3))	4,693,633	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office equipment leasing company	7,223,435	a	7,223,435	-	-	7,223,435	50,007	100.0	35,600 (Note 2,b,2))	7,653,304	-
Cathay United Bank (China) Corporation Limited	Wholesale banking	14,377,562	a	14,377,562	-	-	14,377,562	(12,039)	100.0	(12,039) (Note 2,b,2))	16,071,026	-
CDBS Cathay Asset Management Co., Ltd.	Fund management services	1,701,823	a	566,707	-	-	566,707	(7,733)	33.3	(2,575) (Note 2,b,2))	403,825	-
CDBS Cathay Asset Management Co., Ltd. (Beijing) (Note 4)	Wealth management	468,290	c	-	-	-	-	4,170	33.3	1,389 (Note 2,b,2))	214,961	-

Accumulated Outward Remittance for Investments in Mainland China as of March 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 34,824,675	\$ 36,949,511	\$ 561,674,015

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

- a. Direct investment in China.
- b. Reinvestment in China through companies located in a third region (please indicate the companies located in that third region)
- c. Others.

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

- a. It should be indicated if the entity was in the preparation stage without profit or loss on investment.
- b. It should be indicated if the basis of recognizing the profit or loss on investment are of the following 3 types:
  - 1) The financial statements are reviewed and certified by international accounting firms which have partnership with R.O.C. accounting firms.
  - 2) The financial statements are reviewed and certified by the parent company’s auditors in Taiwan.
  - 3) Other basis.

Note 3: The related figure in the schedule should be expressed in New Taiwan dollars.

(Continued)

Note 4: CDBS Cathay Asset Management Co., Ltd. invested in CDBC Cathay Asset Management Co., Ltd. (Beijing) in the amount of CNY100 million in Mainland China.

Note 5: Information on investments in mainland China

- a. On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (“MOEAIC”) authorized Cathay Life to remit US\$22,850 thousand and US\$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US\$50,000 thousand to US\$48,330 thousand, approved by the MOEAIC on December 20, 2010. Also, MOEAIC authorized Cathay Life to remit US\$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized Cathay Life to remit US\$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US\$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US\$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life’s subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. Cathay Life has remitted US\$48,330 thousand to the subsidiary as of December 31, 2009. Cathay Life injected additional US\$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized Cathay Life to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of March 31, 2021, Cathay Life’s remittances to the subsidiary totaled approximately CNY900,000 thousand and US\$78,210 thousand.
- b. On October 17, 2007, MOEAIC authorized Cathay Life to remit US\$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized Cathay Life to increase the remittances from US\$26,390 thousand to US\$28,960 thousand. On August 15, 2008, MOEAIC further authorized Cathay Life to revise the remittance from US\$28,960 thousand to US\$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century Insurance in Shanghai has acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized Cathay Life to remit CNY245,000 thousand on December 6, 2018. As of March 31, 2021, Cathay Life’s remittances to this general insurance company totaled approximately CNY445,000 thousand and US\$28,140 thousand.
- c. On November 1, 2011 and April 11, 2012, MOEAIC authorized Cathay Life to remit CNY300,000 (US\$47,000) thousand and CNY500,000 (US\$80,000) thousand, respectively. A total of US\$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. Cathay Life’s subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. has acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized Cathay Life to remit CNY700,000 (US\$111,000) thousand to increase the share capital. As of March 31, 2021, Cathay Life’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately CNY1,500,000 thousand.
- d. On December 31, 2006, MOEAIC authorized Cathay Century to remit US\$28,960 thousand as the registered capital to establish an insurance subsidiary (in the form of a joint venture with Cathay Life) which was also approved by China Insurance Regulatory Commission on October 8, 2007. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century in Shanghai has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. On June 13, 2013 and March 18, 2014, a remittance of CNY100,000 thousand and CNY100,000 thousand as share capital were authorized by China Insurance Regulatory Commission. On November 23, 2018, according to No. 10700281680 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. As of March 31, 2021, Cathay Century has remitted US\$97,292 thousand in total.
- e. MOEAIC approved Cathay United Bank to remit to China CNY400,000 (US\$60,070) thousand. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY400,000 (US\$59,770) thousand. The remaining amount of US\$300 thousand was repatriated by Shanghai Branch, Cathay United Bank on November 5, 2010. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC in January 18, 2011 and were approved on January 24, 2011. In addition, MOEAIC further approved Cathay United Bank to remit CNY600,000 (US\$95,020) thousand to China. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY600,000 (US\$94,930) thousand. The remaining amount of US\$90 thousand was repatriated by Cathay United Bank’s Shanghai Branch on February 1, 2012. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC on March 20, 2012 and were approved on March 26, 2012. MOEAIC approved Cathay United Bank’s Shanghai Branch to increase the working capital of CNY1,000,000 (US\$164,000) thousand on February 27, 2014. According to MOEAIC, further approved working capital of Cathay United Bank’s Qingdao Branch was CNY600,000 (US\$98,200) thousand on January 21, 2014. The approved working capital of Cathay United Bank’s Shamchun Branch amounted to CNY400,000 (US\$60,710) thousand on January 5, 2015 and was approved on December 22, 2016.
- f. The registered capital of Cathay United Bank (China) Co., Ltd. was CNY3 billion, whose working capital was transferred from Cathay United Bank (Shanghai), Cathay United Bank (Qingdao), Cathay United Bank (Shenzhen) upon obtaining approval from the authorities.
- g. On January 9, 2012, MOEAIC authorized Cathay Securities Investments Trust to remit CNY66,600 thousand as the registered capital to establish a China-based company named CDBS Cathay Asset Management (in the form of a joint venture with China Development Bank Securities). Cathay Securities Investment Trust held 33.3% number of shares. CDBS Cathay Asset Management’s capital is CNY200,000 thousand, and has acquired a business license of an enterprise legal person on August 16, 2013. On November 9, 2016, the board of Cathay Securities Investments Trust approved to increase investment in CDBS Cathay Asset Management accounted for using the equity method as percentage of original ownership amounted to CNY53,280 thousand. The proposal was authorized by the FSC and MOEAIC on May 16, 2017 and June 9, 2017, respectively, on September 29, 2017 increase capital and will be executed after obtaining approval by the China authorities. As of March 31, 2021, Cathay Securities Investment Trust remittances to CDBS Cathay Asset Management totaled approximately CNY119,880 thousand.

