

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

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Cathay Financial Holding Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are as follows:

Valuation of Policy Reserve and Liability Adequacy Test

Cathay Life Insurance Co., Ltd. is a subsidiary of Cathay Financial Holding Co., Ltd. Its management adopted the actuarial model and its related multiple significant assumptions for the estimation of the policy reserve and liability adequacy test. Significant assumptions in the measurement of the policy reserve include the mortality rate, discount rate, lapse rate, morbidity rate, etc. These assumptions are made based on legislation and regulations, taking into consideration its actual experience as well as industry-specific experience. The liability adequacy test on insurance contracts is performed in accordance with the requirements issued by the Actuarial Institute of Chinese Taipei, and the discount rates for future years used in the test are based on its best estimate scenario as well as the rate of the portfolio return under current information. Since any changes in the actuarial model and significant assumptions may lead to a material impact on the estimation results of the policy reserve and the liability adequacy test, the valuation of policy reserves and liability adequacy test was identified as a key audit matter. For the related accounting policies, accounting estimates, estimation uncertainty and relevant disclosure information, refer to Notes 4, 5 and 21 to the accompanying consolidated financial statements.

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

1. We understood the internal controls related to management's valuation of policy reserves and liability adequacy test as well as evaluated the operating effectiveness of these internal controls.
2. We obtained the actuarial report issued by the contracted actuary which was used as the basis for the management's valuation of policy reserves and liability adequacy test, and evaluated the contracted actuary's professional competence and capability.
3. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the valuation of the policy reserve. The actuarial specialist:
 - a. Randomly sampled the insurance products to examine whether the calculations of the policy reserve were made in accordance with the requirements.
 - b. Evaluated the actuarial model and significant assumptions used in its valuation of policy reserve based on the sampled insurance policies and verified the recognized amount of the policy reserve.
 - c. Performed profiling tests on long-term insurance policies as of December 31, 2021 to identify any abnormalities on the recognized amounts of policy reserve on each individual insurance policy.
 - d. Assessed the reasonableness of the amount of provision for the policy reserve by considering the amount of policy reserve as of the end of the prior year and the business development for the year ended December 31, 2021.

4. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the liability adequacy test. The actuarial specialist:
 - a. Tested on a sample basis the correctness of classification of the newly issued insurance products for the year ended December 31, 2021.
 - b. Sampled the significant assumptions provided by the management for our audits in order to examine whether the assumptions were consistent with the requirements and the important built-in assumptions in the information system.
 - c. Tested and assessed the actuarial model and its significant assumptions used by the management in its liability adequacy test on a sample basis and performed recalculations on the individual insurance policies.
 - d. Assessed the reasonableness of the calculation results of the liability adequacy test as a whole based on a comparative analysis of the previous year's results and taking into consideration the business development for the year ended December 31, 2021.

Assessment of the Fair Values of Investment Properties

The investment properties of Cathay Life Insurance Co., Ltd. are measured at their fair values. To support the management in making reasonable estimates, Cathay Life Insurance Co., Ltd. used the fair values assessed by external independent appraisers. As the appraisal method and parameters used in the assessment of fair values involve significant judgments and estimates, we determined the assessment of the fair values of investment properties as a key audit matter. For the accounting policies, accounting estimates, assumption uncertainty and relevant disclosure information on the assessment of fair values of investment properties, refer to Notes 4, 5 and 14 to the accompanying consolidated financial statements.

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

1. We evaluated the professional competence, capability and objectivity of the external independent appraisers, and verified the qualification of the appraisers.
2. We appointed an internal valuation specialist to evaluate the reasonableness of the appraisal reports adopted by its management, including the appraisal methods, main parameters and discount rate of the appraisal reports.

Impairment Assessment on Loans

Cathay United Bank Co., Ltd. is a subsidiary of Cathay Financial Holding Co., Ltd. Its domestic loans was considered material to the consolidated financial statements as a whole. As the assessment of impairment of loans involves accounting estimates and management's significant judgment, and as the impairment assessment on loans under the relevant regulations issued by the authorities is substantially larger than that under IFRS 9, hence, we determined the impairment of the loans under the relevant regulations prescribed by the authorities as a key audit matter.

Its management regularly assesses the impairment on its loans. Recognition of impairment loss on loans is based on compliance with regulations issued by the authorities regarding the classification of credit assets and provision of impairment loss. For the accounting policies and relevant information on the impairment assessment of loans, refer to Notes 4, 5 and 11.

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

1. We understood and tested its internal controls of impairment assessment on loans.
2. We tested the classification of the credit assets into their respective categories out of the total five categories to see if it complies with the relevant regulations issued by the authorities.
3. We performed the test on selected samples to ensure the appropriateness of impairment by the length of the overdue period and the value of the collateral of each respective loan.
4. We calculated the provision of impairment loss by classifying the credit assets into their respective category to see if it complies with the relevant regulations issued by the authorities.

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

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

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

Those charged with governance, including the audit committee/supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 28)	\$ 467,635,057	4	\$ 536,716,255	5
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	234,546,475	2	129,503,924	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5, 7, 28 and 29)	1,929,395,229	17	1,748,081,143	16
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 8, 28 and 29)	1,626,821,625	14	1,562,998,457	14
DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 9 and 29)	3,266,686,240	28	3,161,044,538	29
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 5)	500,642	-	146,959	-
NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS (Note 4)	77,243,060	1	67,264,342	1
RECEIVABLES, NET (Notes 4, 5, 10 and 28)	205,480,862	2	191,916,164	2
CURRENT TAX ASSETS	4,164,103	-	4,689,275	-
ASSETS HELD FOR SALE, NET	283,087	-	-	-
DISCOUNT AND LOANS, NET (Notes 4, 5, 11 and 28)	2,287,115,449	20	2,141,276,205	19
REINSURANCE CONTRACT ASSETS, NET	12,260,483	-	9,646,628	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 13 and 28)	32,614,572	-	33,036,282	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 23)	741,107,026	6	660,547,975	6
INVESTMENT PROPERTIES, NET (Notes 4, 5, 14, 28 and 29)	432,525,464	4	419,476,228	4
PROPERTY AND EQUIPMENT, NET (Notes 4 and 15)	97,852,266	1	98,405,132	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 28)	4,362,776	-	4,138,543	-
INTANGIBLE ASSETS, NET (Notes 4, 17 and 38)	51,543,583	-	54,002,407	-
DEFERRED TAX ASSETS (Note 4)	63,746,198	1	61,507,384	1
OTHER ASSETS, NET (Notes 28 and 29)	58,477,264	-	66,074,603	1
TOTAL	\$ 11,594,361,461	100	\$ 10,950,472,444	100
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 74,605,174	1	\$ 66,131,059	1
DUE TO THE CENTRAL BANK AND BANKS	1,076,000	-	1,076,000	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 7)	79,934,187	1	140,778,098	1
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 5)	20,956	-	139,858	-
NOTES AND BONDS SOLD UNDER REPURCHASE AGREEMENTS (Note 4)	39,827,873	-	12,299,564	-
COMMERCIAL PAPER PAYABLE, NET (Note 18)	63,469,166	-	39,519,918	1
PAYABLES (Note 28)	76,870,285	1	68,696,694	1
CURRENT TAX LIABILITIES (Note 4)	7,528,389	-	20,628,900	-
DEPOSITS AND REMITTANCES (Notes 19 and 28)	2,871,960,053	25	2,615,799,063	24
BONDS PAYABLE (Note 20)	141,800,000	1	148,800,000	1
OTHER BORROWINGS	1,670,185	-	1,657,576	-
PROVISIONS (Notes 4, 21 and 22)	6,448,259,356	56	6,117,073,219	56
OTHER FINANCIAL LIABILITIES (Notes 4 and 23)	763,908,198	7	692,760,284	6
LEASE LIABILITIES (Notes 4, 16 and 28)	14,721,170	-	13,011,637	-
DEFERRED TAX LIABILITIES (Notes 4 and 26)	52,976,726	-	67,823,378	1
OTHER LIABILITIES (Note 28)	41,695,016	-	39,501,515	-
Total liabilities	10,680,322,734	92	10,045,696,763	92
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 24)				
Share capital				
Ordinary shares	131,692,102	1	131,692,102	1
Preference shares	15,333,000	-	15,333,000	-
Capital surplus	177,244,388	2	177,256,053	2
Retained earnings				
Legal reserve	59,471,895	1	51,967,688	-
Special reserve	150,716,023	1	149,894,910	1
Unappropriated earnings	267,799,001	2	169,606,342	2
Other equity	99,781,737	1	197,311,121	2
Total equity attributable to owners of the Company	902,038,146	8	893,061,216	8
NON-CONTROLLING INTERESTS (Notes 4 and 24)	12,000,581	-	11,714,465	-
Total equity	914,038,727	8	904,775,681	8
TOTAL	\$ 11,594,361,461	100	\$ 10,950,472,444	100

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4 and 28)	\$ 207,813,024	33	\$ 208,249,264	33
INTEREST EXPENSE (Notes 4 and 28)	<u>(12,930,863)</u>	<u>(2)</u>	<u>(17,319,732)</u>	<u>(3)</u>
NET INTEREST INCOME	<u>194,882,161</u>	<u>31</u>	<u>190,929,532</u>	<u>30</u>
NET INCOME AND GAINS OTHER THAN INTEREST INCOME				
Net gain on service fee and commission fee (Notes 4, 23, 25 and 28)	12,648,663	2	7,244,068	1
Net income on insurance operations (Notes 4, 25 and 28)	218,483,618	35	312,998,311	50
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 7)	142,017,737	23	216,970,443	35
Gain on investment properties (Notes 4, 14 and 28)	11,657,941	2	13,234,433	2
Realized gain on financial assets at fair value through other comprehensive income (Note 4)	33,186,918	5	32,746,487	5
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	37,416,140	6	39,123,029	6
Foreign exchange loss (Note 4)	(74,946,785)	(12)	(126,717,214)	(20)
Reversal of impairment loss (impairment loss) on assets (Note 4)	2,299,198	1	(1,860,502)	-
Share of profit (loss) of associates and joint ventures accounted for using the equity method (Notes 4 and 13)	1,806,724	-	(12,084,664)	(2)
Gain (loss) on reclassification using the overlay approach (Notes 4 and 7)	39,313,145	6	(49,149,740)	(8)
Net other non-interest gain (Note 28)	<u>7,197,145</u>	<u>1</u>	<u>6,480,302</u>	<u>1</u>
PROFIT FROM OPERATIONS	<u>625,962,605</u>	<u>100</u>	<u>629,914,485</u>	<u>100</u>
NET CHANGES IN INSURANCE LIABILITY RESERVE (Notes 21 and 25)	<u>(377,408,390)</u>	<u>(60)</u>	<u>(462,094,141)</u>	<u>(73)</u>
PROVISION FOR BAD DEBT, COMMITMENTS AND GUARANTEE RESERVE	<u>(3,484,370)</u>	<u>(1)</u>	<u>(3,177,875)</u>	<u>(1)</u>
OPERATING EXPENSES (Notes 25 and 28)				
Employee benefit expenses	(53,706,468)	(9)	(52,661,132)	(8)
Depreciation and amortization expenses	(7,397,795)	(1)	(7,358,416)	(1)
Other general and administrative expenses	<u>(24,439,211)</u>	<u>(4)</u>	<u>(23,007,140)</u>	<u>(4)</u>
Total operating expenses	<u>(85,543,474)</u>	<u>(14)</u>	<u>(83,026,688)</u>	<u>(13)</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 159,526,371	25	\$ 81,615,781	13
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(18,637,061)</u>	<u>(3)</u>	<u>(5,657,558)</u>	<u>(1)</u>
NET INCOME	<u>140,889,310</u>	<u>22</u>	<u>75,958,223</u>	<u>12</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 4 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,208,112	-	(617,081)	-
Property revaluation surplus	332,149	-	-	-
Gain on equity instruments at fair value through other comprehensive income	9,716,739	2	3,822,815	1
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	736,634	-	464,755	-
Share of other comprehensive (loss) income of associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	(47,908)	-	317,967	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	307,054	-	265,474	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(2,842,282)	-	(2,219,050)	-
(Loss) gain on hedging instruments	(13,681)	-	13,263	-
(Loss) gain on debt instruments at fair value through other comprehensive income	(79,200,595)	(13)	40,470,410	6
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	(1,038,743)	-	(162,146)	-

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
Other comprehensive (loss) income reclassified using overlay approach	\$ (39,313,145)	(6)	\$ 49,149,740	8
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 26)	<u>15,879,804</u>	<u>2</u>	<u>(11,267,656)</u>	<u>(2)</u>
Total other comprehensive (loss) income for the period, net of income tax	<u>(94,275,862)</u>	<u>(15)</u>	<u>80,238,491</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 46,613,448</u>	<u>7</u>	<u>\$ 156,196,714</u>	<u>25</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 139,514,082	22	\$ 74,579,460	12
Non-controlling interests	<u>1,375,228</u>	<u>-</u>	<u>1,378,763</u>	<u>-</u>
	<u>\$ 140,889,310</u>	<u>22</u>	<u>\$ 75,958,223</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 45,166,120	7	\$ 154,988,421	25
Non-controlling interests	<u>1,447,328</u>	<u>-</u>	<u>1,208,293</u>	<u>-</u>
	<u>\$ 46,613,448</u>	<u>7</u>	<u>\$ 156,196,714</u>	<u>25</u>
EARNINGS PER SHARE (Note 27)				
Basic earnings per share	<u>\$ 10.34</u>		<u>\$ 5.41</u>	

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

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										Other Equity					Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach	Others	Total		
	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
Appropriation 2019 earnings	-	-	-	5,844,843	-	(5,844,843)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	71,928,090	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(71,928,090)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(26,338,420)	-	-	-	-	-	-	-	-	(26,338,420)	-	(26,338,420)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(923)	-	-	-	-	-	-	-	-	-	-	-	(923)	-	(923)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,944,303)	(3,944,303)	-	(3,944,303)
Net income for the year ended December 31, 2020	-	-	-	-	-	74,579,460	-	-	-	-	-	-	-	-	74,579,460	1,378,763	75,958,223
Other comprehensive (loss) income for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	(2,144,389)	38,081,079	15,941	371,803	(458,415)	-	44,542,942	-	80,408,961	(170,470)	80,238,491
Total comprehensive income (loss) for year ended December 31, 2020	-	-	-	-	-	74,579,460	(2,144,389)	38,081,079	15,941	371,803	(458,415)	-	44,542,942	-	154,988,421	1,208,293	156,196,714
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	193,192	-	(193,192)	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(154,672)	297,897	-	-	-	-	-	(143,225)	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	226,358	226,358
BALANCE, AT DECEMBER 31, 2020	131,692,102	15,333,000	177,256,053	51,967,688	149,894,910	169,606,342	(15,464,009)	106,207,840	347,871	(1,478,705)	(1,966,279)	11,097,089	102,511,617	(3,944,303)	893,061,216	11,714,465	904,775,681
Appropriation of 2020 earnings	-	-	-	7,504,207	-	(7,504,207)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	(1,025,611)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,025,611	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(32,923,025)	-	-	-	-	-	-	-	-	(32,923,025)	-	(32,923,025)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(11,665)	-	-	(26,903)	-	(2,076)	-	-	-	-	-	-	(40,644)	-	(40,644)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(554,511)	-	-	-	-	-	-	-	719,914	165,403	(176,506)	(11,103)
Net income for the year ended December 31, 2021	-	-	-	-	-	139,514,082	-	-	-	-	-	-	-	-	139,514,082	1,375,228	140,889,310
Other comprehensive (loss) income for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(3,188,242)	(55,239,956)	(12,020)	589,308	1,000,149	249,745	(37,746,946)	-	(94,347,962)	72,100	(94,275,862)
Total comprehensive income (loss) for year ended December 31, 2021	-	-	-	-	-	139,514,082	(3,188,242)	(55,239,956)	(12,020)	589,308	1,000,149	249,745	(37,746,946)	-	45,166,120	1,447,328	46,613,448
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	3,834,335	-	(3,834,335)	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(204,498)	269,423	-	-	-	-	-	(64,925)	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(984,706)	(984,706)
BALANCE, AT DECEMBER 31, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,244,388	\$ 59,471,895	\$ 150,716,023	\$ 267,799,001	\$ (18,652,251)	\$ 47,131,473	\$ 335,851	\$ (889,397)	\$ (966,130)	\$ 11,281,909	\$ 64,764,671	\$ (3,224,389)	\$ 902,038,146	\$ 12,000,581	\$ 914,038,727

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 159,526,371	\$ 81,615,781
Adjustments for:		
Depreciation expense	4,111,453	4,026,580
Amortization expense	3,286,342	3,331,836
Bad debt expense	3,484,370	3,177,875
Gain on financial assets and liabilities at fair value through profit or loss	(125,960,769)	(200,901,199)
Interest expense	12,930,863	17,319,732
Net gain on derecognition of financial assets at amortized cost	(37,416,140)	(39,123,029)
Interest income	(207,813,024)	(208,249,264)
Dividend income	(22,306,890)	(19,409,573)
Net change in insurance liabilities	336,991,049	406,251,525
Net changes in other provisions	(5,767,139)	(3,180,012)
Share of (profit) loss of associates and joint ventures accounted for using the equity method	(1,806,724)	12,084,664
(Gain) loss on reclassification using the overlay approach	(39,313,145)	49,149,740
Loss on disposal and retirement of property and equipment	9,975	71,249
(Gain) loss on disposal of investment properties	(23,700)	474,481
Loss on disposal of intangible assets	-	6,260
Gain on disposal of investments accounted for using the equity method	(167,748)	(1,786,696)
Gain on disposal of investments	(26,532,879)	(28,739,603)
(Reversal of expected credit loss) expected credit loss on financial assets	(2,299,198)	1,860,502
Gain on changes in fair value of investment properties	(957,835)	(2,113,979)
Net changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(11,737,020)	(10,914,208)
(Increase) decrease in financial assets at fair value through profit or loss	(16,019,550)	258,808,341
Increase in financial assets at fair value through other comprehensive income	(105,890,639)	(307,748,117)
Increase in debt instruments at amortized cost	(66,414,804)	(54,562,318)
(Increase) decrease in financial assets for hedging	(157,643)	93,292
Increase in receivables	(12,366,383)	(7,129,465)
Increase in loans	(149,313,340)	(77,416,828)
Increase in reinsurance assets	(2,646,202)	(918,046)
Decrease (increase) in other financial assets	2,366,619	(10,988,359)
Decrease (increase) in other assets	3,991,220	(8,061,537)
Increase (decrease) deposits from the Central Bank and banks	8,474,115	(17,977,069)
Decrease in financial liabilities at fair value through profit or loss	(98,353,852)	(109,613,264)
(Decrease) increase in financial liabilities for hedging	(328,623)	430,051
Increase (decrease) in notes and bonds sold under repurchase agreements	27,528,309	(37,978,969)
Increase in payables	8,552,337	4,136,883

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Increase in deposits and remittances	\$ 256,160,990	\$ 312,355,247
Increase in provisions for employee benefits	39,727	109,114
Decrease in provisions	(45,153)	(151,034)
Decrease in other financial liabilities	(11,378,375)	(18,354,330)
Increase in other liabilities	<u>5,706,826</u>	<u>2,627,333</u>
Cash used in operations	(111,856,209)	(7,386,413)
Interest received	208,731,688	210,196,945
Dividends received	23,172,239	20,203,784
Interest paid	(14,416,154)	(19,518,618)
Income tax paid	<u>(33,115,959)</u>	<u>(7,309,251)</u>
Net cash generated from operating activities	<u>72,515,605</u>	<u>196,186,447</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(33,909,657)	(34,845,034)
Proceeds from disposal of financial assets at fair value through other comprehensive income	33,464,578	34,711,067
Acquisition of financial assets at fair value through profit or loss	(1,082,603)	(1,040,985)
Proceeds from disposal of financial assets at fair value through profit or loss	581,550	662,239
Proceeds from capital reduction of financial assets at fair value through profit or loss	14,800	-
Acquisition of investments accounted for using equity method	(414,500)	(495,185)
Proceeds from disposal of investments accounted for using equity method	307,166	-
Net cash outflow from acquisition of subsidiaries (deducted cash and cash equivalent balances acquired)	-	(152,501)
Proceeds from capital reduction of investments accounted for using equity method	404,415	245,904
Acquisition of property and equipment	(2,728,904)	(2,371,706)
Proceeds from disposal of property and equipment	1,608	11,977
Acquisition of intangible assets	(733,320)	(510,889)
Acquisition of investment properties	(11,576,015)	(7,130,742)
Proceeds from disposal of investment properties	117,100	422,925
Decrease (increase) in other assets	2,564,385	(4,762,543)
Dividends received	<u>97,878</u>	<u>89,620</u>
Net cash used in investing activities	<u>(12,891,519)</u>	<u>(15,165,853)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in funds borrowed from the Central Bank and banks	-	1,076,000
Increase (decrease) in commercial paper payable	23,950,000	(14,500,000)
Proceeds from issuance of bonds payable	-	30,000,000

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Repayment of financial debentures	\$ (7,000,000)	\$ (100,000)
Increase (decrease) in borrowings	70,853	(480,337)
Decrease in financial liabilities designated as at fair value through profit or loss	-	(11,289,165)
Repayment of the principal portion of lease liabilities	(1,548,493)	(1,589,482)
(Decrease) increase in other liabilities	(2,889,289)	2,139,275
Dividends paid	(36,313,949)	(29,729,344)
Acquisition of interests in subsidiaries	(605,519)	-
Changes in non-controlling interests	<u>(676,345)</u>	<u>(1,188,663)</u>
Net cash used in financing activities	<u>(25,012,742)</u>	<u>(25,661,716)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(394,137)</u>	<u>(748,546)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,217,207	154,610,332
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>657,824,480</u>	<u>503,214,148</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 692,041,687</u>	<u>\$ 657,824,480</u>
Reconciliation of cash and cash equivalents:		
	December 31	
	2021	2020
Cash and cash equivalents presented in the consolidated balance sheets	\$ 467,635,057	\$ 536,716,255
Due from the Central Bank and call loans to banks qualified for cash and cash equivalents under the definition of IAS 7	147,163,570	53,843,883
Notes and bonds purchased under resale agreements qualified for cash and cash equivalents under the definition of IAS 7	<u>77,243,060</u>	<u>67,264,342</u>
Cash and cash equivalents at the end of the years	<u>\$ 692,041,687</u>	<u>\$ 657,824,480</u>

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

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on March 11, 2022.

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

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

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are applicable prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applicable retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

- IFRS 17 “Insurance Contracts” and its amendments

IFRS 17 sets out the accounting standards for insurance contracts and it will supersede IFRS 4. The main standards and amendments of IFRS 17 are as follows:

Level of aggregation

IFRS 17 requires the Group to identify portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. The Group should divide a portfolio of insurance contracts issued into a minimum of:

- 1) A group of contracts that are onerous at initial recognition;
- 2) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- 3) A group of the remaining contracts in the portfolio.

The Group should not include contracts issued more than one year apart in the same group, and the recognition and measurements of IFRS 17 should be applied to all identified groups of contracts.

Recognition

The Group should recognize a group of insurance contracts it issues from the earliest of the following:

- 1) The beginning of the coverage period of the group of contracts;
- 2) The date when the first payment from a policyholder in the group becomes due; and
- 3) For a group of onerous contracts, when the group becomes onerous.

Measurement on initial recognition

On initial recognition, the Group should measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprises estimates of future cash flows, an adjustment to reflect the time value of money and financial risk related to the future cash flows, and a risk adjustment for non-financial risk. The contractual service margin represents the unearned profit for the group of insurance contracts that the Group will recognize as it provides insurance contract services in the future. Unless a group of contracts is onerous, the Group should measure the contractual service margin on initial recognition of the group of insurance contracts at an amount that results in no income or expenses arising from:

- 1) The initial recognition of an amount for the fulfilment cash flows;
- 2) Any cash flows arising from the contracts in the group at that date; and
- 3) The derecognition at the date of initial derecognition of:
 - a) Any assets for insurance acquisition cash flows;
 - b) Any other asset or liability previously recognized for cash flows related to the group of contracts.

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period should be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future services and the contractual service margin; the liability for incurred claims comprises the fulfilment cash flows related to past services. If a group of insurance contracts becomes onerous (or more onerous) on subsequent measurement, the Group should recognize a loss immediately in profit or loss.

Onerous contracts

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contracts, any previously recognized insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. The Group should recognize a loss in profit or loss for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for the group of onerous contracts being equal to the fulfilment cash flows and the contractual service margin of the group being zero. Before the loss previously recognized on the onerous group is reversed, the Group should not recognize contractual service margin or insurance revenue.

Premium Allocation Approach (PAA)

The Group may simplify the measurement of a group of insurance contracts using the PAA if, and only if, at the inception of the group:

- 1) The Group reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced apply the general measurement model; or
- 2) The coverage period of each contract in the group is one year or less.

At the inception of the group, if the Group expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred, the above-mentioned criterion 1) is not met.

Using the PAA, the liability for remaining coverage on initial recognition should be:

- 1) The premiums received at initial recognition;
- 2) Minus any insurance acquisition cash flows at that date; and
- 3) Plus or minus any amount arising from the derecognition at that date of:
 - a) Any asset for insurance acquisition cash flows; and
 - b) Any other asset or liability previously recognized for cash flows related to the group of insurance contracts.

Subsequently, the liability for remaining coverage should be adjusted as plus the premiums received and the amortization of insurance acquisition cash flows and minus the amount recognized as insurance revenue for services provided and any investment component paid or transferred to the liability for incurred claims in the period.

Investment contracts with discretionary participation features

An investment contract with discretionary participation features is a financial instrument and it does not include a transfer of significant insurance risk. An investment contract with discretionary participation features the Group issues should apply the requirements of IFRS 17 if the Group also issues insurance contracts.

Modification and derecognition

If the terms of an insurance contract are modified and any of the specific conditions is met, resulting in a substantive modification, the Group should derecognize the original contract and recognize the modified contract as a new contract.

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

Transition

The Group shall apply IFRS 17 retrospectively unless it is impracticable, in which case the Group may choose to adopt the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, the Group should use reasonable and supportable information and maximize the use of information that would have been used to apply a full retrospective approach, but only need to use information available without undue cost or effort. If such reasonable and supportable information is unavailable, the Group should apply fair value approach.

Under the fair value approach, the Group should determine the contractual service margin at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

Redesignation of financial assets

At the date of initial application of IFRS 17, an entity which had applied IFRS 9 may redesignate the classification of an eligible asset that meets the condition in paragraph C29 of IFRS 17. The entity is not required to restate the comparative information to reflect changes in the classifications of these assets, and any difference between the previous carrying amount and the carrying amount at the date of initial application of these financial assets should be recognized in the opening retained earnings (or other component of equity, as appropriate) at the date of initial application. If the entity restates the comparative information, the restated financial statements must reflect all the requirements of IFRS 9 for those affected financial assets.

In addition, an enterprise which had applied IFRS 9 before the initial application of IFRS 17 could apply the classification overlay on an individual basis to the financial assets that had been derecognized during the comparative period as if those financial assets had been reclassified in the comparative period in accordance with the redesignation requirements in paragraph C29 of IFRS 17.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Statements by Insurance Enterprises, Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Statements by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

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

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

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

- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

Basis of Consolidation

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 12 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Business Combinations

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

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

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

Foreign Currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the financial statements of the Company's foreign operations (including subsidiaries and associates in other countries) that are prepared using the functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Investments in Associates

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

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

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

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

the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

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

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

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

Property and Equipment

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

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

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

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

Investment Properties

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

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

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

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

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

Goodwill

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

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

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

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

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

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement categories

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

a) Financial assets at FVTPL

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

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

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

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

b) Financial assets at amortized cost

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

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

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

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

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

The Group always recognizes lifetime ECLs for receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

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

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

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

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

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

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

3) Derecognition of financial assets

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

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

4) Offsetting of financial instruments

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

b. Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

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

c. Financial liabilities

1) Subsequent measurement

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

Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement (any interest paid on such financial liabilities) recognized in profit or loss.

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

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

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

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

Financial guarantee contracts

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

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

e. Modification of financial instrument

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

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

Hedge Accounting

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

a. Fair value hedges

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

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

b. Cash flow hedges

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

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

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the year in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

c. Hedges of net investments in foreign operations

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

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

Notes and Bonds Purchased/Sold Under Resale/Repurchase Agreements

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

Separate Accounts Insurance Products

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

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

Insurance Liability

a. Cathay Life

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

1) Unearned premium reserve

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

2) Loss reserve

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

3) Policy reserve

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

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

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

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

4) Special reserve

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

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

5) Premium deficiency reserve

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

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

6) Other reserve

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

7) Liability adequacy reserve

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

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

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

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

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

d. Cathay Century and its subsidiaries

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

The descriptions of these reserves are as follows:

1) Unearned premium reserve

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

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

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

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

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

2) Loss reserve

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

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

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

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

3) Special reserve

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

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

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

for catastrophic event and fluctuation of risk that provided under liabilities should be in conformity with the notice mentioned above.

4) Premium deficiency reserve

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

5) Policy reserve

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

6) Liability adequacy reserve

The contracts that need to be tested for liability adequacy required by IFRS 4 should use estimated future cash flow based on the current information on each balance sheet date for the test, and the contracts with recognized insurance liability are tested for liability adequacy. If the test shows that the liability is inadequate, the entire deficiency is recognized in liability adequacy reserve.

Liability Adequacy Test

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

Reserve for Insurance Contracts with the Nature of Financial Products

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

Reserve for Foreign Exchange Valuation

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

Revenue and the Related Expenses Recognition

a. Cathay Life and its subsidiaries

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

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

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

2) Cathay Lujiazui Life

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

3) Cathay Life (Vietnam)

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

b. Cathay United Bank and its subsidiaries

1) Recognition of interest revenue and expense

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

2) Recognition of service fee revenue and expense

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

3) Customer loyalty program

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

c. Cathay Century and its subsidiaries

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

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

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

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

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

Provision for loss reserve is not discounted.

d. Cathay Securities

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

Classification of Insurance Products

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

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

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

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

- a. Additional payments may be a significant portion of total contractual benefits.
- b. The amounts or timing for additional payments are contractually at the Group's discretion.
- c. Additional payments are contractually based on one of the following matters:
 - 1) The performance on a specified combination of contracts or a specified type of contract.
 - 2) The investment returns on a specified combination of assets held by the Group.
 - 3) The profit or loss of the Group, funds, or other entities.

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

Reinsurance

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

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

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

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

Provisions

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

Leases

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

a. The Group as lessor

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

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

b. The Group as lessee

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

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

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Termination benefits

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

d. Employee preferential interest rate deposits

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

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

Taxation

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

a. Current tax

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

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

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

In accordance with Article 49 of the Financial Holding Company Act, the Company and its subsidiaries jointly filed income tax returns and surtax on unappropriated retained earnings since 2002 under the integrated income tax system with the Company as the taxpayer. Such effects on current tax and deferred tax are accounted for as receivables or payables.

b. Deferred tax

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

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

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

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

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

c. Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of loans

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

b. Fair value measurements and valuation processes

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

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

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

c. Valuation of insurance contract liabilities

1) Cathay Life and its subsidiaries

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

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

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

2) Cathay Century and its subsidiaries

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 23,527,042	\$ 18,412,103
Cash in banks	196,752,403	166,785,873
Time deposits	184,624,212	252,042,783
Checks for clearing	6,116,728	2,628,849
Cash equivalents	20,796,677	46,599,213
Due from banks	35,838,074	50,269,827
Less: Loss allowance	<u>(20,079)</u>	<u>(22,393)</u>
	<u>\$ 467,635,057</u>	<u>\$ 536,716,255</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2021	2020
<u>Financial assets mandatorily classified as at FVTPL</u>		
Stocks	\$ 556,703,945	\$ 538,241,070
Funds and beneficiary certificates	759,503,179	681,814,769
Government bonds	17,741,331	35,857,067
Corporate bonds	18,855,363	8,251,384
Financial debentures	51,879,381	20,556,752
Overseas bonds	295,813,069	148,917,957
Short-term notes	168,386,378	195,725,296
Futures trading margin	205,263	1,329,790
Structured time deposits	7,771,014	18,027,331
Derivative instruments	<u>52,536,306</u>	<u>99,359,727</u>
	<u>\$ 1,929,395,229</u>	<u>\$ 1,748,081,143</u>

(Continued)

	December 31	
	2021	2020
<u>Financial liabilities at FVTPL</u>		
Designated as at FVTPL		
Bonds	\$ 40,587,123	\$ 44,204,582
Held for trading		
Derivative instruments	38,301,659	81,426,781
Security lending payable (non-hedging)	1,031,175	14,909,925
Security lending payable (hedging)	<u>14,230</u>	<u>236,810</u>
	<u>\$ 79,934,187</u>	<u>\$ 140,778,098</u>
		(Concluded)

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

	December 31	
	2021	2020
<u>Financial assets mandatorily classified as at FVTPL</u>		
Stocks	\$ 545,639,162	\$ 523,742,759
Funds and beneficiary certificates	737,717,965	635,702,636
Financial debentures	13,160,060	10,675,230
Overseas bonds	294,220,757	147,576,634
Structured time deposits	<u>7,771,014</u>	<u>18,027,331</u>
	<u>\$ 1,598,508,958</u>	<u>\$ 1,335,724,590</u>

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

	For the Year Ended December 31	
	2021	2020
Gain due to application of IFRS 9 to profit or loss	\$ 116,660,218	\$ 163,356,742
Gain if applying IAS 39 to profit or loss	<u>(155,973,363)</u>	<u>(114,207,002)</u>
(Gain) loss reclassified due to application of overlay approach	<u>\$ (39,313,145)</u>	<u>\$ 49,149,740</u>

Due to application of overlay approach, the amounts of gain on financial assets and liabilities at FVTPL for the year ended December 31, 2021 and 2020 increased from \$142,017,737 thousand to \$181,330,882 thousand, and decreased from \$216,970,443 thousand to \$167,820,703 thousand, respectively.

- b. Financial liabilities designated as at FVTPL

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

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

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

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

Cathay United Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the year ended December 31, 2021 and 2020, such interest rate swaps were valued with a net loss of \$2,445,367 thousand and net gain of \$1,921,169 thousand, respectively.

- c. As of December 31, 2021, certain financial assets at FVTPL of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$2,215,200 thousand. The proceeds amounting to \$2,148,959 thousand, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$2,149,060 thousand before the end of January 2022. As of December 31, 2020, no financial assets at FVTPL of Cathay United Bank and its subsidiaries were sold under repurchase agreements.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
Investments in equity instrument at FVTOCI		
Stocks	\$ 176,155,083	\$ 123,365,677
Investments in debt instrument at FVTOCI		
Government bonds	112,700,665	121,984,303
Corporate bonds	103,339,355	104,379,875
Financial debentures	80,292,790	82,202,742
Overseas bonds	1,119,667,280	1,078,517,070
Asset-backed securities	10,163,330	14,299,523
Negotiable certificates of deposits	25,599,336	39,411,018
Less: Litigation deposits	(43,613)	(46,761)
Less: Deposits in the Central Bank	(1,052,601)	(1,114,990)
	<u>1,450,666,542</u>	<u>1,439,632,780</u>
	<u>\$ 1,626,821,625</u>	<u>\$ 1,562,998,457</u>

- a. These investments in equity instruments are not held for trading and thus were designated as financial assets at FVTOCI.

- b. Dividend income recognized relating to investments in equity instruments at FVTOCI for the year ended December 31, 2021 and 2020 were \$6,661,304 thousand and \$4,026,443 thousand, respectively. Those related to investment derecognized for the year ended December 31, 2021 and 2020 were \$1,153,232 thousand and \$204,065 thousand, respectively.
- c. In consideration of the investment strategy, the Group sold equity instruments at FVTOCI at fair values of \$53,831,949 thousand and \$39,292,343 thousand at the time of sale, and transferred unrealized gain of \$3,834,335 thousand and \$193,192 thousand from other equity to retained earnings for the year ended December 31, 2021 and 2020, respectively.
- d. As of December 31, 2021 and 2020, certain financial assets at FVTOCI of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$28,230,898 thousand and \$9,074,539 thousand, respectively. The proceeds amounting to \$27,600,460 thousand and \$9,175,931 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$27,614,471 thousand and \$9,189,593 thousand before the end of June 2022 and 2021, respectively.
- e. As of December 31, 2021 and 2020, Cathay Securities and its subsidiaries sold certain debt instruments at FVTOCI under repurchase agreements with notional amounts of \$2,650,000 thousand and \$2,200,000 thousand, respectively.
- f. Refer to Note 29 for the financial assets at FVTOCI that were pledged as collateral.
- g. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at FVTOCI.

9. DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2021	2020
Time deposits	\$ 6,300,361	\$ 2,553,632
Financial debentures	44,228,630	52,527,979
Corporate bonds	41,926,858	43,041,834
Government bonds	78,728,343	50,605,910
Overseas bonds	2,603,446,990	2,555,705,009
Financial asset beneficiary certificates	445,000	445,000
Asset-backed securities	40,413,469	32,298,469
Short-term notes	461,857,140	436,402,937
Less: Guarantee deposits	(1,151,573)	(1,353,429)
Less: Deposits in the Central Bank	(8,733,908)	(8,546,113)
Less: Loss allowance (Note)	<u>(775,070)</u>	<u>(2,636,690)</u>
	<u>\$ 3,266,686,240</u>	<u>\$ 3,161,044,538</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of December 31, 2021 and 2020, the amounts were \$286 thousand and \$1,258 thousand, respectively.

- a. For the year ended December 31, 2021 and 2020, the Group disposed of bonds before maturity due to increase in credit risk, which resulted in gains (losses) on disposal of \$4,327,880 thousand and \$(277,023) thousand, respectively; disposal of bonds before maturity because of infrequent sales or sales insignificant in value (either individually or in aggregate) resulted in gains on disposal of \$29,013,762 thousand and \$38,149,433 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in gains on disposal of \$4,722,448 thousand and \$1,616,634 thousand, respectively.

- b. As of December 31, 2021 and 2020, certain debt instruments at amortized cost of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$7,791,895 thousand and \$1,095,769 thousand, respectively. The proceeds amounting to \$7,412,233 thousand and \$916,127 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$7,417,746 thousand and \$915,796 thousand before February 2022 and January 2021, respectively.
- c. Refer to Note 29 for information relating to debt instruments at amortized cost pledged as collateral.
- d. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at amortized cost.

10. RECEIVABLES, NET

	December 31	
	2021	2020
Notes receivable	\$ 437,570	\$ 448,479
Accounts receivable	103,071,169	107,627,139
Interest receivables	53,454,191	53,277,785
Acceptances	1,372,808	1,074,796
Factoring receivables	4,081,459	4,924,287
Others	<u>45,570,597</u>	<u>27,171,566</u>
	207,987,794	194,524,052
Less: Loss allowance	<u>(2,506,932)</u>	<u>(2,607,888)</u>
	<u>\$ 205,480,862</u>	<u>\$ 191,916,164</u>

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

For the year ended December 31, 2021

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Beginning balance	\$ 465,842	\$ 202,476	\$ 1,731,461	\$ 2,399,779	\$ 62,941	\$ 2,462,720
Changes of financial instruments recognized at the beginning of the current reporting year						
Transferred to Lifetime ECLs	(4,817)	132,720	(1,521)	126,382	-	126,382
Transferred to credit-impaired financial assets	(484)	(2,646)	47,604	44,474	-	44,474
Transferred to 12-month ECLs	4,443	(69,188)	(2,868)	(67,613)	-	(67,613)
Derecognition of financial assets in the period	(213,406)	(96,131)	(54,135)	(363,672)	-	(363,672)
New financial assets purchased or originated	135,256	109,758	340,681	585,695	-	585,695
Differences of impairment loss under regulations	-	-	-	-	6,728	6,728

(Continued)

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Written off as bad debt expense	\$ -	\$ -	\$ (430,910)	\$ (430,910)	\$ -	\$ (430,910)
Effects of exchange rate changes and others	31,414	11,715	28,601	71,730	-	71,730
Ending balance	<u>\$ 418,248</u>	<u>\$ 288,704</u>	<u>\$ 1,658,913</u>	<u>\$ 2,365,865</u>	<u>\$ 69,669</u>	<u>\$ 2,435,534</u>

(Concluded)

For the year ended December 31, 2020

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Beginning balance	\$ 509,882	\$ 154,306	\$ 1,660,104	\$ 2,324,292	\$ 52,976	\$ 2,377,268
Changes of financial instruments recognized at the beginning of the current reporting year						
Transferred to Lifetime ECLs	(3,266)	82,897	(2,541)	77,090	-	77,090
Transferred to credit-impaired financial assets	(424)	(1,960)	137,286	134,902	-	134,902
Transferred to 12-month ECLs	2,410	(60,040)	(4,923)	(62,553)	-	(62,553)
Derecognition of financial assets in current year	(172,285)	(75,138)	(50,415)	(297,838)	-	(297,838)
New financial assets purchased or originated	108,021	79,293	366,959	554,273	-	554,273
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	9,790	9,790
Written off as bad debt expense	-	-	(507,788)	(507,788)	-	(507,788)
Effects of exchange rate changes and others	21,504	23,118	132,779	177,401	175	177,576
Ending balance	<u>\$ 465,842</u>	<u>\$ 202,476</u>	<u>\$ 1,731,461</u>	<u>\$ 2,399,779</u>	<u>\$ 62,941</u>	<u>\$ 2,462,720</u>

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Beginning balance	\$ 145,168	\$ 159,212
Provision for the year	24,311	5,980
Amounts written off	(97,769)	(20,360)
Foreign exchange	(312)	336
Ending balance	<u>\$ 71,398</u>	<u>\$ 145,168</u>

11. DISCOUNTS AND LOANS, NET

	December 31	
	2021	2020
Export negotiations	\$ 1,354,799	\$ 1,492,261
Loans	2,314,739,694	2,166,663,868
Discounts and overdrafts	1,278,734	1,557,418
Overdue loans	<u>4,872,323</u>	<u>4,546,927</u>
	2,322,245,550	2,174,260,474
Less: Loss allowance	<u>(35,130,101)</u>	<u>(32,984,269)</u>
	<u>\$ 2,287,115,449</u>	<u>\$ 2,141,276,205</u>

- a. As of December 31, 2021, the gross amount of domestic discounts and loans and the related loss allowance belonging to Cathay United Bank amounted to \$1,674,216,558 thousand and \$27,224,559 thousand, respectively.
- b. For the years ended December 31, 2021 and 2020, Cathay United Bank disposed credit assets in order to increase debt recovery, and recognized the loss arising from the derecognition of credit assets measured at amortized cost amounting to \$647,050 thousand and \$366,015 thousand, respectively.
- c. Refer to Note 36 for information relating to the credit risk management and impairment of discounts and loans.