(Concluded)

**TABLE 5****CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Financial Holding	Cathay Life	a	Financial assets at fair value through profit or loss	\$ 35,000,000	Not significantly different with that of third parties	0.32
		Cathay Life	a	Receivables	14,315,777	"	0.13
		Cathay Life	a	Interest revenue	310,685	"	0.16
		Cathay United Bank	a	Receivables	1,822,086	"	0.02
		Cathay Century	a	Receivables	445,073	"	-
		Cathay Securities	a	Receivables	287,881	"	-
		Cathay Securities Investment Trust	a	Receivables	271,435	"	-
1	Cathay Life	Cathay United Bank	c	Guarantee deposits received	186,551	"	-
		Cathay United Bank	c	Cash and cash equivalents	28,420,531	"	0.26
		Cathay United Bank	c	Gain on investment property	153,938	"	0.08
		Cathay United Bank	c	Other operating expense	1,532,434	"	0.81
		Cathay United Bank	c	Payables	421,537	"	-
		Cathay United Bank	c	Service fee and commission fee	311,356	"	0.16
		Cathay United Bank	c	Loss on financial assets and liabilities at fair value through profit or loss	896,517	"	0.47
		Cathay United Bank	c	Financial liabilities at fair value through profit or loss	641,206	"	0.01
		Cathay Century	c	Net other non-interest gain	156,953	"	0.08
		Cathay Futures	c	Guarantee deposits paid	1,938,256	"	0.02
		Cathay Securities Investment Trust	c	Service fee and commission fee	115,937	"	0.06
		Cathay Walbrook Holding 1 Limited	c	Loans	12,850,193	"	0.12
		Cathay Walbrook Holding 2 Limited	c	Loans	676,326	"	0.01
		Conning holding limited	c	Payables	326,886	"	-
		Conning holding limited	c	Service fee and commission fee	325,246	"	0.17

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note b)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
2	Cathay United Bank	Cathay Century	c	Deposits	\$ 1,839,633	"	0.02
		Cathay Securities	c	Deposits	2,609,322	"	0.02
		Cathay Venture	c	Deposits	160,114	"	-
		Cathay Securities Investment Trust	c	Deposits	155,415	"	-
		Cathay Futures	c	Deposits	822,005	"	0.01
		Cathay Futures	c	Guarantee deposits paid	530,776	"	-
		Lin Yuan	c	Deposits	1,280,542	"	0.01
		Cathay Life (Vietnam)	c	Deposits	2,853,186	"	0.03
		Indovina Bank	c	Receivables	470,762	"	-
		CUBC Bank	c	Receivables	168,182	"	-
		CUBCN Bank	c	Call loans to banks	427,965	"	-
		CUBCN Bank	c	Due to other banks	9,566,642	"	0.09
		CUBCN Bank	c	Receivables	816,417	"	0.01
3	Indovina Bank	Cathay Insurance (Vietnam)	c	Deposits	235,270	"	-
		Cathay Life (Vietnam)	c	Deposits	3,174,330	"	0.03
4	Cathay Securities	Cathay Futures	c	Financial assets at fair value through profit or loss	1,027,418	"	0.01

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

Note 2: Categories of relationship:

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

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

For balance sheet accounts: Transaction amount ÷ Total consolidated assets  
For income statement accounts: Accumulated transaction amount ÷ Total consolidated profit from operations.

Note 4: Disclosure of the important intercompany transactions above is decided by the Company based on the materiality principle.

(Concluded)

**TABLE 6****CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****INFORMATION ON MAJOR SHAREHOLDERS****MARCH 31, 2021**

Names of Major Shareholders	Shares	
	Number of Shares held	Shareholding Percentage (%)
Wan Pao Development Co., Ltd.	2,309,617,689	15.70
Lin Yuan Investment Co., Ltd.	2,016,949,426	13.71

Note 1: Information on major shareholders in this table is regarding the shareholders who hold more than 5% of the Company's dematerialized ordinary shares and preference shares (including treasury shares) that have been registered and delivered, as calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The capital recorded in the Company's consolidated financial statements and the actual number of dematerialized shares that have been registered and delivered may differ due to the difference between the basis of preparation and calculation.

Note 2: If a shareholder holds its shares by trust, the information is individually presented in the above disclosures by the trustee who opened the trust account. As for the handling of insider shareholding declaration for shareholders holding more than 10% of the Company's shares in accordance with the Securities and Exchange Act, the number of shares held includes those held by trust in which the shareholder has the power to decide the allocation of trust assets. For more information regarding insider shareholding declaration, please refer to the Market Observation Post System website.