12. SUBSIDIARIES

- a. Subsidiaries included in the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)		Notes
			December 31		
			2021	2020	
The Company	Cathay Life	Life Insurance	100.00	100.00	
The Company	Cathay United Bank	Banking	100.00	100.00	
The Company	Cathay Century	Property insurance	100.00	100.00	
The Company	Cathay Securities	Security	100.00	100.00	
The Company and Cathay Life	Cathay Venture	Venture capital	100.00	100.00	
The Company	Cathay Securities Investment Trust	Entrusted investments	100.00	100.00	
Cathay Life	Cathay Lujiazui Life	Life insurance	50.00	50.00	
Cathay Life	Cathay Life (Vietnam)	Life insurance	100.00	100.00	
Cathay Life	Lin Yuan (Shanghai) Real Estate Co., Ltd. ("Lin Yuan")	Office leasing	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	100.00	
Cathay Life	Conning Holdings Limited ("CHL")	Holding company	100.00	100.00	
Cathay Life	Cathay Industrial Research and Design Center Co., Ltd. ("Cathay Industrial R&D Center")	Real estate rental and leasing	99.00	-	Note 1
CHL	Conning U.S. Holdings, Inc.	Holding company	100.00	100.00	
CHL	Conning Asset Management Ltd.	Asset management services	100.00	100.00	
CHL	Conning (Germany) GmbH	Risk management software services	100.00	100.00	
The Company and CHL	Conning Asia Pacific Ltd.	Asset management services	100.00	100.00	
CHL	Conning Japan Ltd.	Asset management services	100.00	100.00	
CHL	Global Evolution Holding ApS	Holding company	61.15	53.13	Note 2
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	100.00	
Conning Holdings Corp.	Conning & Company ("C&C")	Holding company	100.00	100.00	

(Continued)

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)		Notes
			December 31		
			2021	2020	
C&C	Conning Inc.	Asset management services	100.00	100.00	
C&C	Goodwin Capital Advisers, Inc.	Asset management services	100.00	100.00	
C&C	Conning Investment Products, Inc.	Securities services	100.00	100.00	
C&C	Octagon Credit Investors, LLC (“Octagon”)	Asset management services	86.13	85.67	
Octagon	Octagon Credit Opportunities GP, LLC	Fund management services	100.00	100.00	
Octagon	Octagon Funds GP LLC	Fund management services	100.00	100.00	
Octagon	Octagon Funds GP II LLC	Fund management services	100.00	100.00	
Global Evolution Holding ApS	Global Evolution Financial ApS	Asset management services	99.51	99.72	
Global Evolution Financial ApS	Global Evolution Fondsmæglerselskab A/S	Asset management services	100.00	100.00	
Global Evolution Financial ApS	Mogambo2 Holding ApS	Asset management services	-	100.00	Note 3
Global Evolution Financial ApS	Global Evolution Manco S.A.	Asset management services	90.00	90.00	
Global Evolution 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	
Cathay United Bank	Indovina Bank Limited (“Indovina Bank”)	Banking	50.00	50.00	
Cathay United Bank	Cathay United Bank (Cambodia) Corporation Limited (“CUBC Bank”)	Banking	100.00	100.00	
Cathay United Bank	Cathay United Bank (China) Co., Ltd. (“CUBCN Bank”)	Banking	100.00	100.00	
Cathay Securities	Cathay Futures Co., Ltd. (“Cathay Futures”)	Futures services	99.99	99.99	
Cathay Securities	Cathay Securities (Hong Kong) Co., Ltd. (“Cathay Securities (Hong Kong)”)	Securities services	100.00	100.00	
Cathay Securities (Hong Kong)	Cathay Capital (Asia) Limited (“Cathay Capital (Asia)”)	Investment service	100.00	100.00	Note 4
Cathay Venture	Cathay Investment Inc. (“Cathay Investment”)	Venture capital	100.00	100.00	Note 5
Cathay Securities Investment Trust	Cathay Private Equity Co., Ltd. (“Cathay Private Equity”)	Private equity	100.00	100.00	

(Concluded)

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

Note 2: CHL originally held 45% equity shares in Global Evolution Holding ApS, which were recorded as investments accounted for using the equity method. On June 25, 2020, CHL acquired a further 8% equity shares, which increased its ownership interest from 45% to 53%, and obtained the control of Global Evolution Holding ApS. In addition, non-controlling interests executed the put options on the subsidiary’s shares such that CHL acquired an additional 8.02% equity shares on June 24, 2021, and its ownership interest increased from 53.13% to 61.15%

Note 3: Mogambo2 Holding ApS was dissolved on October 11, 2021.

Note 4: It was established by Cathay Securities (Hong Kong) on February 24, 2020.

Note 5: Cathay Investment was resolved for dissolution by the board of directors (on behalf of shareholders) on April 27, 2021. As of December 31, 2021, the liquidation process was not completed.

b. Subsidiaries excluded from the consolidated financial statements

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

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	December 31	
	2021	2020
Investments in unconsolidated subsidiaries	\$ 699,974	\$ 637,478
Investments in associates	<u>31,914,598</u>	<u>32,398,804</u>
	<u>\$ 32,614,572</u>	<u>\$ 33,036,282</u>

a. Investments in unconsolidated subsidiaries

	December 31	
	2021	2020
Cathay Securities Investment Consulting	<u>\$ 699,974</u>	<u>\$ 637,478</u>

b. Investments in associates

	December 31	
	2021	2020
Rizal Commercial Banking Corporation	\$ 15,974,154	\$ 16,447,489
Cathay Insurance Company Limited (China)	4,824,396	4,621,539
Taiwan Finance Corp.	1,736,374	1,765,602
Dasheng IV Venture Capital Co., Ltd.	1,254,083	760,743
Dasheng Venture Capital Co., Ltd.	1,023,946	2,042,511
PSS Co., Ltd.	935,422	911,004
Ding Teng Co., Ltd.	855,187	830,172
Neo Cathay Power Corp.	731,593	704,798
Cathay Power Inc. (former Cathay Sunrise Corporation)	728,975	728,790
CMG International One Corp.	668,836	674,804
CMG International Two Corp.	663,377	671,916
CM Energy Co., Ltd.	487,829	329,516
Greenhealth Water Resources Co., Ltd.	469,273	455,862
TaiYang Solar Power Co., Ltd.	417,152	147,430
Symphox Information Co., Ltd.	386,762	403,866
CDBS Cathay Asset Management Co., Ltd.	327,780	407,101
Tien-Tai Optronics Corporation	137,144	141,287
Tiantai II Optoelectronics Co., Ltd.	133,369	135,982
Taiwan Real-estate Management Corp.	95,892	97,567
Lin Yuan Property Management Co., Ltd.	52,963	56,461
Tien-Tai Management Consulting Co., Ltd.	5,818	5,865
WK Technology Fund VI Co., Ltd.	4,273	58,499
PT Bank Mayapada Internasional Tbk	-	-
	<u>\$ 31,914,598</u>	<u>\$ 32,398,804</u>

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2021	2020
The Group's share of:		
Net income (loss)	\$ 1,552,737	\$ (12,299,709)
Other comprehensive (loss) income	<u>(1,091,662)</u>	<u>154,936</u>
Total comprehensive income (loss) for the year	<u>\$ 461,075</u>	<u>\$ (12,144,773)</u>

- 1) As the individual associates are not significant, the related financial information is disclosed aggregately. The amounts of the share of profit or loss and other comprehensive income (loss) of associates were based on non-audited financial statements.
- 2) PT Bank Mayapada Internasional Tbk, Cathay Life's associate, has encountered operating pressure and was required to increase capital by the local authority in Indonesia because one of its credit clients was involved in a fraudulent case and has been prosecuted at the beginning of 2020, as well as because of the negative impact of COVID-19 to the economy of Indonesia and the deficiencies found in financial inspections. After doing a prudent assessment, Cathay Life recognized a loss on investment in associates accounted for using the equity method of \$13,980,277 thousand for the year ended December 31, 2020.
- 3) Cathay Sunrise Corporation was renamed as Cathay Power Inc. on April 30, 2021.
- 4) The investments in associates were not pledged as collateral.

14. INVESTMENT PROPERTY

	Land	Buildings	Investment Property Under Construction	Prepayments for Buildings and Land - Investments	Total
Balance at January 1, 2020	\$ 298,205,802	\$ 104,791,226	\$ 4,546,717	\$ 1,152,363	\$ 408,696,108
Additions	-	-	3,024,854	4,105,888	7,130,742
Disposals	(313,539)	(583,867)	-	-	(897,406)
Other reclassification	5,049,551	6,075,901	(6,043,024)	(2,126,336)	2,956,092
(Loss) gain on changes in fair value of investment property	(544,903)	2,658,882	-	-	2,113,979
Foreign exchange	<u>(215,169)</u>	<u>(308,118)</u>	<u>-</u>	<u>-</u>	<u>(523,287)</u>
Balance at December 31, 2020	<u>\$ 302,181,742</u>	<u>\$ 112,634,024</u>	<u>\$ 1,528,547</u>	<u>\$ 3,131,915</u>	<u>\$ 419,476,228</u>
Balance at January 1, 2021	\$ 302,181,742	\$ 112,634,024	\$ 1,528,547	\$ 3,131,915	\$ 419,476,228
Additions	1,675,410	-	3,640,889	7,685,126	13,001,425
Disposals	(65,307)	(28,093)	-	-	(93,400)
Other reclassification	7,189,512	5,659,466	(1,757,060)	(10,574,399)	517,519
(Loss) gain on changes in fair value of investment property	(1,233,276)	2,191,111	-	-	957,835
Foreign exchange	<u>(502,128)</u>	<u>(832,015)</u>	<u>-</u>	<u>-</u>	<u>(1,334,143)</u>
Balance at December 31, 2021	<u>\$ 309,245,953</u>	<u>\$ 119,624,493</u>	<u>\$ 3,412,376</u>	<u>\$ 242,642</u>	<u>\$ 432,525,464</u>

	For the Year Ended December 31	
	2021	2020
Rental income from investment properties	\$ 10,676,406	\$ 11,594,935
Direct operating expenses from investment properties that generate rental income	(783,637)	(710,371)
Direct operating expenses from investment properties that do not generate rental income	<u>(339,357)</u>	<u>(151,083)</u>
	<u>\$ 9,553,412</u>	<u>\$ 10,733,481</u>

- a. Certain properties are held to earn rental or for capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component could not be sold separately, it would be classified as investment property only when owner occupation is lower than 5% of the property.
- b. As of December 31, 2021, the investment properties (excluding investment property under construction and prepayment for buildings and land - investments) belonging to Cathay Life amounted to \$389,643,171 thousand. Investment properties are held mainly for lease business. All the lease agreements are operating leases and the primary terms of the lease agreements are the same as general lease agreements. Rents from investment property are received annually, semi-annually, quarterly, monthly or in one lump sum. Investment properties held by Cathay Life and its subsidiaries were not pledged.
- c. The ownership of the Group's investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other's debts; the ownership of its trust property is not subject to restrictions. Besides, the Group is not involved in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.
- d. Valuation on the investment property of Cathay Life and its subsidiaries has been carried out by the following appraisers of the joint appraisal firms meeting the qualification requirements for real estate appraisers in the R.O.C., with valuation dates at December 31, 2021 and 2020 respectively.

Name of Appraisal Firms	December 31	
	2021	2020
DTZ Real Estate Appraiser Firm	Gen-yuan, Li; Chia-ho, Tsai; Chun-chun, Hu	Chang-da, Yang; Gen-yuan, Li; Chia-ho, Tsai; Chun-chun, Hu
Savills plc Real Estate Appraiser Firm	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang
REPro KnightFrank Real Estate Appraiser Firm	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu
V-LAND Real Estate Appraiser Firm	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin; Xi-Zhong, Wang; Hong-Zhi, Li	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin

(Continued)

Name of Appraisal Firms	December 31	
	2021	2020
Shang-shang Real Estate Appraiser Firm	Hong-yuan, Wang; Jian-Hao, Huang	Hong-yuan, Wang
Sinyi Real Estate Appraiser Firm	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai;	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai;
Elite Real Estate Appraiser Firm	Shi-ming, Wang Yu-lin, Chen; Yi-huei, Luo	Shi-ming, Wang Yu-lin, Chen; Yi-huei, Luo
CBRE Real Estate Appraiser Firm	Fu-xue, Shi; Chih-wei, Li	Fu-xue, Shi; Chih-wei, Li
CCIS Real Estate Appraiser Firm	Zhi-Hao, Wu; Wei-Ru, Li	-
LinkU Real Estate Appraiser Firm	Lin-Yu, Lian; Sheng-Feng, Lai	-

(Concluded)

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

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

The main inputs used are as follows:

	December 31	
	2021	2020
Direct capitalization rates (net)	0.61%-5.12%	0.84%-5.70%
Discount rates	2.35%-4.26%	3.09%-3.94%

External appraisers use market extraction method, search several comparable properties which are identical with or similar to the subject property, consider the liquidity risk and risk premium when disposed of in the future, to decide the direct capitalization rate and discount rate. The discount rate of properties acquired after May 11, 2020 were determined in accordance with the amended Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

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

- e. Cathay United Bank's investment properties were appraised by qualified real estate appraisers in Taiwan according to the Technical Rules for Real Estate Valuation. The valuation dates are December 31, 2021 and 2020, respectively.

Name of Appraiser Office	December 31	
	2021	2020
REPro Knight Frank Real Estate Appraiser Firm	Hsiang-yi, Hsu; Hong-xu, Wu; Yu-hsiang, Tsai	Hsiang-yi, Hsu; Yu-hsiang, Tsai

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

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

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

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

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

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

The main inputs used are as follows:

	December 31	
	2021	2020
Direct capitalization rates	1.20%-4.04%	1.93%-3.79%
Overall capital interest rate	0.67%-1.93%	0.67%-1.93%

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

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

	December 31	
	2021	2020
Estimated future cash inflows	\$ 444,833	\$ 445,029
Estimated future cash outflows	<u>(14,740)</u>	<u>(14,672)</u>
Estimated net cash inflows	<u>\$ 430,093</u>	<u>\$ 430,357</u>
Discount rate	2.295%	2.295%
Direct capitalization rate	2.54%	2.56%

The market rentals ranged from 4 thousand to 6 thousand per ping in the areas where the investment property is located for the year ended December 31, 2021 and 2020, respectively.

The investment properties were entirely leased under operating leases, and generated rental income of \$7,006 thousand and \$7,049 thousand for the year ended December 31, 2021 and 2020, respectively.

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

The discount rate at December 31, 2021 and 2020 are determined based on the interest rate on a 2-year time deposit of petty cash plus 5 quarters percentage points as posted by Chunghwa Post Co., Ltd., plus the risk premium, respectively.

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

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 398,420,117	\$ 390,874,044
Amount recognized in profit or loss		
Gain from investment property	957,835	2,113,979
Amount recognized in other comprehensive income		
Exchange differences resulting from translation of the financial statements of foreign operations	(1,334,143)	(523,287)
Disposals	(93,400)	(829,500)
Transfers to property and equipment	(5,517)	(62,631)
Transfers from property and equipment	1,542,462	-
Transfers from investment property under construction	1,757,060	6,043,024
Transfers from prepayment for buildings and land	<u>4,606,027</u>	<u>804,488</u>
Ending balance	<u>\$ 405,850,441</u>	<u>\$ 398,420,117</u>

The above amount excludes those measured at cost.

- h. Refer to Table 6 for the acquisition of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital.
- i. See Note 29 for information relating to investment properties pledged as collateral for short-term bank borrowings.

15. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvements	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
Cost								
Balance at January 1, 2020	\$ 71,692,186	\$ 46,606,608	\$ 8,673,295	\$ 1,098,481	\$ 127,383	\$ 12,503,689	\$ 791,729	\$ 141,493,371
Additions	-	114	807,046	110,426	6,022	442,335	1,010,498	2,376,441
Disposals	-	(101,999)	(409,982)	(761)	(5,607)	(608,227)	-	(1,126,576)
Reclassification	(2,926,264)	(257,553)	187,843	31,889	2,631	413,135	(761,386)	(3,310,305)
Others	(2,400)	-	-	-	-	-	-	(2,400)
Foreign exchange	<u>(30,237)</u>	<u>(625)</u>	<u>(69,205)</u>	<u>(12,248)</u>	<u>(6,190)</u>	<u>(17,998)</u>	<u>(1,170)</u>	<u>(137,673)</u>
Balance at December 31, 2020	<u>\$ 68,732,685</u>	<u>\$ 46,246,545</u>	<u>\$ 9,188,997</u>	<u>\$ 1,227,787</u>	<u>\$ 124,239</u>	<u>\$ 12,732,934</u>	<u>\$ 1,039,671</u>	<u>\$ 139,292,858</u>
Depreciation and impairment								
Balance at January 1, 2020	\$ 103,134	\$ 22,932,481	\$ 5,883,294	\$ 685,957	\$ 86,835	\$ 9,946,299	\$ -	\$ 39,638,000
Depreciation	-	915,617	849,559	108,587	10,657	688,012	-	2,572,432
Disposals	-	(42,500)	(405,408)	(761)	(5,491)	(589,190)	-	(1,043,350)
Others	-	(231,430)	10	3,507	-	1,476	-	(226,437)
Foreign exchange	<u>-</u>	<u>(3,258)</u>	<u>(28,684)</u>	<u>(3,002)</u>	<u>(4,228)</u>	<u>(13,747)</u>	<u>-</u>	<u>(52,919)</u>
Balance at December 31, 2020	<u>\$ 103,134</u>	<u>\$ 23,570,910</u>	<u>\$ 6,298,771</u>	<u>\$ 794,288</u>	<u>\$ 87,773</u>	<u>\$ 10,032,850</u>	<u>\$ -</u>	<u>\$ 40,887,726</u>
Carrying amount at December 31, 2020	<u>\$ 68,629,551</u>	<u>\$ 22,675,635</u>	<u>\$ 2,890,226</u>	<u>\$ 433,499</u>	<u>\$ 36,466</u>	<u>\$ 2,700,084</u>	<u>\$ 1,039,671</u>	<u>\$ 98,405,132</u>
Cost								
Balance at January 1, 2021	\$ 68,732,685	\$ 46,246,545	\$ 9,188,997	\$ 1,227,787	\$ 124,239	\$ 12,732,934	\$ 1,039,671	\$ 139,292,858
Additions	-	120	1,012,459	115,468	6,638	380,871	1,213,348	2,728,904
Disposals	-	(537)	(609,584)	(19,120)	(8,314)	(213,951)	-	(851,506)
Reclassification	809,379	(1,614,273)	609,261	76,531	6,370	(27,020)	(710,645)	(850,397)
Others	(1,687)	-	-	-	-	-	-	(1,687)
Foreign exchange	<u>(15,482)</u>	<u>(17,369)</u>	<u>(47,086)</u>	<u>(16,881)</u>	<u>(3,282)</u>	<u>(17,636)</u>	<u>(912)</u>	<u>(118,648)</u>
Balance at December 31, 2021	<u>\$ 69,524,895</u>	<u>\$ 44,614,486</u>	<u>\$ 10,154,047</u>	<u>\$ 1,383,785</u>	<u>\$ 125,651</u>	<u>\$ 12,855,198</u>	<u>\$ 1,541,462</u>	<u>\$ 140,199,524</u>

(Continued)

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvements	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
Depreciation and impairment								
Balance at January 1, 2021	\$ 103,134	\$ 23,570,910	\$ 6,298,771	\$ 794,288	\$ 87,773	\$ 10,032,850	\$ -	\$ 40,887,726
Depreciation	-	890,599	945,944	109,956	10,037	698,330	-	2,654,866
Disposals	-	(116)	(602,706)	(19,120)	(8,313)	(209,668)	-	(839,923)
Others	-	(384,005)	285,957	627	-	(218,382)	-	(315,803)
Foreign exchange	-	(4,896)	(20,797)	(7,598)	(2,236)	(4,081)	-	(39,608)
Balance at December 31, 2021	<u>\$ 103,134</u>	<u>\$ 24,072,492</u>	<u>\$ 6,907,169</u>	<u>\$ 878,153</u>	<u>\$ 87,261</u>	<u>\$ 10,299,049</u>	<u>\$ -</u>	<u>\$ 42,347,258</u>
Carrying amount at December 31, 2021	<u>\$ 69,421,761</u>	<u>\$ 20,541,994</u>	<u>\$ 3,246,878</u>	<u>\$ 505,632</u>	<u>\$ 38,390</u>	<u>\$ 2,556,149</u>	<u>\$ 1,541,462</u>	<u>\$ 97,852,266</u>

(Concluded)

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

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

Property and equipment were not pledged as collateral.

16. LEASE AGREEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amount</u>		
Buildings	\$ 4,262,741	\$ 4,042,404
Office equipment	10,652	13,109
Machine equipment	1,971	5,135
Transportation equipment	<u>87,412</u>	<u>77,895</u>
	<u>\$ 4,362,776</u>	<u>\$ 4,138,543</u>
Right-of-use assets presented as investment properties	<u>\$ 9,958,120</u>	<u>\$ 8,548,824</u>
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 1,484,481</u>	<u>\$ 1,789,366</u>
Depreciation expense for right-of-use assets		
Buildings	\$ 1,396,516	\$ 1,399,162
Office equipment	10,671	5,119
Machine equipment	1,150	1,657
Transportation equipment	<u>48,250</u>	<u>48,210</u>
	<u>\$ 1,456,587</u>	<u>\$ 1,454,148</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Carrying amount	<u>\$ 14,721,170</u>	<u>\$ 13,011,637</u>

Range of discount rates for lease liabilities is as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Buildings	0.04%-8.57%	0.33%-8.57%
Office equipment	0.42%-4.76%	0.42%-4.76%
Machine equipment	0.36%-4.15%	0.70%-4.15%
Transportation equipment	0.22%-4.35%	0.67%-4.43%
Investment property - superficies right	2.82%-4.00%	2.82%-3.71%

17. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
<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
Acquisition through business combination (Note 38)	-	-	-	2,467,576	3,463,356	-	5,930,932
Addition - acquired separately	510,889	-	-	-	-	-	510,889
Disposal	(472,829)	-	-	-	-	-	(472,829)
Reclassification	381,797	-	-	-	-	-	381,797
Foreign exchange	(9,636)	-	(20,965)	(284,187)	(545,524)	(11,217)	(871,529)
Balance at December 31, 2020	<u>\$ 6,206,660</u>	<u>\$ 37,659,600</u>	<u>\$ 373,996</u>	<u>\$ 5,731,801</u>	<u>\$ 21,842,780</u>	<u>\$ 200,673</u>	<u>\$ 72,015,510</u>
<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	747,891	2,079,383	-	485,836	-	18,726	3,331,836
Disposal	(466,569)	-	-	-	-	-	(466,569)
Foreign exchange	(5,896)	-	-	(101,466)	-	(10,080)	(117,442)
Balance at December 31, 2020	<u>\$ 4,422,597</u>	<u>\$ 11,436,607</u>	<u>\$ -</u>	<u>\$ 1,967,996</u>	<u>\$ -</u>	<u>\$ 185,903</u>	<u>\$ 18,013,103</u>
Carrying amount at December 31, 2020	<u>\$ 1,784,063</u>	<u>\$ 26,222,993</u>	<u>\$ 373,996</u>	<u>\$ 3,763,805</u>	<u>\$ 21,842,780</u>	<u>\$ 14,770</u>	<u>\$ 54,002,407</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 6,206,660	\$ 37,659,600	\$ 373,996	\$ 5,731,801	\$ 21,842,780	\$ 200,673	\$ 72,015,510
Addition - acquired separately	733,320	-	-	-	-	-	733,320
Disposal	(566,419)	-	-	-	-	-	(566,419)
Reclassification	335,955	-	-	-	-	-	335,955
Other	-	-	-	(172,492)	368,174	-	195,682
Foreign exchange	(11,409)	-	(10,731)	(153,010)	(330,361)	(5,767)	(511,278)
Balance at December 31, 2021	<u>\$ 6,698,107</u>	<u>\$ 37,659,600</u>	<u>\$ 363,265</u>	<u>\$ 5,406,299</u>	<u>\$ 21,880,593</u>	<u>\$ 194,906</u>	<u>\$ 72,202,770</u>
<u>Amortization and impairment</u>							
Balance at January 1, 2021	\$ 4,422,597	\$ 11,436,607	\$ -	\$ 1,967,996	\$ -	\$ 185,903	\$ 18,013,103
Amortization	822,090	2,079,383	-	372,154	-	12,715	3,286,342
Disposal	(566,419)	-	-	-	-	-	(566,419)
Foreign exchange	(7,600)	-	-	(60,759)	-	(5,480)	(73,839)
Balance at December 31, 2021	<u>\$ 4,670,668</u>	<u>\$ 13,515,990</u>	<u>\$ -</u>	<u>\$ 2,279,391</u>	<u>\$ -</u>	<u>\$ 193,138</u>	<u>\$ 20,659,187</u>
Carrying amount at December 31, 2021	<u>\$ 2,027,439</u>	<u>\$ 24,143,610</u>	<u>\$ 363,265</u>	<u>\$ 3,126,908</u>	<u>\$ 21,880,593</u>	<u>\$ 1,768</u>	<u>\$ 51,543,583</u>

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

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

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

1) Cathay Life its subsidiaries

Cathay Life and its subsidiaries recognized goodwill in the acquisitions (1) of all assets, liabilities and operations except reserved assets and liabilities of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. on July 1, 2015; (2) of 100% interest in Conning Holdings Limited on September 18, 2015; (3) of 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of the Group) on February 1, 2016; and (4) of 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020. As of December 31, 2021 and 2020, the carrying amounts of goodwill were \$13,324,628 thousand, \$13,278,169 thousand, respectively.

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

2) Cathay United Bank

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

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

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

18. COMMERCIAL PAPER PAYABLE, NET

	December 31	
	2021	2020
Nominal amount	\$ 63,470,000	\$ 39,520,000
Less: Discount on short-term bills payable	<u>(834)</u>	<u>(82)</u>
	<u>\$ 63,469,166</u>	<u>\$ 39,519,918</u>
Interest rate range	0.28%-0.50%	0.23%-0.35%

19. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	2021	2020
Checking deposits	\$ 17,580,377	\$ 15,533,633
Demand deposits	795,879,514	694,644,715
Demand savings deposits	1,267,338,737	1,102,957,219
Time deposits	429,061,978	433,098,232
Time savings deposits	354,855,029	359,917,919
Negotiable certificates of deposit	4,665,005	7,516,122
Outward remittances and remittances payable	<u>2,579,413</u>	<u>2,131,223</u>
	<u>\$ 2,871,960,053</u>	<u>\$ 2,615,799,063</u>

20. BONDS PAYABLE

	<u>December 31</u>	
	2021	2020
Subordinated financial debentures	\$ 46,800,000	\$ 53,800,000
Cumulative perpetual subordinated corporate bonds	45,000,000	45,000,000
Unsecured corporate bonds	<u>50,000,000</u>	<u>50,000,000</u>
	<u>\$ 141,800,000</u>	<u>\$ 148,800,000</u>

a. Subordinated financial debentures

	<u>December 31</u>	
	2021	2020
First issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: March 2021	\$ -	\$ 1,500,000
Second issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: June 2021	-	2,500,000
First issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	4,200,000	4,200,000
Second issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: August 2022	5,600,000	5,600,000
First issue of subordinated financial debentures in 2013; fixed rate at 1.70%; maturity: April 2023	9,900,000	9,900,000
First issue of subordinated financial debentures in 2014; fixed rate at 1.70%; maturity: May 2021	-	3,000,000
First issue of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000
Second issue of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000
Second issue of subordinated financial debentures in 2017; fixed rate at 1.50%; maturity: April 2024	<u>2,400,000</u>	<u>2,400,000</u>
	<u>\$ 46,800,000</u>	<u>\$ 53,800,000</u>

b. Cumulative perpetual subordinated corporate bonds

- 1) Pursuant to Order No. Securities-TPEX-Bond-10600099421 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on May 12, 2017 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$35,000,000 thousand.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: Perpetual.
 - d) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year from the issue date.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - g) Form of bonds: Book-entry securities.
- 2) Pursuant to Order No. Securities-TPEX-Bond-10800055731 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on June 26, 2019 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$10,000,000 thousand.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: Perpetual.
 - d) Coupon rate: Fixed rate of 3%.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - g) Form of bonds: Book-entry securities.

c. Unsecured corporate bonds

- 1) Pursuant to Order No. Securities-TPEX-Bond-10800038242 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on May 8, 2019 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$20,000,000 thousand, which is divided into A Note of \$4,000,000 thousand, B Note of \$4,000,000 thousand and C Note of \$12,000,000 thousand by issue periods.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
 - d) Coupon rate: Fixed rate of 0.83% for A Note, 0.93% for B Note and 1.04% for C Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Form of bonds: Book-entry securities.
- 2) Pursuant to Order No. Securities-TPEX-Bond-10900064782 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on June 23, 2020 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$8,900,000 thousand, which is divided into A Note of \$1,900,000 thousand, B Note of \$6,500,000 thousand and C Note of \$500,000 thousand by issue periods.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
 - d) Coupon rate: Fixed rate of 0.59% for A Note, 0.64% for B Note and 0.67% for C Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Form of bonds: Book-entry securities.
- 3) Pursuant to Order No. Securities-TPEX-Bond-10900108202 of the Taipei Exchange, Cathay Financial Holdings issued its second unsecured corporate bonds on September 8, 2020 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$21,100,000 thousand, which is divided into A Note of \$2,400,000 thousand, B Note of \$7,800,000 thousand, C Note of \$2,500,000 thousand and D Note of \$8,400,000 thousand by period issued.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A Note is 5 years, B Note is 6 years, C Note is 7 years and D Note is 10 years.
 - d) Coupon rate: Fixed rate of 0.61% for A Note, 0.64% for B Note, 0.66% for C Note and 0.70% for D Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.

f) Form of bonds: Book-entry securities.

21. PROVISIONS

	December 31	
	2021	2020
Insurance liability		
Unearned premium reserve	\$ 34,802,057	\$ 32,513,604
Loss reserve	23,598,653	22,026,118
Policy reserve	6,334,959,642	5,999,277,822
Special reserve	13,674,763	13,706,823
Premium deficiency reserve	9,808,215	13,806,541
Reserve for insurance contracts with the nature of financial products	15,188,788	13,731,508
Reserve for foreign exchange valuation	9,053,726	14,820,865
Other reserve	<u>1,865,925</u>	<u>1,876,925</u>
	6,442,951,769	6,111,760,206
Provisions for employee benefits	4,091,659	4,051,931
Other reserve	<u>1,215,928</u>	<u>1,261,082</u>
	<u>\$ 6,448,259,356</u>	<u>\$ 6,117,073,219</u>

As of December 31, 2021, policy reserve belonging to Cathay Life amounted to \$6,284,636,754 thousand.

a. Cathay Life and its subsidiaries

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

1) Unearned premium reserve

	December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 64,522	\$ -	\$ 64,522
Individual injury insurance	7,539,766	-	7,539,766
Individual health insurance	10,584,652	-	10,584,652
Group insurance	1,188,450	-	1,188,450
Investment-linked insurance	118,841	-	118,841
	<u>19,496,231</u>	<u>-</u>	<u>19,496,231</u>
Less ceded unearned premium reserve			
Individual life insurance	880,519	-	880,519
Individual injury insurance	21,575	-	21,575
Individual health insurance	229,227	-	229,227
	<u>1,131,321</u>	<u>-</u>	<u>1,131,321</u>
	<u>\$ 18,364,910</u>	<u>\$ -</u>	<u>\$ 18,364,910</u>

	December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 73,271	\$ -	\$ 73,271
Individual injury insurance	7,313,660	-	7,313,660
Individual health insurance	9,966,083	-	9,966,083
Group insurance	1,306,110	-	1,306,110
Investment-linked insurance	<u>116,825</u>	-	<u>116,825</u>
	<u>18,775,949</u>	-	<u>18,775,949</u>
Less ceded unearned premium reserve			
Individual life insurance	878,870	-	878,870
Individual injury insurance	25,638	-	25,638
Individual health insurance	<u>208,531</u>	-	<u>208,531</u>
	<u>1,113,039</u>	-	<u>1,113,039</u>
	<u>\$ 17,662,910</u>	<u>\$ -</u>	<u>\$ 17,662,910</u>

The changes in unearned premium reserve are summarized below:

	For the Year Ended December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 18,775,949	\$ -	\$ 18,775,949
Provision	19,496,422	-	19,496,422
Recovery	(18,773,833)	-	(18,773,833)
Reclassification	-	-	-
Foreign exchange	<u>(2,307)</u>	-	<u>(2,307)</u>
Ending balance	<u>19,496,231</u>	-	<u>19,496,231</u>
Less ceded unearned premium reserve			
Beginning balance	1,113,039	-	1,113,039
Increase	<u>18,282</u>	-	<u>18,282</u>
Ending balance	<u>1,131,321</u>	-	<u>1,131,321</u>
	<u>\$ 18,364,910</u>	<u>\$ -</u>	<u>\$ 18,364,910</u>

For the Year Ended December 31, 2020

	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 17,832,203	\$ -	\$ 17,832,203
Provision	18,774,771	-	18,774,771
Recovery	(17,858,671)	-	(17,858,671)
Reclassification	25,878	-	25,878
Foreign exchange	<u>1,768</u>	<u>-</u>	<u>1,768</u>
Ending balance	<u>18,775,949</u>	<u>-</u>	<u>18,775,949</u>
Less ceded unearned premium reserve			
Beginning balance	894,878	-	894,878
Increase	<u>218,161</u>	<u>-</u>	<u>218,161</u>
Ending balance	<u>1,113,039</u>	<u>-</u>	<u>1,113,039</u>
	<u>\$ 17,662,910</u>	<u>\$ -</u>	<u>\$ 17,662,910</u>

2) Loss reserve

December 31, 2021

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

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

The changes in loss reserve are summarized below:

	For the Year Ended December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 12,128,263	\$ 35,590	\$ 12,163,853
Provision	11,896,280	31,747	11,928,027
Recovery	(12,276,317)	(35,590)	(12,311,907)
Foreign exchange	(16,592)	-	(16,592)
Ending balance	<u>11,731,634</u>	<u>31,747</u>	<u>11,763,381</u>
Less ceded loss reserve			
Beginning balance	71,723	-	71,723
Increase	47,770	-	47,770
Decrease	(67,950)	-	(67,950)
Foreign exchange	(46)	-	(46)
Ending balance	<u>51,497</u>	<u>-</u>	<u>51,497</u>
	<u>\$ 11,680,137</u>	<u>\$ 31,747</u>	<u>\$ 11,711,884</u>

	For the Year Ended December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 11,011,412	\$ 31,200	\$ 11,042,612
Provision	12,122,303	35,590	12,157,893
Recovery	(10,994,063)	(31,200)	(11,025,263)
Foreign exchange	<u>(11,389)</u>	<u>-</u>	<u>(11,389)</u>
Ending balance	<u>12,128,263</u>	<u>35,590</u>	<u>12,163,853</u>
Less ceded loss reserve			
Beginning balance	24,014	-	24,014
Increase	109,559	-	109,559
Decrease	(61,856)	-	(61,856)
Foreign exchange	<u>6</u>	<u>-</u>	<u>6</u>
Ending balance	<u>71,723</u>	<u>-</u>	<u>71,723</u>
	<u>\$ 12,056,540</u>	<u>\$ 35,590</u>	<u>\$ 12,092,130</u>

3) Policy reserve

	December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance (Note 1)	\$ 5,443,891,473	\$ 3,673	\$ 5,443,895,146
Injury insurance	7,497,332	-	7,497,332
Health insurance	869,807,903	-	869,807,903
Annuity insurance	1,312,175	10,396,632	11,708,807
Investment-linked insurance	<u>1,564,260</u>	<u>-</u>	<u>1,564,260</u>
Total (Note 2)	<u>6,324,073,143</u>	<u>10,400,305</u>	<u>6,334,473,448</u>
Less ceded policy reserve			
Life insurance	376,139	-	376,139
Health insurance	<u>18,976</u>	<u>-</u>	<u>18,976</u>
	<u>395,115</u>	<u>-</u>	<u>395,115</u>
	<u>\$ 6,323,678,028</u>	<u>\$ 10,400,305</u>	<u>\$ 6,334,078,333</u>

	December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance (Note 1)	\$ 5,178,748,267	\$ 3,810	\$ 5,178,752,077
Injury insurance	7,058,104	-	7,058,104
Health insurance	796,516,850	-	796,516,850
Annuity insurance	1,381,226	14,175,381	15,556,607
Investment-linked insurance	936,020	-	936,020
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	19,465	-	19,465
	<u>425,518</u>	<u>-</u>	<u>425,518</u>
	<u>\$ 5,984,214,949</u>	<u>\$ 14,179,191</u>	<u>\$ 5,998,394,140</u>

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

Note 2: Total policy reserve including policy reserve-payables to the insured amounted to \$6,334,959,547 thousand and \$5,999,277,703 thousand as of December 31, 2021 and 2020, respectively.

The changes in policy reserve are summarized below:

	For the Year Ended December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 5,984,640,467	\$ 14,179,191	\$ 5,998,819,658
Provision	604,703,479	85,175	604,788,654
Recovery	(220,995,822)	(3,863,924)	(224,859,746)
Reclassification	43,213	-	43,213
Foreign exchange	(44,318,194)	(137)	(44,318,331)
Ending balance	<u>6,324,073,143</u>	<u>10,400,305</u>	<u>6,334,473,448</u>
Less ceded policy reserve			
Beginning balance	425,518	-	425,518
Increase	81,738	-	81,738
Decrease	(108,730)	-	(108,730)
Foreign exchange	(3,411)	-	(3,411)
Ending balance	<u>395,115</u>	<u>-</u>	<u>395,115</u>
	<u>\$ 6,323,678,028</u>	<u>\$ 10,400,305</u>	<u>\$ 6,334,078,333</u>

For the Year Ended December 31, 2020

	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 5,572,026,192	\$ 20,479,782	\$ 5,592,505,974
Provision	676,665,532	157,530	676,823,062
Recovery	(204,297,672)	(6,458,184)	(210,755,856)
Reclassification	92,400	-	92,400
Foreign exchange	<u>(59,845,985)</u>	<u>63</u>	<u>(59,845,922)</u>
Ending balance	<u>5,984,640,467</u>	<u>14,179,191</u>	<u>5,998,819,658</u>
Less ceded policy reserve			
Beginning balance	421,465	-	421,465
Increase	89,028	-	89,028
Decrease	(90,296)	-	(90,296)
Foreign exchange	<u>5,321</u>	<u>-</u>	<u>5,321</u>
Ending balance	<u>425,518</u>	<u>-</u>	<u>425,518</u>
	<u>\$ 5,984,214,949</u>	<u>\$ 14,179,191</u>	<u>\$ 5,998,394,140</u>

4) Special reserve

December 31, 2021

	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Participating policies dividends reserve	\$ (41,854)	\$ -	\$ -	\$ (41,854)
Dividend risk reserve	43,589	-	-	43,589
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,735</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,059</u>

December 31, 2020

	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Participating policies dividends reserve	\$ (53,476)	\$ -	\$ -	\$ (53,476)
Dividend risk reserve	54,928	-	-	54,928
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,776</u>

The changes in special reserve are summarized below:

	For the Year Ended December 31, 2021			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Beginning balance	\$ 1,452	\$ -	\$ 11,083,324	\$ 11,084,776
Provision for participating policies dividends reserve	22,335	-	-	22,335
Recovery of participating policies dividends reserve	(10,713)	-	-	(10,713)
Recovery of dividend risk reserve	<u>(11,339)</u>	<u>-</u>	<u>-</u>	<u>(11,339)</u>
Ending balance	<u>\$ 1,735</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,059</u>

	For the Year Ended December 31, 2020			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Beginning balance	\$ 1,300	\$ -	\$ 11,083,324	\$ 11,084,624
Provision for participating policies dividends reserve	14,694	-	-	14,694
Recovery of participating policies dividends reserve	(11,270)	-	-	(11,270)
Recovery of dividend risk reserve	<u>(3,272)</u>	<u>-</u>	<u>-</u>	<u>(3,272)</u>
Ending balance	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,776</u>

5) Premium deficiency reserve

	December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 8,570,062	\$ -	\$ 8,570,062
Individual injury insurance	3,300	-	3,300
Individual health insurance	1,234,787	-	1,234,787
Group insurance	<u>66</u>	<u>-</u>	<u>66</u>
	<u>\$ 9,808,215</u>	<u>\$ -</u>	<u>\$ 9,808,215</u>

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

The changes in premium deficiency reserve are summarized below:

	For the Year Ended December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 13,802,343	\$ -	\$ 13,802,343
Provision	-	-	-
Recovery	(3,863,053)	-	(3,863,053)
Foreign exchange	<u>(131,075)</u>	<u>-</u>	<u>(131,075)</u>
Ending balance	<u>\$ 9,808,215</u>	<u>\$ -</u>	<u>\$ 9,808,215</u>

	For the Year Ended December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 19,679,457	\$ -	\$ 19,679,457
Provision	5,619	-	5,619
Recovery	(5,716,962)	-	(5,716,962)
Foreign exchange	<u>(165,771)</u>	<u>-</u>	<u>(165,771)</u>
Ending balance	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>

6) Other reserve

	December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Others	<u>\$ 1,865,925</u>	<u>\$ -</u>	<u>\$ 1,865,925</u>

	December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Others	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>

The changes in other reserve are summarized below:

	For the Year Ended December 31, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 1,876,925	\$ -	\$ 1,876,925
Recovery	<u>(11,000)</u>	<u>-</u>	<u>(11,000)</u>
Ending balance	<u>\$ 1,865,925</u>	<u>\$ -</u>	<u>\$ 1,865,925</u>

	For the Year Ended December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 1,873,141	\$ -	\$ 1,873,141
Provision	<u>3,784</u>	<u>-</u>	<u>3,784</u>
Ending balance	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>

7) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Features	
	December 31	
	2021	2020
Unearned premium reserve	\$ 19,496,231	\$ 18,775,949
Policy reserve	6,334,959,547	5,999,277,703
Premium deficiency reserve	9,808,215	13,802,343
Other reserve	<u>1,865,925</u>	<u>1,876,925</u>
Book value of insurance liabilities	<u>\$ 6,366,129,918</u>	<u>\$ 6,033,732,920</u>
Estimated present value of cash flows	<u>\$ 5,607,152,746</u>	<u>\$ 5,225,717,939</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing
Significant assumptions		
a. Information of policies	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.

(Continued)

	December 31, 2021	December 31, 2020
b. Discount rate	Under the asset allocation situation on September 30, 2021, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2020; with neutral assumptions for the discount rate after 30 years.	Under the asset allocation situation on September 30, 2020, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2019; with neutral assumptions for the discount rate after 30 years. (Concluded)

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

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing
Significant assumptions		
a. Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.
b. Discount rate	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.

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

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Life insurance	\$ 14,095,296	\$ 12,793,432
Investment-linked insurance	<u>1,093,492</u>	<u>938,076</u>
	<u>\$ 15,188,788</u>	<u>\$ 13,731,508</u>
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 13,731,508	\$ 10,932,008
Premiums received	3,936,515	5,195,938
Claims and payments	(3,469,466)	(3,302,901)
Net provision of statutory reserve	1,052,640	787,429
Foreign exchange	<u>(62,409)</u>	<u>119,034</u>
Ending balance	<u>\$ 15,188,788</u>	<u>\$ 13,731,508</u>

9) Reserve for foreign exchange valuation

a) The hedging strategy and risk exposure

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

b) Reconciliation for reserve for foreign exchange valuation

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 14,820,865	\$ 18,000,877
Provision:		
Compulsory reserve	7,479,726	8,433,364
Additional reserve	<u>2,135,119</u>	<u>11,153,852</u>
	9,614,845	19,587,216
Recovery	<u>(15,381,984)</u>	<u>(22,767,228)</u>
Ending balance	<u>\$ 9,053,726</u>	<u>\$ 14,820,865</u>

c) Effects due to reserve for foreign exchange valuation

	For the Year Ended December 31, 2021		
Item	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 134,900,371	\$ 139,514,082	\$ 4,613,711
Earnings per share	9.99	10.34	0.35
Reserve for foreign exchange valuation	-	9,053,726	9,053,726
Equity attributable to owners of the Company	905,678,230	902,038,146	(3,640,084)
	For the Year Ended December 31, 2020		
Item	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 72,035,451	\$ 74,579,460	\$ 2,544,009
Earnings per share	5.21	5.41	0.20
Reserve for foreign exchange valuation	-	14,820,865	14,820,865
Equity attributable to owners of the Company	901,315,011	893,061,216	(8,253,795)

b. Cathay Century and its subsidiaries

1) Unearned insurance premium reserve

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

Insurance Type	December 31, 2021			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ 1,875,676	\$ 241,506	\$ 1,196,644	\$ 920,538
Marine insurance	195,031	17,467	143,329	69,169
Land and air insurance	6,264,140	19,060	226,099	6,057,101
Liability insurance	1,087,179	3,918	295,440	795,657
Guarantee insurance	55,444	4,592	35,439	24,597
Other property insurance	1,515,244	41,080	1,192,079	364,245
Accident insurance	1,596,107	11,674	92,817	1,514,964
Health insurance	425,727	1,071	206,791	220,007
Policy-oriented residential earthquake insurance	230,777	29,569	230,777	29,569
Compulsory automobile liability insurance	<u>1,237,536</u>	<u>453,028</u>	<u>742,522</u>	<u>948,042</u>
	<u>\$ 14,482,861</u>	<u>\$ 822,965</u>	<u>\$ 4,361,937</u>	<u>\$ 10,943,889</u>
Insurance Type	December 31, 2020			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ 1,841,551	\$ 182,263	\$ 1,008,169	\$ 1,015,645
Marine insurance	218,842	10,934	155,705	74,071
Land and air insurance	5,671,965	16,831	195,817	5,492,979
Liability insurance	852,796	1,833	269,694	584,935
Guarantee insurance	49,397	9,133	27,245	31,285
Other property insurance	1,303,665	41,314	925,174	419,805
Accident insurance	1,527,427	6,378	83,125	1,450,680
Health insurance	61,680	815	7	62,488

(Continued)

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

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

	For the Year Ended December 31			
	2021		2020	
	Unearned Premium Reserve	Ceded Unearned Premium Reserve	Unearned Premium Reserve	Ceded Unearned Premium Reserve
Beginning balance	\$ 13,737,655	\$ 3,626,938	\$ 12,736,870	\$ 3,199,204
Provision	15,307,114	4,362,505	13,743,797	3,629,651
Recovery	(13,763,608)	(3,634,266)	(12,750,980)	(3,201,587)
Foreign exchange	<u>24,665</u>	<u>6,760</u>	<u>7,968</u>	<u>(330)</u>
Ending balance	<u>\$ 15,305,826</u>	<u>\$ 4,361,937</u>	<u>\$ 13,737,655</u>	<u>\$ 3,626,938</u>

2) Loss reserve

a) Loss reserve and ceded loss reserve

December 31, 2021				
Items	Loss Reserve		Ceded Loss Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Filed not yet paid	\$ 5,930,391	\$ 1,129,732	\$ 2,735,737	\$ 4,324,386
Not yet filed	<u>4,324,824</u>	<u>450,325</u>	<u>1,384,117</u>	<u>3,391,032</u>
	<u>\$ 10,255,215</u>	<u>\$ 1,580,057</u>	<u>\$ 4,119,854</u>	<u>\$ 7,715,418</u>

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

b) Net changes in loss reserve and ceded loss reserve

For the year ended December 31, 2021

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
	Filed not yet paid	\$ 5,951,860	\$ 4,597,432	\$ 1,129,732	\$ 786,091
Not yet filed	<u>4,303,574</u>	<u>4,023,236</u>	<u>450,325</u>	<u>455,069</u>	<u>275,594</u>
	<u>\$ 10,255,434</u>	<u>\$ 8,620,668</u>	<u>\$ 1,580,057</u>	<u>\$ 1,241,160</u>	<u>\$ 1,973,663</u>

Items	Ceded Reinsurance Business		Net Changes in Loss Reserve
	Provision (6)	Recovery (7)	(8)=(6)-(7)
	Filed not yet paid	\$ 2,744,665	\$ 1,590,645
Not yet filed	<u>1,375,858</u>	<u>1,230,100</u>	<u>145,758</u>
	<u>\$ 4,120,523</u>	<u>\$ 2,820,745</u>	<u>\$ 1,299,778</u>

For the year ended December 31, 2020

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
	Filed not yet paid	\$ 4,596,763	\$ 4,114,470	\$ 786,091	\$ 680,547
Not yet filed	<u>4,025,214</u>	<u>4,103,229</u>	<u>455,069</u>	<u>458,050</u>	<u>(80,996)</u>
	<u>\$ 8,621,977</u>	<u>\$ 8,217,699</u>	<u>\$ 1,241,160</u>	<u>\$ 1,138,597</u>	<u>\$ 506,841</u>

Items	Ceded Reinsurance Business		Net Changes in
	Provision (6)	Recovery (7)	Loss Reserve (8)=(6)-(7)
Filed not yet paid	\$ 1,592,425	\$ 1,250,248	\$ 342,177
Not yet filed	<u>1,229,150</u>	<u>1,199,002</u>	<u>30,148</u>
	<u>\$ 2,821,575</u>	<u>\$ 2,449,250</u>	<u>\$ 372,325</u>

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

Insurance Type	December 31, 2021		
	Filed Not Yet		Total
	Paid	Not Yet Filed	
Fire insurance	\$ 3,279,459	\$ 28,876	\$ 3,308,335
Marine insurance	408,187	167,516	575,703
Land and air insurance	1,683,367	1,310,307	2,993,674
Liability insurance	585,673	690,307	1,275,980
Guarantee insurance	53,279	33,866	87,145
Other property insurance	461,388	116,077	577,465
Accident insurance	134,164	508,005	642,169
Health insurance	7,923	110,734	118,657
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>446,683</u>	<u>1,809,461</u>	<u>2,256,144</u>
	<u>\$ 7,060,123</u>	<u>\$ 4,775,149</u>	<u>\$ 11,835,272</u>

Insurance Type	December 31, 2020		
	Filed Not Yet		Total
	Paid	Not Yet Filed	
Fire insurance	\$ 1,524,317	\$ 35,616	\$ 1,559,933
Marine insurance	293,296	100,993	394,289
Land and air insurance	1,685,167	1,305,013	2,990,180
Liability insurance	623,958	628,515	1,252,473
Guarantee insurance	71,574	32,880	104,454
Other property insurance	528,177	105,129	633,306
Accident insurance	116,574	512,901	629,475
Health insurance	3,117	31,063	34,180
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>517,204</u>	<u>1,746,771</u>	<u>2,263,975</u>
	<u>\$ 5,363,384</u>	<u>\$ 4,498,881</u>	<u>\$ 9,862,265</u>

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

Insurance Type	December 31, 2021		
	Filed Not Yet		Total
	Paid	Not Yet Filed	
Fire insurance	\$ 1,683,310	\$ 11,282	\$ 1,694,592
Marine insurance	275,098	100,501	375,599
Land and air insurance	68,792	35,728	104,520
Liability insurance	327,424	268,882	596,306
Guarantee insurance	13,775	16,353	30,128
Other property insurance	232,315	44,182	276,497
Accident insurance	5,789	31,251	37,040
Health insurance	283	25,968	26,251
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>128,951</u>	<u>849,970</u>	<u>978,921</u>
	<u>\$ 2,735,737</u>	<u>\$ 1,384,117</u>	<u>\$ 4,119,854</u>

Insurance Type	December 31, 2020		
	Filed Not Yet		Total
	Paid	Not Yet 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
Guarantee insurance	31,736	15,059	46,795
Other property insurance	260,734	43,816	304,550
Accident insurance	5,914	31,743	37,657
Health insurance	-	-	-
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>178,296</u>	<u>801,641</u>	<u>979,937</u>
	<u>\$ 1,582,443</u>	<u>\$ 1,238,524</u>	<u>\$ 2,820,967</u>

- e) Reconciliation of loss reserve and ceded loss reserve

	For the Year Ended December 31			
	2021		2020	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	\$ 9,862,265	\$ 2,820,967	\$ 9,357,750	\$ 2,450,072
Provision	11,835,491	4,120,523	9,863,137	2,821,576
Recovery	(9,861,828)	(2,820,745)	(9,356,296)	(2,449,251)
Foreign exchange	<u>(656)</u>	<u>(891)</u>	<u>(2,326)</u>	<u>(1,430)</u>
Ending balance	<u>\$ 11,835,272</u>	<u>\$ 4,119,854</u>	<u>\$ 9,862,265</u>	<u>\$ 2,820,967</u>

3) Special reserve

a) Special reserve for compulsory automobile liability insurance

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 865,038	\$ 1,122,321
Provision	117,823	1,281
Recovery	<u>(131,439)</u>	<u>(258,564)</u>
Ending balance	<u>\$ 851,422</u>	<u>\$ 865,038</u>

In accordance with Article 2 of the Compulsory Automobile Liability Insurance Act and Article 24-2, Paragraph 1 of the Deposit and Withdrawal Methods of Various Reserves in the Insurance Industry, as authorized by Article 145, Paragraph 2 and Article 148-3, Paragraph 2 of the Insurance Act, each property insurance company shall set aside NT\$30 per insurance policy as a special reserve from the insurers' business expenses in its own compulsory automobile liability insurance business starting from April 1, 2021. In the case of a deficit in the annual net insurance premium in the business run by a property insurance company in the future, the deficit shall first be offset with the special reserve; if there is still any shortage, it shall be handled in accordance with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

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

	For the Year Ended December 31, 2021		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	\$ 411,992	\$ 1,345,017	\$ 1,757,009
Provision	-	-	-
Recovery	<u>(18,727)</u>	<u>-</u>	<u>(18,727)</u>
Ending balance	<u>\$ 393,265</u>	<u>\$ 1,345,017</u>	<u>\$ 1,738,282</u>

	For the Year Ended December 31, 2020		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	\$ 430,719	\$ 1,345,017	\$ 1,775,736
Provision	-	-	-
Recovery	<u>(18,727)</u>	<u>-</u>	<u>(18,727)</u>
Ending balance	<u>\$ 411,992</u>	<u>\$ 1,345,017</u>	<u>\$ 1,757,009</u>

If the notice for the improvement of the reserves of natural disaster insurance (commercial-business earthquake, typhoon and flood insurances) for property insurance enterprises, notice for enhancing the reserves of residential earthquake insurance pool members and regulations governing the reserves of nuclear energy insurance are not applied, there is impact on the Cathay Century Insurance and its subsidiaries' pre-tax income/loss and the special reserve under liabilities and equity would decrease by \$18,727 thousand and \$18,727 thousand, decrease by \$1,429,782 thousand and \$1,448,509 thousand and increase by \$310,139 thousand and \$371,511 thousand for the year ended December 31, 2021 and 2020, respectively. Earnings per share for the year ended December 31, 2021 and 2020 both decreased by \$0.06 when the notice was not applied to Century Insurance and its subsidiaries.

4) Premium deficiency reserve

a) Premium deficiency reserve and ceded premium deficiency reserve

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

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

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

For the Year Ended December 31, 2021									
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve (5)=(1)-(2)+ (3)-(4)	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve (8)=(6)-(7)	Net Loss Recognized for Premium Deficiency Reserve (9)=(5)-(8)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)		Provision (6)	Recovery (7)		
Fire insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marine insurance	-	3,082	-	916	(3,998)	-	-	-	(3,998)
Land and air insurance	-	118	-	82	(200)	-	-	-	(200)
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 3,200</u>	<u>\$ -</u>	<u>\$ 998</u>	<u>\$ (4,198)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,198)</u>

For the Year Ended December 31, 2020									
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve (5)=(1)-(2)+ (3)-(4)	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve (8)=(6)-(7)	Net Loss Recognized for Premium Deficiency Reserve (9)=(5)-(8)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)		Provision (6)	Recovery (7)		
Fire insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marine insurance	3,082	12	916	613	3,373	-	-	-	3,373
Land and air insurance	118	-	82	1,400	(1,200)	-	-	-	(1,200)
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ 3,200</u>	<u>\$ 12</u>	<u>\$ 998</u>	<u>\$ 2,013</u>	<u>\$ 2,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,173</u>

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

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

5) Policy reserve

a) Details of policy reserve and ceded policy reserve

December 31, 2021

Insurance Type	Policy Reserve		Ceded Policy Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	\$ <u>95</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>95</u>

December 31, 2020

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

b) Net changes in policy reserve and ceded policy reserve

For the year ended December 31, 2021

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

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

For the year ended December 31, 2020

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Health insurance	\$ <u>81</u>	\$ <u>41</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>40</u>

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

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plans

The defined benefit plans adopted by the Company, Cathay Life, Cathay United Bank, Cathay Century, Cathay Securities, Cathay Futures, Cathay Securities Investment Trust and Cathay Venture in accordance with the Labor Standards Law are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company and its subsidiaries in the ROC contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 19,123,827	\$ 20,530,826
Fair value of plan assets	<u>(23,403,382)</u>	<u>(23,345,747)</u>
Net defined benefit assets	\$ <u>(4,279,555)</u>	\$ <u>(2,814,921)</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	<u>\$ 20,564,339</u>	<u>\$ (23,663,947)</u>	<u>\$ (3,099,608)</u>
Service cost			
Current service cost	492,390	-	492,390
Interest expense (income)	<u>139,547</u>	<u>(163,224)</u>	<u>(23,677)</u>
Recognized in profit or loss	<u>631,937</u>	<u>(163,224)</u>	<u>468,713</u>
Return on plan assets (excluding amounts included in net interest)	-	(501,266)	(501,266)
Actuarial loss (gain)			
Changes in demographic assumptions	(1,230)	-	(1,230)
Changes in financial assumptions	710,105	-	710,105
Experience adjustments	<u>375,838</u>	<u>-</u>	<u>375,838</u>
Recognized in other comprehensive income	<u>1,084,713</u>	<u>(501,266)</u>	<u>583,447</u>
Contributions from the employer	-	(764,003)	(764,003)
Benefits paid	(1,750,158)	1,746,693	(3,465)
Exchange differences	<u>(5)</u>	<u>-</u>	<u>(5)</u>
Balance at December 31, 2020	<u>20,530,826</u>	<u>(23,345,747)</u>	<u>(2,814,921)</u>
Service cost			
Current service cost	463,826	-	463,826
Interest expense (income)	<u>65,689</u>	<u>(74,723)</u>	<u>(9,034)</u>
Recognized in profit or loss	<u>529,515</u>	<u>(74,723)</u>	<u>454,792</u>
Return on plan assets (excluding amounts included in net interest)	-	(1,069,976)	(1,069,976)
Actuarial loss (gain)			
Changes in demographic assumptions	308,323	-	308,323
Changes in financial assumptions	(432,916)	-	(432,916)
Experience adjustments	<u>(174,024)</u>	<u>-</u>	<u>(174,024)</u>
Recognized in other comprehensive income	<u>(298,617)</u>	<u>(1,069,976)</u>	<u>(1,368,593)</u>
Contributions from the employer	-	(542,608)	(542,608)
Benefits paid	(1,637,433)	1,629,672	(7,761)
Exchange differences	<u>(464)</u>	<u>-</u>	<u>(464)</u>
Balance at December 31, 2021	<u>\$ 19,123,827</u>	<u>\$ (23,403,382)</u>	<u>\$ (4,279,555)</u>

Through the defined benefit plan under the labor standards law, the Group is exposed to the following risks:

- 1) Investment risk: The discount rate for determining the present value of the defined benefit obligation is based on the government bond yield. If the actual return on investment of the retirement fund assets is lower than the yield, the insufficiency of defined benefit liabilities will increase. The retirement fund assets which are managed by the Bureau of Labor Funds, Ministry of Labor are deposited in the labor retirement fund accounts, whose investment management and operations are all managed by the government. Therefore, the Company has no control over the investment of the retirement fund assets.
- 2) Interest rate risk: A decrease in the government bond yield will increase the present value of the defined benefit obligation. The interest rate risk is the main source of risk in the retirement benefit plan.

- 3) Longevity risk: In the calculation of the present value of the defined benefit obligation, the estimated mortality rate during the employee service period is based on 100% of the fifth life table (2011TSO) of the life insurance industry. If the actual mortality rate is lower than the estimated rate, the present value of the defined benefit obligation will increase.
- 4) Salary adjustment risk: In the calculation of the present value of the defined benefit obligation, the salary of an employee at the time of retirement is based on the assumed annual salary increase rate. If the actual adjustment to the employee's salary is higher than the assumed rate in the future, the present value of the defined benefit obligation will increase.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2021	2020
Discount rate	0.65%-0.77%	0.31%-0.38%
Expected rate of salary increase	1.50%-3.50%	1.50%-3.00%

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

	December 31	
	2021	2020
Discount rate		
0.25% increase	<u>\$ (373,221)</u>	<u>\$ (471,216)</u>
0.25% decrease	<u>\$ 392,244</u>	<u>\$ 493,374</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 746,966</u>	<u>\$ 947,043</u>
0.5% decrease	<u>\$ (707,010)</u>	<u>\$ (897,940)</u>

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

	December 31	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 541,814</u>	<u>\$ 760,570</u>
Average duration of the defined benefit obligation	7.4-14.1 years	8.5-15.1 years

c. Employee preferential interest deposit plan

Cathay United Bank's obligations on preferential interest deposits for current employees and those retired employees and current employees after retirement are handled in accordance with Cathay United Bank's internal rules. Under the Regulations Governing the Preparation of Financial Reports by Public Banks, the excess interest generated from the post-employment preferential deposit interest rate over the market rate should be actuarially determined.

The amounts included in the consolidated balance sheets arising from Cathay United Bank's obligation on the post-employment preferential interest deposits plan were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 673,225	\$ 586,625
Fair value of plan assets	<u>-</u>	<u>-</u>
Net defined benefit liabilities	<u>\$ 673,225</u>	<u>\$ 586,625</u>

The changes in the present value of obligations on the post-employment preferential interest deposits were as follows:

	Present Value of the Defined Benefit Obligation
Balance at January 1, 2020	<u>\$ 620,011</u>
Net interest expense (income)	<u>22,921</u>
Recognized in profit or loss	<u>22,921</u>
Remeasurement	
Experience adjustments	111,362
Changes in financial assumptions	<u>(77,728)</u>
Recognized in other comprehensive income	<u>33,634</u>
Benefits paid	<u>(89,941)</u>
Balance at December 31, 2020	<u>586,625</u>
Net interest expense (income)	<u>21,671</u>
Recognized in profit or loss	<u>21,671</u>
Remeasurement	
Experience adjustments	118,750
Changes in demographic assumptions	<u>41,731</u>
Recognized in other comprehensive income	<u>160,481</u>
Benefits paid	<u>(95,552)</u>
Balance at December 31, 2021	<u>\$ 673,225</u>

Under Order No. 10110000850 issued by the FSC, effective March 15, 2012, the actuarial assumptions used in the determination of the employee benefits expense of the post-employment preferential deposits were as follows:

	December 31	
	2021	2020
Discount rate	4.00%	4.00%
Return on deposit	2.00%	2.00%
Withdrawal rate of post-employment preferential deposits	1.00%	1.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of obligations on the post-employment preferential interest deposits would increase (decrease) as follows:

	December 31	
	2021	2020
Discount rates		
0.5% increase	<u>\$ (33,661)</u>	<u>\$ (28,158)</u>
0.5% decrease	<u>\$ 37,027</u>	<u>\$ 30,505</u>
Mortality rates		
Adjusted to 105%	<u>\$ (6,059)</u>	<u>\$ (5,866)</u>
Adjusted to 95%	<u>\$ 6,059</u>	<u>\$ 6,453</u>
Excess interest rates of employee preferential interest deposits		
0.5% increase	<u>\$ 178,405</u>	<u>\$ 149,157</u>
0.5% decrease	<u>\$ (178,405)</u>	<u>\$ (149,157)</u>

The sensitivity analysis presented above shows the effect on the present value of obligations on the post-employment preferential interest deposits of a change in a single assumption while all other assumptions remain unchanged. The sensitivity analysis presented above might not be representative of the actual change in the present value of the obligations on the post-employment preferential interest deposits because it is unlikely that the change in assumptions would occur independently of each other as some of the assumptions might be correlated.

	December 31	
	2021	2020
Expected contributions to the plan for the next year	<u>\$ 97,278</u>	<u>\$ 89,723</u>
Average duration of the defined benefit obligation	10.2 years	10.3 years

23. OTHER FINANCIAL ASSETS AND LIABILITIES

	December 31	
	2021	2020
<u>Other financial assets</u>		
Separate account insurance product assets	\$ 724,210,234	\$ 641,684,568
Others	<u>16,896,792</u>	<u>18,863,407</u>
	<u>\$ 741,107,026</u>	<u>\$ 660,547,975</u>
<u>Other financial liabilities</u>		
Separate account insurance product liabilities	\$ 724,210,234	\$ 641,684,568
Principal received from the sale of structured products	31,603,958	40,034,992
Others	<u>8,094,006</u>	<u>11,040,724</u>
	<u>\$ 763,908,198</u>	<u>\$ 692,760,284</u>

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

	December 31	
	2021	2020
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 536,869	\$ 447,744
Financial assets at FVTPL	716,214,583	632,843,466
Other receivables	<u>7,345,361</u>	<u>8,264,484</u>
	<u>\$ 724,096,813</u>	<u>\$ 641,555,694</u>
<u>Separate account insurance product liabilities</u>		
Other payables	\$ 319,598	\$ 701,555
Reserve for separate accounts - insurance contracts	306,089,604	277,388,301
Reserve for separate accounts - investment contracts	<u>417,687,611</u>	<u>363,465,838</u>
	<u>\$ 724,096,813</u>	<u>\$ 641,555,694</u>
	For the Year Ended December 31	
	2021	2020
<u>Separate account insurance product income</u>		
Premium income	\$ 62,250,599	\$ 61,477,595
Interest income	1,453	1,558
Gains from financial assets at FVTPL	20,892,861	22,709,729
Foreign exchange losses	<u>(5,214,085)</u>	<u>(10,823,926)</u>
	<u>\$ 77,930,828</u>	<u>\$ 73,364,956</u>
<u>Separate account insurance product expenses</u>		
Claims and payments	\$ 13,149,183	\$ 8,933,740
Cash surrender value	29,823,154	26,526,902
Provision of separate account reserve	30,342,120	34,035,776
Administrative expenses	4,763,801	4,007,503
Non-operating income and expenses	<u>(147,430)</u>	<u>(138,965)</u>
	<u>\$ 77,930,828</u>	<u>\$ 73,364,956</u>

For the year ended December 31, 2021 and 2020, the rebates earned from counterparties due to the business of separate account insurance products were \$824,512 thousand and \$815,077 thousand, respectively, which were recorded under fee income.

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

	December 31	
	2021	2020
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 10,758	\$ 4,845
Financial assets at FVTPL	102,651	123,985
Others	<u>12</u>	<u>44</u>
	<u>\$ 113,421</u>	<u>\$ 128,874</u>
<u>Separate account insurance product liabilities</u>		
Other payables	\$ 7	\$ 1,723
Reserve for separate accounts - insurance contracts	<u>113,414</u>	<u>127,151</u>
	<u>\$ 113,421</u>	<u>\$ 128,874</u>
	For the Year Ended December 31	
	2021	2020
<u>Separate account insurance product income</u>		
Premium income	\$ 51	\$ 150
(Losses) gains from financial assets at FVTPL	(11,418)	31,003
Interest income	<u>33</u>	<u>50</u>
	<u>\$ (11,334)</u>	<u>\$ 31,203</u>
<u>Separate account insurance product expenses</u>		
Cash surrender value	\$ 256	\$ 19,729
(Reversal) provision of separate account reserve	(13,175)	8,176
Others	<u>1,585</u>	<u>3,298</u>
	<u>\$ (11,334)</u>	<u>\$ 31,203</u>

24. EQUITY

- a. Share capital

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

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

Issuance of preference shares

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

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

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

Issuance of overseas depositary receipts

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

b. Capital surplus

- 1) Capital surplus comprises the following:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Additional paid-in capital	\$ 172,905,009	\$ 172,905,009
Treasury share transactions	2,539,377	2,539,377
Additional paid-in capital - employee stock options	497,629	497,629
Conversion of convertible bonds	1,144,486	1,144,486
Others	<u>157,887</u>	<u>169,552</u>
	<u>\$ 177,244,388</u>	<u>\$ 177,256,053</u>

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

c. Retained earnings and dividends policy

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

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

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

The appropriations of earnings for 2020 and 2019 which were approved in the shareholders' meeting on July 23, 2021 and June 12, 2020, respectively, were as follows:

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

d. Special reserves

	December 31	
	2021	2020
Special reserve transferred from reserve for trading default and for trading loss (1)	\$ 333,598	\$ 333,598
Special reserve reclassified from liability (2)	3,744,467	3,744,467
Special reserve for appropriation of IFRSs (3)	2,994,565	2,994,565
Special reserve for appropriation of investment properties (4)	108,879,082	108,057,969
Special reserve transferred from insurance liabilities (5)	<u>34,764,311</u>	<u>34,764,311</u>
	<u>\$ 150,716,023</u>	<u>\$ 149,894,910</u>

1) Cathay United Bank, Cathay Securities and Cathay Futures reclassified the appropriated default losses reserve and trading losses reserve as of December 31, 2010 as special reserve according to the relevant regulations. The special reserve can only be used to offset the accumulated deficit or transferred to capital stock (limited to 50% of the special reserve) once the special reserve reaches one-half of the paid-in capital. The Company set aside a special reserve of \$333,598 thousand in 2011.

2) According to the Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises, for the special reserves for catastrophic event and for fluctuation of risk as of January 1, 2012, amounting to \$9,022,812 thousand, Cathay Life transferred half of the reserves amounting to \$4,511,405 thousand, net of tax effect, to special reserve under retained earnings amounting to \$3,744,467 thousand; half of the reserves were kept as the initial amount of reserve for foreign exchange valuation. The Company set aside a special reserve of \$3,744,467 thousand in 2013.

- 3) At the first-time adoption of IFRSs, Cathay Life chose to use fair values as the deemed costs of investment properties in accordance with Article 32 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the increments on property revaluation should be offset by other negative effects on the first-time adoption of IFRSs. The remaining increments on property revaluation should be recovered as special reserve under liabilities and the portion of increments on property revaluation used for offsetting other negative effects is recognized as retained earnings. In accordance with Bao (Tsai) No. 10202508140, the abovementioned adjustments of retained earnings amounting to \$2,994,565 thousand should be set aside as special reserve under equity following Jin Guan Bao Tsai No. 10102508861. The Company set aside a special reserve of \$2,994,565 thousand in 2013.
- 4) In 2014, the Group changed the subsequent measurement of investment properties from the cost model to the fair value model. According to Jin-Guan-Zheng-Fa No. 1030006415, in order to maintain a sound and robust financial structure of a publicly issued company, the Group appropriated a special reserve at the amount that was the same as the net increase arising the first-time application of subsequent measurement for investment property at fair value and transferred it to retained earnings.
- 5) Cathay Life transferred insurance liabilities of \$34,764,311 thousand to special reserve in accordance with Jin Guan Bao Tsai No. 10402029590. The Company set aside a special reserve of \$34,764,311 thousand in 2015.
- e. Other equity
- 1) Exchange differences on translation of financial statements of foreign operations

	For the Year Ended December 31	
	2021	2020
Beginning balance	<u>\$ (15,464,009)</u>	<u>\$ (13,319,620)</u>
Recognized for the year	(2,629,950)	(2,051,478)
Share of associates accounted for using the equity method	(925,570)	(216,895)
Tax effects	<u>367,278</u>	<u>123,984</u>
Other comprehensive loss recognized for the year	<u>(3,188,242)</u>	<u>(2,144,389)</u>
Ending balance	<u>\$ (18,652,251)</u>	<u>\$ (15,464,009)</u>

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

	For the Year Ended December 31	
	2021	2020
Beginning balance	<u>\$ 106,207,840</u>	<u>\$ 68,319,953</u>
Recognized for the year	(43,071,268)	72,893,158
Share of associates accounted for using the equity method	(202,923)	327,440
Reclassification adjustments		
Disposal of debt instruments	(26,532,879)	(28,739,603)
Tax effects	<u>14,567,114</u>	<u>(6,399,916)</u>
Other comprehensive income recognized for the year	<u>(55,239,956)</u>	<u>38,081,079</u>
Changes in associates accounted for using the equity method	(2,076)	-
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(3,834,335)</u>	<u>(193,192)</u>
Ending balance	<u>\$ 47,131,473</u>	<u>\$ 106,207,840</u>

3) Gain (loss) on hedging instruments

	<u>For the Year Ended December 31</u>	
	2021	2020
Beginning balance	\$ 347,871	\$ 331,930
Recognized for the year	(86,019)	82,834
Reclassification adjustments		
Hedged item that affects profit or loss	72,338	(69,571)
Tax effects	<u>1,661</u>	<u>2,678</u>
Other comprehensive (loss) income recognized for the year	<u>(12,020)</u>	<u>15,941</u>
Ending balance	<u>\$ 335,851</u>	<u>\$ 347,871</u>

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Beginning balance	\$ (1,478,705)	\$ (1,850,508)
Recognized for the year	736,634	464,755
Tax effects	<u>(147,326)</u>	<u>(92,952)</u>
Other comprehensive income recognized for the year	<u>589,308</u>	<u>371,803</u>
Ending balance	<u>\$ (889,397)</u>	<u>\$ (1,478,705)</u>

5) Remeasurement of defined benefit plans

	<u>For the Year Ended December 31</u>	
	2021	2020
Beginning balance	\$ (1,966,279)	\$ (1,507,864)
Recognized for the year	1,208,112	(617,081)
Share of associate accounted for using the equity method	41,842	45,276
Tax effects	<u>(249,805)</u>	<u>113,390</u>
Other comprehensive loss recognized for the year	<u>1,000,149</u>	<u>(458,415)</u>
Ending balance	<u>\$ (966,130)</u>	<u>\$ (1,966,279)</u>

6) Property revaluation surplus

	<u>For the Year Ended December 31</u>	
	2021	2020
Beginning balance	\$ 11,097,089	\$ 11,240,314
Recognized for the year		
Revaluation on property	332,149	-
Tax effects	<u>(82,404)</u>	<u>-</u>
Other comprehensive income recognized for the year	<u>249,745</u>	<u>-</u>
Transferred to retained earnings	<u>(64,925)</u>	<u>(143,225)</u>
Ending balance	<u>\$ 11,281,909</u>	<u>\$ 11,097,089</u>

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

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 102,511,617	\$ 57,968,675
Recognized for the year		
Unrealized gain	75,725,482	124,052,903
Reclassification adjustments		
Disposal of financial instruments	(115,202,768)	(74,760,595)
Tax effects	<u>1,730,340</u>	<u>(4,749,366)</u>
Other comprehensive (loss) income recognized for the year	<u>(37,746,946)</u>	<u>44,542,942</u>
Ending balance	<u>\$ 64,764,671</u>	<u>\$ 102,511,617</u>

8) Other equity - other

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ (3,944,303)	\$ -
Initial recognition of put options on subsidiaries' share	-	(3,944,303)
Actual execution of put options on subsidiaries' share	731,017	-
Other	<u>(11,103)</u>	<u>-</u>
Ending balance	<u>\$ (3,224,389)</u>	<u>\$ (3,944,303)</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 11,714,465	\$ 10,279,814
Attributed to non-controlling interests		
Net profit for the year	1,375,228	1,378,763
Exchange differences on translation of financial statements of foreign operations	(212,332)	(167,572)
Unrealized gain on financial assets at FVTOCI	120,291	139,670
Other comprehensive income (loss) on reclassification using the overlay approach	164,141	(142,568)
Acquisition of non-controlling interests in subsidiaries (Note 38)	-	1,415,021
Actual acquisition of interests in subsidiaries	(176,506)	-
Others	<u>(984,706)</u>	<u>(1,188,663)</u>
Ending balance	<u>\$ 12,000,581</u>	<u>\$ 11,714,465</u>

25. NET PROFIT FOR THE YEAR

a. Net gain on service fee and commission fee

	For the Year Ended December 31	
	2021	2020
Service fee revenue	\$ 35,429,425	\$ 28,443,874
Commission fee revenue	<u>9,316,350</u>	<u>7,546,599</u>
	<u>44,745,775</u>	<u>35,990,473</u>
Service fee expense	(10,757,706)	(7,849,627)
Commission fee expense	<u>(21,339,406)</u>	<u>(20,896,778)</u>
	<u>(32,097,112)</u>	<u>(28,746,405)</u>
	<u>\$ 12,648,663</u>	<u>\$ 7,244,068</u>

b. Net income on insurance operations

	For the Year Ended December 31	
	2021	2020
Retained premiums earned	\$ 517,861,188	\$ 597,956,518
Separate account insurance product income	<u>77,919,494</u>	<u>73,396,159</u>
	<u>595,780,682</u>	<u>671,352,677</u>
Claims and payments	(298,320,041)	(283,718,673)
Separate account insurance product expenses	(77,919,494)	(73,396,159)
Others	<u>(1,057,529)</u>	<u>(1,239,534)</u>
	<u>(377,297,064)</u>	<u>(358,354,366)</u>
	<u>\$ 218,483,618</u>	<u>\$ 312,998,311</u>

c. Net changes in insurance liability reserves

	For the Year Ended December 31	
	2021	2020
Net change in loss reserve	\$ (310,185)	\$ (1,219,443)
Net change in policy reserve	(379,955,876)	(466,068,514)
Net change in premium deficiency reserve	3,867,251	5,709,171
Net change in special reserve	32,060	275,858
Net change in other reserves	11,000	(3,784)
Net change in reserve for insurance contracts with the nature of financial products	<u>(1,052,640)</u>	<u>(787,429)</u>
	<u>\$(377,408,390)</u>	<u>\$(462,094,141)</u>

d. Employee benefit expenses

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Short-term benefits		
Salaries	\$ 58,401,769	\$ 57,661,162
Labor and health insurance expenses	4,748,926	4,589,390
Post-employment benefits	2,212,130	2,357,726
Remuneration of directors	280,517	227,892
Others	<u>1,418,139</u>	<u>1,589,297</u>
	<u>\$ 67,061,481</u>	<u>\$ 66,425,467</u>
An analysis of employee benefit expenses by function		
Profit from operations	\$ 13,355,013	\$ 13,764,335
Operating expenses	<u>53,706,468</u>	<u>52,661,132</u>
	<u>\$ 67,061,481</u>	<u>\$ 66,425,467</u>

As of December 31, 2021 and 2020, the total number of employees in the Group was 57,100 and 57,848, respectively.

For the year ended December 31, 2021 and 2020, the average number of the Group's employees was 57,612 and 57,350, respectively, including 44 and 38 directors not concurrently serving as employees.

e. Compensation of employees and remuneration of directors

According to the Articles, if there is a profit in the current year, the Company should distribute 0.01% to 0.05% of the profit in the current year as compensation of employees, and no more than 0.05% of the profit in the current year as remuneration of directors. However, the Company has to first cover accumulated losses, if any.

The compensation of employees and remuneration of directors for 2021 and 2020, which were accrued at the rates of 0.01% and no higher than 0.05%, respectively, and resolved by the Company's board of directors on March 11, 2022 and March 10, 2021, respectively, were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	Cash	Cash
Compensation of employees	\$ 14,057	\$ 7,713
Remuneration of directors	2,700	2,700

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

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

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

f. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Right-of-use assets	\$ 1,456,587	\$ 1,454,148
Property and equipment	2,654,866	2,572,432
Intangible assets	<u>3,286,342</u>	<u>3,331,836</u>
	<u>\$ 7,397,795</u>	<u>\$ 7,358,416</u>
 An analysis of depreciation by function		
Operating expenses	<u>\$ 4,111,453</u>	<u>\$ 4,026,580</u>
 An analysis of amortization by function		
Operating expenses	<u>\$ 3,286,342</u>	<u>\$ 3,331,836</u>

26. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 14,419,447	\$ 22,018,512
Adjustments for prior years	(539,469)	56,884
Additional tax on unappropriated earnings	1,509,915	2,624,086
Others	5,181,989	343,682
Deferred tax		
In respect of the current year	(2,026,429)	(19,396,008)
Adjustments for prior years	<u>91,608</u>	<u>10,402</u>
 Income tax expense recognized in profit or loss	<u>\$ 18,637,061</u>	<u>\$ 5,657,558</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$ 159,526,371</u>	<u>\$ 81,615,781</u>
 Income tax calculated at the Company's statutory rate (20%)	\$ 31,905,274	\$ 16,323,156
Tax-exempt income	(20,033,332)	(14,145,961)
Nondeductible expenses in determining taxable income	126,306	60,889
Effect of tax on investment properties measured at fair value	414,288	864,638
Additional income tax under the Alternative Minimum Tax Act	5,999,141	16,519
Effect of different tax rates of entities in the Group operating in other jurisdictions	182,586	80,955
Adjustments for prior years' tax	(447,860)	67,189
Income tax on unappropriated earnings	1,509,915	2,624,086
Others	<u>(1,019,257)</u>	<u>(233,913)</u>
 Income tax expense recognized in profit or loss	<u>\$ 18,637,061</u>	<u>\$ 5,657,558</u>

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2021	2020
Current tax		
Derecognition of equity instruments at FVTOCI	\$ 370,685	\$ 38,200
Deferred tax		
Derecognition of equity instruments at FVTOCI	(370,685)	(38,200)
Capital surplus	2,033	-
Retained earnings	<u>6,726</u>	<u>-</u>
Income tax recognized directly in equity	<u>\$ 8,759</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ (147,326)	\$ (92,952)
Exchange differences on the translation of financial statements of foreign operations	367,278	123,984
Unrealized loss (gain) on financial assets at FVTOCI	14,551,659	(6,415,178)
Loss on hedging instruments	1,661	2,678
Remeasurement of defined benefit plans	(241,544)	123,338
Property revaluation surplus	(82,404)	-
Shares of associates accounted for using the equity method	7,194	5,314
Other comprehensive loss (income) on reclassification using overlay approach	<u>1,730,340</u>	<u>(4,749,366)</u>
Income tax benefit (expense) recognized in other comprehensive income	<u>\$ 16,186,858</u>	<u>\$ (11,002,182)</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Property and equipment	\$ 952,449	\$ (175,258)	\$ -	\$ -	\$ -	\$ 777,191
Investment properties	(25,132,575)	(1,527,223)	(82,404)	-	18,399	(26,723,803)
Financial assets at FVTPL	(5,824,152)	2,735,131	(154,036)	-	(152)	(3,243,209)
Financial assets at FVTPL reclassified using the overlay approach	(13,247,368)	-	753,090	-	-	(12,494,278)
Equity instruments at FVTOCI	(1,095,806)	-	660,777	(329,126)	-	(764,155)
Debt instruments at FVTOCI	(18,364,951)	(68,284)	13,780,262	-	-	(4,652,973)
Financial assets at amortized cost	(86,345)	11,931	-	-	-	(74,414)

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Others	Closing Balance
Financial liabilities at FVTPL	\$ 2,318,537	\$ (1,733,477)	\$ -	\$ -	\$ -	\$ 585,060
Goodwill and franchises	(751,912)	(36,615)	-	-	-	(788,527)
Defined benefit assets	(560,459)	(19,164)	(273,640)	-	-	(853,263)
Preferential savings deposits	117,324	(14,775)	32,096	-	-	134,645
Investments accounted for using the equity method	1,355,745	(298,561)	191,607	8,759	1,546	1,259,096
Lease liabilities	122,427	28,516	-	-	-	150,943
Unrealized foreign exchange losses (gains)	51,262,690	2,970,513	1,270,735	(41,559)	6	55,462,385
Allowance for doubtful accounts	2,080,541	275,325	-	-	-	2,355,866
Others	518,956	(230,763)	8,371	-	(693,697)	(397,133)
Unused benefit of tax loss	18,905	17,525	-	-	(389)	36,041
Net deferred tax assets (liabilities)	\$ (6,315,994)	\$ 1,934,821	\$ 16,186,858	\$ (361,926)	\$ (674,287)	\$ 10,769,472
Deferred tax assets	<u>\$ 61,507,384</u>					<u>\$ 63,746,198</u>
Deferred tax liabilities	<u>\$ (67,823,378)</u>					<u>\$ (52,976,726)</u>

(Concluded)

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Property and equipment	\$ 979,616	\$ (27,167)	\$ -	\$ -	\$ -	\$ 952,449
Investment properties	(23,071,382)	(2,095,941)	-	-	34,748	(25,132,575)
Financial assets at FVTPL	(5,632,667)	(98,338)	(92,952)	-	(195)	(5,824,152)
Financial assets at FVTPL reclassified using the overlay approach	(6,802,327)	-	(6,445,041)	-	-	(13,247,368)
Equity instruments at FVTOCI	(1,280,408)	-	187,418	(2,816)	-	(1,095,806)
Debt instruments at FVTOCI	(11,790,400)	68,080	(6,642,631)	-	-	(18,364,951)
Financial assets at amortized cost	(93,898)	7,553	-	-	-	(86,345)
Financial liabilities at FVTPL	572,859	1,745,678	-	-	-	2,318,537
Goodwill and franchises	(715,296)	(36,616)	-	-	-	(751,912)
Defined benefit assets	(615,878)	(61,208)	116,627	-	-	(560,459)
Preferential savings deposits	124,001	(13,404)	6,727	-	-	117,324
Investments accounted for using the equity method	(1,343,831)	2,659,647	38,237	-	1,692	1,355,745
Lease liabilities	1,839,673	(1,717,246)	-	-	-	122,427
Right-of-use assets	(1,790,340)	1,790,340	-	-	-	-
Unrealized foreign exchange losses (gains)	27,207,494	22,263,796	1,826,772	(35,384)	12	51,262,690
Allowance for doubtful accounts	1,641,107	439,434	-	-	-	2,080,541
Others	(123,418)	554,043	2,661	-	85,670	518,956
Unused benefit of tax loss	6,346,450	(6,093,045)	-	-	(234,500)	18,905
Net deferred tax assets (liabilities)	\$ (14,548,645)	\$ 19,385,606	\$ (11,002,182)	\$ (38,200)	\$ (112,573)	\$ (6,315,994)
Deferred tax assets	<u>\$ 40,595,612</u>					<u>\$ 61,507,384</u>
Deferred tax liabilities	<u>\$ (55,144,257)</u>					<u>\$ (67,823,378)</u>

- e. Deductible temporary difference for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Deductible temporary differences	<u>\$ 2,067,192</u>	<u>\$ 2,679,802</u>

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2021 comprised:

Unused Amount	Expiry Year
\$ 122	2027
2,173	2028
12,597	2029
11,918	2030
<u>24,685</u>	2031
<u>\$ 51,495</u>	

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

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$3,154,210 thousand and \$2,298,804 thousand, respectively.

h. Income tax assessments

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

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

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

27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share	<u>\$ 10.34</u>	<u>\$ 5.41</u>

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

Net Income for the Period

	For the Year Ended December 31	
	2021	2020
Net income for the period attributable to owners of the Company	\$ 139,514,082	\$ 74,579,460
Less: Dividends on preference shares	<u>(3,390,924)</u>	<u>(3,390,924)</u>
Earnings used in the computation of basic earnings per share	<u>\$ 136,123,158</u>	<u>\$ 71,188,536</u>

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

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

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. The Group's compensation of employees did not cause any significant changes in the earnings and weighted average number of ordinary shares used to calculate the diluted earnings per share.

28. RELATED-PARTY TRANSACTIONS

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

<u>Related Party Name</u>	<u>Related Party Category</u>
Cathay Life	Subsidiary
Cathay United Bank	Subsidiary
Cathay Century	Subsidiary
Cathay Securities	Subsidiary
Cathay Securities Investment Trust	Subsidiary
Cathay Venture	Subsidiary
Cathay Lujiazui Life	Subsidiary
Cathay Life (Vietnam)	Subsidiary
Conning Asia Pacific Ltd.	Subsidiary
Cathay Securities Investment Consulting	Subsidiary
Cathay Investment	Subsidiary
Lin Yuan	Subsidiary
Conning Holdings Limited	Subsidiary
Cathay Woolgate Exchange Holding 1 Limited	Subsidiary
Cathay Woolgate Exchange Holding 2 Limited	Subsidiary
Cathay Walbrook Holding 1 Limited	Subsidiary
Cathay Walbrook Holding 2 Limited	Subsidiary

(Continued)

Related Party Name	Related Party Category
Octagon Credit Investors, LLC	Subsidiary
Cathay Insurance (Vietnam)	Subsidiary
Indovina Bank	Subsidiary
CUBC Bank	Subsidiary
CUBCN Bank	Subsidiary
Cathay Futures	Subsidiary
Cathay Private Equity	Subsidiary
Cathay Industrial R&D Center	Subsidiary
Cathay Securities (Hong Kong) Limited	Subsidiary
Cathay Capital (Asia)	Subsidiary
Global Evolution Holding ApS	Subsidiary (associate before June 2020)
Taiwan Real-estate Management Corp.	Associate
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
CM Energy Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate (other related party before May 2020)
Cathay Power Inc.	Associate
Neo Cathay Power Corp.	Associate
CMG International One Corp.	Associate
CMG International Two Corp.	Associate
Seaward Card Co., Ltd.	Other related party
Vietinbank	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Funds managed by Cathay Securities Investment Trust	Other related party
Private Equity Funds managed by Cathay Private Equity	Other related party
Funds managed by Global Evolution Holding ApS	Other related party
Funds managed by Octagon Credit Investors, LLC	Other related party
Bonds managed by Octagon Credit Investors, LLC	Other related party
San Ching Engineering Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party
ThinkPower Information Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Hong-Sui Co., Ltd.	Other related party
Bowl Cut Entertainment Co., Ltd.	Other related party
Cymlin Co., Ltd.	Other related party
Cymder Co., Ltd.	Other related party
Retail Forest Co., Ltd.	Other related party before July 2021
Sino Greenergy Group	Other related party
Cathay Cultural Foundation	Other related party
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cathay Life Insurance Employees' Welfare Committee	Other related party

(Continued)

Related Party Name	Related Party Category
Cathay United Bank Employees' Welfare Committee	Other related party
Cathay Real Estate Development Employees' Welfare Committee	Other related party
Hsin Chung Co., Ltd.	Other related party
Tian-Ji Power Co., Ltd.	Other related party
Jinhua Realty Co., Ltd.	Other related party
Pai Hsing Investment Co., Ltd.	Other related party
Bannan Realty Co., Ltd.	Other related party
De Jin Co., Ltd.	Other related party
Yi Ru Capital Co., Ltd.	Other related party
FundRich Securities Co., Ltd.	Other related party
Daiwa - Cathay Capital Markets Co., Ltd.	Other related party
CDIB & PARTNERS Investment Holding Corporation	Other related party
Cathay Real Estate Management Co., Ltd.	Other related party
Liang-Ting Co., Ltd.	Other related party
Hongtai Energy Co., Ltd.	Other related party
Others	Other related party

(Concluded)

b. Significant transactions with related parties were as follows:

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

1) Transactions with banks

a) Due from commercial banks

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party				
Vietinbank	\$ 53,977	\$ 372	\$ 519,903	\$ 5,256

b) Due to commercial banks

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party				
Vietinbank	\$ 17,825	\$ 1	\$ 20,040	\$ 10,117

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

	Name	December 31	
		2021	2020
Other related party			
	Vietinbank	\$ 365,738	\$ 384,663

	Name	Interest Income	
		For the Year Ended December 31	
		2021	2020
Other related party			
	Vietinbank	\$ 24,885	\$ 31,156

2) Balance of shares issued by related parties

	Name	December 31	
		2021	2020
Associate			
	PSS Co., Ltd.	\$ 14,038	\$ 19,318
Other related party			
	Cathay Real Estate Development Co., Ltd.	1,321,447	1,437,071
	CDIB & PARTNERS Investment Holding Corporation	880,740	827,820
	Daiwa - Cathay Capital Markets Co., Ltd.	144,600	139,200
	Cathay Healthcare Management Co., Ltd.	106,920	145,035
		<u>2,453,707</u>	<u>2,549,126</u>
		\$ 2,467,745	\$ 2,568,444

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

3) Acquisition of shares issued by related parties

	Name	Nature of Transaction	For the Year Ended December 31	
			2021	2020
Subsidiary				
	Cathay Securities Investment Consulting	Ordinary shares	\$ -	\$ 230,000
Associate				
	TaiYang Solar Power Co., Ltd.	Ordinary shares	279,500	118,150
	CM Energy Co., Ltd.	Ordinary shares	135,000	45,000
	PSS Co., Ltd.	Ordinary shares	-	51,386
	Lin Yuan Property Management Co., Ltd.	Ordinary shares	-	50,649
			<u>414,500</u>	<u>265,185</u>
			\$ 414,500	\$ 495,185

4) Receivable

	Name	December 31	
		2021	2020
Associate			
	Cathay Power Inc.	\$ 4,316	\$ 4
	Neo Cathay Power Corp.	<u>3,182</u>	<u>79</u>
		<u>7,498</u>	<u>83</u>
Other related party			
	Funds managed by Cathay Securities Investment Trust	255,172	212,495
	Tian-Ji Power Co., Ltd.	5,121	3,687
	Cathay Hospitality Management Co., Ltd.	<u>617</u>	<u>4,664</u>
		<u>260,910</u>	<u>220,846</u>
		<u>\$ 268,408</u>	<u>\$ 220,929</u>

5) Loans

	Name	For the Year Ended December 31			
		2021		2020	
		Ending Balance	Interest Income	Ending Balance	Interest Income
Associate					
	TaiYang Solar Power Co., Ltd.	\$ 59,939	\$ 1,258	\$ 65,244	\$ 1,409
	Taiwan Real-estate Management Corp.	<u>33,000</u>	<u>528</u>	<u>33,000</u>	<u>533</u>
		<u>92,939</u>	<u>1,786</u>	<u>98,244</u>	<u>1,942</u>
Other related party					
	Sino Greenergy Group	75,465	1,647	83,012	1,878
	Others	<u>3,112,399</u>	<u>41,092</u>	<u>2,980,147</u>	<u>39,028</u>
		<u>3,187,864</u>	<u>42,739</u>	<u>3,063,159</u>	<u>40,906</u>
		<u>\$ 3,280,803</u>	<u>\$ 44,525</u>	<u>\$ 3,161,403</u>	<u>\$ 42,848</u>

6) Deposits

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary				
Cathay Securities				
Investment Consulting	\$ 563,928	\$ 173	\$ 502,217	\$ 388
Associate				
Lin Yuan Property				
Management Co., Ltd.	267,301	1,178	270,481	1,387
CMG International Two				
Corp.	167,291	2	9,802	1
Symphox Information Co.,				
Ltd.	156,393	132	407,037	427
CMG International One				
Corp.	120,208	1	6,666	1
CM Energy Co., Ltd.	116,468	24	50,160	2
	<u>827,661</u>	<u>1,337</u>	<u>744,146</u>	<u>1,818</u>
Other related party				
Cathay Life Insurance				
Employees' Welfare				
Committee	2,381,744	16,982	2,198,909	17,881
Cathay United Bank				
Employees' Welfare				
Committee	760,605	30,847	760,170	31,356
Funds managed by Cathay				
Securities Investment				
Trust	695,215	35	35,341	-
Cathay United Bank				
Foundation	541,531	4,189	530,444	4,560
Cathay Real Estate				
Development Employees'				
Welfare Committee	438,380	3,506	413,825	3,560
Cathay Real Estate				
Development Co., Ltd.	290,378	28	370,758	18
Cathay Charity Foundation	281,451	1,918	274,178	2,026
Cathay Medical Care Corp.	218,988	48	210,060	42
Cathay Cultural Foundation	210,741	1,598	209,366	1,711
Bannan Realty Co., Ltd.	190,289	30	338,238	16
Cathay Hospitality				
Management Co., Ltd.	163,365	10	189,776	11
Pai Hsing Investment Co.,				
Ltd.	142,416	129	177,062	743
Yua-Yung Marketing				
(Taiwan) Co., Ltd.	121,802	211	140,277	291
Cathay Real Estate				
Management Co., Ltd.	100,559	580	98,631	696
Ally Logistic Property Co.,				
Ltd.	95,032	10	147,229	9
Jinhua Realty Co., Ltd.	34,274	23	167,867	6
De Jin Co., Ltd.	28,972	12	636,153	31
Others	8,365,272	47,048	8,506,952	53,303
	<u>15,061,014</u>	<u>107,204</u>	<u>15,405,236</u>	<u>116,260</u>
	<u>\$ 16,452,603</u>	<u>\$ 108,714</u>	<u>\$ 16,651,599</u>	<u>\$ 118,466</u>

7) Property transactions

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

Name	For the Year Ended December 31			
	2021		2020	
	Items	Amount	Items	Amount
Associate				
Lin Yuan Property Management Co., Ltd.	International Building, etc.	\$ 9,771	International Building, etc.	\$ 6,645
Other related party				
Ally Logistic Property Co., Ltd.	Yangmei Erchongxi Warehouse, etc.	1,694,037	Yangmei Logistics Park, etc.	1,142,914
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	1,213,455	THSR Taoyuan Commercial Park, etc.	1,051,289
		2,907,492		2,194,203
		\$ 2,917,263		\$ 2,200,848

As of December 31, 2021 and 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$2,607,361 thousand and \$2,569,290 thousand, respectively.

As of December 31, 2021 and 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$7,316,509 thousand and \$7,393,657 thousand, respectively.

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

Name	Rental Income	
	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Securities Investment Consulting	\$ 9,865	\$ 9,728
Associate		
Symphox Information Co., Ltd.	32,850	38,409
Lin Yuan Property Management Co., Ltd.	19,463	19,411
	52,313	57,820
Other related party		
Ally Logistic Property Co., Ltd.	798,609	752,523
Cathay Medical Care Corp.	191,996	191,271
Cathay Hospitality Management Co., Ltd.	157,748	179,016
Cathay Hospitality Consulting Co., Ltd.	140,144	119,033
Cathay Healthcare Management Co., Ltd.	65,679	69,896
Yua-Yung Marketing (Taiwan) Co., Ltd.	31,546	22,003
Hong-Sui Co., Ltd.	27,467	27,339
Cathay Real Estate Development Co., Ltd.	18,121	19,008
Hsin Chung Co., Ltd.	11,619	3,226
Cymder Co., Ltd.	7,280	692
San Ching Engineering Co., Ltd.	6,473	5,908
Cathay United Bank Foundation	4,812	5,249
Hongtai Energy Co., Ltd.	3,442	700
Liang-Ting Co., Ltd.	3,159	3,124
Retail Forest Co., Ltd.	2,028	8,621
	1,470,123	1,407,609
	\$ 1,532,301	\$ 1,475,157

Name	Guarantee Deposits Received	
	December 31	
	2021	2020
Associate		
Symphox Information Co., Ltd.	\$ 8,000	\$ 8,000
Other related party		
Cathay Hospitality Management Co., Ltd.	188,597	186,584
Cathay Hospitality Consulting Co., Ltd.	182,277	180,473
Ally Logistic Property Co., Ltd.	143,424	142,869
Cathay Healthcare Management Co., Ltd.	21,113	20,384
Cathay Medical Care Corp.	11,447	11,435
Retail Forest Co., Ltd.	5,745	5,745
Hong-Sui Co., Ltd.	4,740	5,145
Yua-Yung Marketing (Taiwan) Co., Ltd.	4,552	3,487
Cathay Real Estate Development Co., Ltd.	4,215	4,090
Cymlin Co., Ltd.	4,081	4,081
Hsin Chung Co., Ltd.	3,072	3,072
	<u>573,263</u>	<u>567,365</u>
	<u>\$ 581,263</u>	<u>\$ 575,365</u>

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

c) Lease arrangements

Name	Acquisition of Right-of-use Assets	
	For the Year Ended December 31	
	2021	2020
Other related party		
Yi Ru Capital Co., Ltd.	\$ 8,402	\$ -
Ally Logistic Property Co., Ltd.	7,420	-
Cathay Real Estate Development Co., Ltd.	-	35,856
	<u>\$ 15,822</u>	<u>\$ 35,856</u>
Name	Lease Liabilities	
	December 31	
	2021	2020
Other related party		
Cathay Real Estate Development Co., Ltd.	\$ 13,152	\$ 32,427
Ally Logistic Property Co., Ltd.	6,022	-
Yi Ru Capital Co., Ltd.	5,271	-
	<u>\$ 24,445</u>	<u>\$ 32,427</u>

	Name	Guarantee Deposits Paid	
		December 31	
		2021	2020
	Other related party		
	Cathay Real Estate Development Co., Ltd.	\$ 4,446	\$ 4,446
d) Acquisition of computer equipment and software			
	Name	For the Year Ended December 31	
		2021	2020
	Other related party		
	ThinkPower Information Co., Ltd.	\$ 16,593	\$ 9,622
e) Disposal of property and equipment			
	Name	Disposal Proceeds	
		For the Year Ended December 31	
		2021	2020
	Associate		
	Symphox Information Co., Ltd.	\$ -	\$ 4,313
8) Guarantee deposits received			
	Name	December 31	
		2021	2020
	Associate		
	Lin Yuan Property Management Co., Ltd.	\$ 5,000	\$ 5,000
	Other related party		
	Ally Logistic Property Co., Ltd.	1,486,507	293,285
	San Ching Engineering Co., Ltd.	968,577	979,284
		<u>2,455,084</u>	<u>1,272,569</u>
		\$ 2,460,084	\$ 1,277,569
9) Payables			
	Name	December 31	
		2021	2020
	Subsidiary		
	Cathay Securities Investment Consulting	\$ 30,963	\$ 30,788
	Associate		
	Symphox Information Co., Ltd.	42,332	88,822
	Other related party		
	Seaward Card Co., Ltd.	30,880	35,533
	Funds managed by Cathay Securities Investment Trust	5,096	3,922
		<u>35,976</u>	<u>39,455</u>
		\$ 109,271	\$ 159,065

10) Balance of bonds managed by related parties

Name	December 31	
	2021	2020
Other related party		
Bonds managed by Octagon Credit Investors, LLC	\$ 4,888,088	\$ 5,006,641

11) Balances of funds managed by related parties

Name	December 31	
	2021	2020
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ 72,315,513	\$ 70,300,473
Funds managed by Global Evolution Holding ApS	2,782,079	2,864,685
Funds managed by Octagon Credit Investors, LLC	2,075,270	870,939
Private Equity Funds managed by Cathay Private Equity	<u>1,251,757</u>	<u>1,055,921</u>
	<u>\$ 78,424,619</u>	<u>\$ 75,092,018</u>

12) Balances of related parties' discretionary management investment

Name	December 31	
	2021	2020
Other related party		
Cathay Charity Foundation	\$ 134,136	\$ 110,045
Cathay Cultural Foundation	<u>61,874</u>	<u>58,230</u>
	<u>\$ 196,010</u>	<u>\$ 168,275</u>

13) Service fee income

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Securities Investment Consulting	\$ 38,995	\$ 18,610
Other related party		
Cathay Real Estate Development Co., Ltd.	<u>7,706</u>	<u>6,911</u>
	<u>\$ 46,701</u>	<u>\$ 25,521</u>

14) Premium income

Name	For the Year Ended December 31	
	2021	2020
Associate		
Cathay Power Inc.	\$ 9,413	\$ 8,266
Neo Cathay Power Corp.	6,777	8,120
Lin Yuan Property Management Co., Ltd.	<u>3,466</u>	<u>3,098</u>
	<u>19,656</u>	<u>19,484</u>
Other related party		
Cathay Medical Care Corp.	63,128	55,128
ThinkPower Information Co., Ltd.	21,548	28
San Ching Engineering Co., Ltd.	12,096	10,901
Cathay Real Estate Development Co., Ltd.	10,579	9,746
Tian-Ji Power Co., Ltd.	7,095	3,687
Hong-Sui Co., Ltd.	6,967	4,117
Cathay Hospitality Consulting Co., Ltd.	5,410	5,219
Yua-Yung Marketing (Taiwan) Co., Ltd.	4,300	3,663
Cathay Hospitality Management Co., Ltd.	1,001	5,102
Others	<u>313,907</u>	<u>447,657</u>
	<u>446,031</u>	<u>545,248</u>
	<u>\$ 465,687</u>	<u>\$ 564,732</u>

15) Net other non-interest income

Name	For the Year Ended December 31	
	2021	2020
<u>Other non-interest income</u>		
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ 2,792,767	\$ 2,328,614
Private Equity Funds managed by Cathay Private Equity	65,865	43,272
Cathay Healthcare Management Co., Ltd.	5,564	5,537
Cathay Medical Care Corp.	4,010	995
Cathay Hospitality Consulting Co., Ltd.	<u>3,528</u>	<u>3,719</u>
	<u>\$ 2,871,734</u>	<u>\$ 2,382,137</u>
<u>Other non-interest expense</u>		
Associate		
Global Evolution Holding Aps	\$ -	\$ 14,163
Other related party		
Daiwa - Cathay Capital Markets Co., Ltd.	<u>3,802</u>	<u>-</u>
	<u>\$ 3,802</u>	<u>\$ 14,163</u>

16) Operating expenses

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Securities Investment Consulting	\$ 123,346	\$ 124,212
Associate		
Lin Yuan Property Management Co., Ltd.	879,190	816,462
Symphox Information Co., Ltd.	711,581	818,717
	<u>1,590,771</u>	<u>1,635,179</u>
Other related party		
Seaward Card Co., Ltd.	295,537	302,416
ThinkPower Information Co., Ltd.	48,833	11,757
Bowl Cut Entertainment Co., Ltd.	42,300	42,300
Cathay Healthcare Management Co., Ltd.	15,569	38,818
Cathay Medical Care Corp.	10,125	2,573
Cathay Real Estate Development Co., Ltd.	9,497	8,356
FundRich Securities Co., Ltd.	8,765	2,736
San Ching Engineering Co., Ltd.	4,537	3,900
	<u>435,163</u>	<u>412,856</u>
	<u>\$ 2,149,280</u>	<u>\$ 2,172,247</u>

17) Guarantees on duties and contracts

December 31, 2021

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party					
Yua-Yung Marketing (Taiwan) Co., Ltd.	\$ 63,513	\$ 63,513	\$ 43	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.	\$ 68,190	\$ 54,673	\$ 28	0.65%-0.8%	Demand deposits

18) Remuneration of key management personnel

Name	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 1,416,671	\$ 1,123,712
Post-employment benefits	24,273	21,757
Other long-term employee benefits	<u>15</u>	<u>92</u>
	<u>\$ 1,440,959</u>	<u>\$ 1,145,561</u>

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

c. The Company

1) Cash in banks

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary Cathay United Bank	<u>\$ 47,839</u>	<u>\$ 78</u>	<u>\$ 209,849</u>	<u>\$ 144</u>

2) Receivables

Name	Nature of Transaction	December 31	
		2021	2020
Subsidiary Cathay United Bank	Integrated income tax, etc.	\$ 513,935	\$ 771,804
Cathay Securities	Integrated income tax	373,017	218,953
Cathay Securities Investment Trust	Integrated income tax	269,811	186,069
Cathay Century	Integrated income tax, etc.	238,909	356,009
Cathay Life	Integrated income tax, etc.	<u>70,989</u>	<u>6,206,423</u>
		<u>\$ 1,466,661</u>	<u>\$ 7,739,258</u>

3) Guarantee deposits paid

Name	December 31	
	2021	2020
Subsidiary Cathay Life	<u>\$ 33,301</u>	<u>\$ 29,781</u>

4) Financial assets at FVTPL

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

5) Payable

	Name	Nature of Transaction	December 31	
			2021	2020
Subsidiary				
	Cathay Life	Integrated income tax	<u>\$ 5,253,915</u>	<u>\$ -</u>

6) Lease agreements

a) Acquisition of right-of-use assets

	Name	For the Year Ended December 31	
		2021	2020
Subsidiary			
	Cathay Life	\$ -	\$ 249,573
Other related party			
	Ally Logistic Property Co., Ltd.	<u>7,420</u>	<u>-</u>
		<u>\$ 7,420</u>	<u>\$ 249,573</u>

b) Lease liabilities

	Name	December 31	
		2021	2020
Subsidiary			
	Cathay Life	\$ 113,076	\$ 239,100
Other related party			
	Ally Logistic Property Co., Ltd.	<u>6,022</u>	<u>-</u>
		<u>\$ 119,098</u>	<u>\$ 239,100</u>

c) Lease expense

	Name	For the Year Ended December 31	
		2021	2020
Subsidiary			
	Cathay Life	<u>\$ 15,185</u>	<u>\$ 65,325</u>

7) Interest income

	Name	For the Year Ended December 31	
		2021	2020
Subsidiary			
	Cathay Life	\$ 1,260,000	\$ 1,260,000

8) Operating expenses

	Name	For the Year Ended December 31	
		2021	2020
Subsidiary			
	Cathay Life	\$ 16,843	\$ 16,149
	Cathay United Bank	6,793	28,487
	Cathay Securities	-	14,800
		<u>23,636</u>	<u>59,436</u>
Associate			
	Symphox Information Co., Ltd.	4,293	7,243
	Lin Yuan Property Management Co., Ltd.	4,106	2,186
		<u>8,399</u>	<u>9,429</u>
Other related party			
	Bowl Cut Entertainment Co., Ltd.	42,300	42,300
	ThinkPower Information Co., Ltd.	34,283	2,837
	Seaward Card Co., Ltd.	7,919	7,129
		<u>84,502</u>	<u>52,266</u>
		<u>\$ 116,537</u>	<u>\$ 121,131</u>

9) Operating income

	Name	For the Year Ended December 31	
		2021	2020
Subsidiary			
	Cathay United Bank	\$ 6,088	\$ 6,000
	Cathay Life	5,400	5,400
	Cathay Century	4,500	4,500
		<u>\$ 15,988</u>	<u>\$ 15,900</u>

10) Acquisition of shares issued by related parties

	Name	Nature of Transaction	For the Year Ended December 31	
			2021	2020
Subsidiary				
	Cathay Securities	Ordinary shares	\$ -	\$ 1,200,000

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

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

1) Cathay Life and its subsidiaries

a) Property transactions

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

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

Name	For the Year Ended December 31			
	2021		2020	
	Items	Amount	Items	Amount
Other related party				
Ally Logistic Property Co., Ltd.	Yangmei Erchongxi Warehouse, etc.	\$ 1,694,037	Yangmei Logistics Park, etc.	\$ 1,142,914
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	<u>1,213,455</u>	THSR Taoyuan Commercial Park, etc.	<u>1,051,289</u>
		<u>\$ 2,907,492</u>		<u>\$ 2,194,203</u>

As of December 31, 2021 and 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$2,607,361 thousand and \$2,569,290 thousand, respectively.

As of December 31, 2021 and 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$7,316,509 thousand and \$7,393,657 thousand, respectively.

ii. Real-estate rental

Name	Rental Income	
	For the Year Ended December 31	
	2021	2020
The Company		
Cathay Financial Holdings	<u>\$ 140,758</u>	<u>\$ 123,238</u>
Subsidiary		
Cathay United Bank	727,756	726,237
Cathay Century	<u>112,768</u>	<u>109,922</u>
	<u>840,524</u>	<u>836,159</u>
Other related party		
Ally Logistic Property Co., Ltd.	798,609	752,523
Cathay Medical Care Corp.	191,996	191,271
Cathay Hospitality Management Co., Ltd.	157,748	179,016
Cathay Hospitality Consulting Co., Ltd.	<u>140,144</u>	<u>119,033</u>
	<u>1,288,497</u>	<u>1,241,843</u>
	<u>\$ 2,269,779</u>	<u>\$ 2,201,240</u>

Name	Guarantee Deposits Received	
	December 31	
	2021	2020
Subsidiary		
Cathay United Bank	\$ 187,202	\$ 186,446
Other related party		
Cathay Hospitality Management Co., Ltd.	188,597	186,584
Cathay Hospitality Consulting Co., Ltd.	182,277	180,473
Ally Logistic Property Co., Ltd.	<u>143,424</u>	<u>142,869</u>
	<u>514,298</u>	<u>509,926</u>
	\$ <u>701,500</u>	\$ <u>696,372</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 Year Ended	
		December 31	
		2021	2020
Subsidiary			
Cathay Securities Investment Consulting	Ordinary shares	\$ -	\$ 230,000
Associate			
TaiYang Solar Power Co., Ltd.	Ordinary shares	279,500	118,150
CM Energy Co., Ltd.	Ordinary shares	<u>135,000</u>	<u>45,000</u>
		<u>414,500</u>	<u>163,150</u>
		\$ <u>414,500</u>	\$ <u>393,150</u>

c) Balance of shares issued by related parties

Name	Nature of Transaction	December 31	
		2021	2020
Other related party			
Cathay Real Estate Development Co., Ltd.	Ordinary shares	\$ 1,321,447	\$ 1,436,792
CDIB & PARTNERS Investment Holding Corporation	Ordinary shares	880,740	827,820
Daiwa - Cathay Capital Markets Co., Ltd.	Ordinary shares	<u>144,600</u>	<u>139,200</u>
		\$ <u>2,346,787</u>	\$ <u>2,403,812</u>

d) Cash in banks

Name	Nature of Transaction	December 31	
		2021	2020
Subsidiary			
Cathay United Bank	Demand deposits	\$ 42,819,111	\$ 23,114,154
	Time deposits	1,280,477	1,068,004
	Checking deposits	209,910	349,239
	Security deposits	<u>6</u>	<u>6</u>
		<u>44,309,504</u>	<u>24,531,403</u>
Indovina Bank	Time deposits	1,817,844	815,802
	Demand deposits	<u>12,382</u>	<u>19,863</u>
		<u>1,830,226</u>	<u>835,665</u>
		<u>\$ 46,139,730</u>	<u>\$ 25,367,068</u>

For the year ended December 31, 2021 and 2020, the interest income earned from above bank deposits in Indovina Bank Limited were \$131,557 thousand, \$26,147 thousand, respectively.

e) Loans

Name	For the Year Ended December 31, 2021		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 999,575</u>	0.75%-3.17%	<u>\$ 821,274</u>

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

f) Balance of bonds managed by related parties

Name	December 31	
	2021	2020
Other related party		
Bonds managed by Octagon Credit Investors, LLC	<u>\$ 4,888,088</u>	<u>\$ 5,006,641</u>

g) Balance of funds managed by related parties

Name	Item	December 31	
		2021	2020
Other related party			
Funds managed by			
Octagon Credit	Market value	\$ 2,075,270	\$ 870,939
Investors, LLC	Cost	\$ 2,041,381	\$ 894,337
Funds managed by			
Global Evolution	Market value	\$ 2,782,079	\$ 2,864,685
Holding ApS	Cost	\$ 2,440,596	\$ 2,606,653
Funds managed by			
Cathay Securities	Market value	\$ 70,780,361	\$ 68,737,375
Investment Trust	Cost	\$ 71,263,962	\$ 65,853,768
Private Equity Funds			
managed by	Market value	\$ 1,215,634	\$ 1,034,236
Cathay Private Equity	Cost	\$ 1,190,055	\$ 989,445

h) Balance of discretionary management investments

Name	December 31	
	2021	2020
Subsidiary		
Cathay Securities Investment Trust	\$ 343,737,780	\$ 312,835,430

i) Other receivables

Name	December 31	
	2021	2020
The Company		
Cathay Financial Holdings (Note)	\$ 5,253,915	\$ -

Note: Receivables are refundable taxes under the integrated income tax system.

j) Guarantee deposits paid (for future transactions)

Name	December 31	
	2021	2020
Subsidiary		
Cathay Futures	\$ 2,234,611	\$ 1,897,019

k) Guarantee deposits received

Name	December 31	
	2021	2020
Other related party		
Ally Logistic Property Co., Ltd.	\$ 1,486,507	\$ 293,285
San Ching Engineering Co., Ltd.	968,577	979,284
	\$ 2,455,084	\$ 1,272,569

l) Other payables

Name	December 31	
	2021	2020
The Company		
Cathay Financial Holdings (Note)	\$ 70,989	\$ 6,206,423
Subsidiary		
Cathay United Bank	<u>185,415</u>	<u>350,640</u>
	<u>\$ 256,404</u>	<u>\$ 6,557,063</u>

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

m) Bonds payable

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

n) Premium income

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay United Bank	\$ 112,901	\$ 123,336
Other related party		
Others	<u>313,907</u>	<u>447,657</u>
	<u>\$ 426,808</u>	<u>\$ 570,993</u>

o) Insurance expense

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Century	<u>\$ 110,131</u>	<u>\$ 115,639</u>

p) Other operating income

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Securities Investment Trust	<u>\$ 171,268</u>	<u>\$ 153,354</u>

q) Other operating costs

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay United Bank	\$ 1,100,121	\$ 1,070,664
Cathay Securities Investment Trust	<u>466,712</u>	<u>288,106</u>
	<u>\$ 1,566,833</u>	<u>\$ 1,358,770</u>

r) Finance costs

Name	For the Year Ended December 31	
	2021	2020
The Company		
Cathay Financial Holdings	<u>\$ 1,260,000</u>	<u>\$ 1,260,000</u>

The finance costs consist of interest expenses accrued from bonds payable.

s) Operating expenses

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay United Bank	\$ 6,367,493	\$ 5,483,925
Cathay Securities Investment Consulting	<u>123,346</u>	<u>124,212</u>
	<u>6,490,839</u>	<u>5,608,137</u>
Associate		
Lin Yuan Property Management Co., Ltd.	828,679	798,050
Symphox Information Co., Ltd.	<u>165,198</u>	<u>200,032</u>
	<u>993,877</u>	<u>998,082</u>
	<u>\$ 7,484,716</u>	<u>\$ 6,606,219</u>

t) Non-operating income

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Cathay Century	\$ 674,904	\$ 671,489
Cathay United Bank	<u>189,892</u>	<u>185,220</u>
	<u>\$ 864,796</u>	<u>\$ 856,709</u>

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

u) Others

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

Name	December 31	
	2021	2020
SWAP	<u>US\$ 2,885,000</u>	<u>US\$ 3,498,000</u>
CCS	<u>NT\$ 100,000</u>	<u>NT\$ -</u>

2) Cathay United Bank and its subsidiaries

a) Loans and Deposits

December 31, 2021

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	29	\$ 166,949	\$ 14,126	V	\$ -	None	None	\$ 37	\$ 356
Self-used housing mortgage loans	267	2,517,693	2,253,770	V	-	Real estate, stocks and certificates of deposits	None	941	28,127

December 31, 2020

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

Deposits

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
The Company				
Cathay Financial Holdings	\$ 47,839	\$ 78	\$ 209,849	\$ 144
Subsidiary				
Cathay Life	42,128,322	6,003	23,235,022	14,426
Cathay Securities	14,241,811	1,846	3,913,465	2,948
Cathay Century	2,432,503	415	2,010,221	4,195
Cathay Life (Vietnam)	1,830,226	131,557	835,754	26,147
Lin Yuan	1,395,380	38,262	1,221,708	33,087
Cathay Industrial R&D Center	713,251	228	-	-
Cathay Securities Investment Consulting	563,928	173	502,217	388
Cathay Futures	360,353	643	1,138,851	4,857
Cathay Insurance (Vietnam)	243,871	14,584	243,219	5,353
Cathay Securities	159,611	69	167,389	85
Cathay Venture	55,273	20	103,380	4
	<u>64,124,529</u>	<u>193,800</u>	<u>33,371,226</u>	<u>91,490</u>

(Continued)

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Associate				
Lin Yuan Property Management Co., Ltd.	\$ 267,301	\$ 1,178	\$ 270,481	\$ 1,387
CMG International Two Corp.	167,291	2	9,802	1
Symphox Information Co., Ltd.	156,393	132	407,037	427
CMG International One Corp.	120,208	1	6,666	1
CM Energy Co., Ltd.	<u>116,468</u>	<u>24</u>	<u>50,160</u>	<u>2</u>
	<u>827,661</u>	<u>1,337</u>	<u>744,146</u>	<u>1,818</u>
Other related party				
Cathay Life Insurance Employees' Welfare Committee	2,381,744	16,982	2,198,909	17,881
Cathay United Bank Employees' Welfare Committee	760,605	30,847	760,170	31,356
Funds managed by Cathay Securities Investment Trust	695,215	35	35,341	-
Cathay United Bank Foundation	541,531	4,189	530,444	4,560
Cathay Real Estate Development Employees' Welfare Committee	438,380	3,506	413,825	3,560
Cathay Real Estate Development Co., Ltd.	290,378	28	370,758	18
Cathay Charity Foundation	281,451	1,918	274,178	2,026
Cathay Medical Care Corp.	218,988	48	210,060	42
Cathay Cultural Foundation	210,741	1,598	209,366	1,711
Bannan Realty Co., Ltd.	190,289	30	338,238	16
Cathay Hospitality Management Co., Ltd.	163,365	10	189,776	11
Pai Hsing Investment Co., Ltd.	142,416	129	177,062	743
Yua-Yung Marketing (Taiwan) Co., Ltd.	121,802	211	140,277	291
Cathay Real Estate Management Co., Ltd.	100,559	580	98,631	696
Ally Logistic Property Co., Ltd.	95,032	10	147,229	9
Jinhua Realty Co., Ltd.	34,274	23	167,867	6
De Jin Co., Ltd.	28,972	12	636,153	31
Others	<u>8,365,272</u>	<u>47,048</u>	<u>8,506,952</u>	<u>53,303</u>
	<u>15,061,014</u>	<u>107,204</u>	<u>15,405,236</u>	<u>116,260</u>
	<u>\$ 80,061,043</u>	<u>\$ 302,419</u>	<u>\$ 49,730,457</u>	<u>\$ 209,712</u>

(Concluded)

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income
<u>Due from banks</u>				
Other related party				
Vietinbank	\$ 53,977	\$ 372	\$ 519,903	\$ 5,256

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

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

Name	For the Year Ended December 31			
	2021		2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party				
Vietinbank	\$ 365,738	\$ 24,885	\$ 384,663	\$ 31,156

c) Derivatives

December 31, 2021

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2020.09.29-2022.09.28	\$ 79,885,650	\$ (231,691)	Valuation adjustment for financial assets at FVTPL	\$ 2,154
					Valuation adjustment for FVTPL financial liabilities	(593,855)
	SWAP - exchange between customers (USD)	2021.04.29-2023.05.04	2,769,000	1,481	Valuation adjustment for financial assets at FVTPL	8,500
					Valuation adjustment for FVTPL financial liabilities	(10,551)
Cathay Century	SWAP - exchange between customers (USD)	2020.10.08-2022.07.28	2,636,088	(3,252)	Valuation adjustment for financial assets at FVTPL	72
					Valuation adjustment for FVTPL financial liabilities	(19,146)

December 31, 2020

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

d) Lease agreements

		Acquisition of Right-of-use Assets	
		For the Year Ended December 31	
Name		2021	2020
Subsidiary	Cathay Life	\$ 1,973	\$ 565,589
		Lease Liabilities	
		December 31	
Name		2021	2020
Subsidiary	Cathay Life	\$ 1,114,777	\$ 1,825,007
		Guarantee Deposits Paid	
		December 31	
Name		2021	2020
Subsidiary	Cathay Life	\$ 187,202	\$ 186,446

e) Others

		For the Year Ended December 31	
Item/Name		2021	2020
<u>Service fee revenue</u>			
Subsidiary	Cathay Life	\$ 7,460,774	\$ 6,527,644
	Cathay Securities	320,255	167,851
	Cathay Century	215,418	143,411
<u>General expenses</u>			
Subsidiary	Cathay Life	189,892	185,220
Associate	Symphox Information Co., Ltd.	463,970	521,593
Other related party	Seaward Card Co., Ltd.	213,439	219,953
<u>Payment of insurance expenses</u>			
Subsidiary	Cathay Century	162,782	168,070
	Cathay Life	112,901	123,336

Item/Name	December 31	
	2021	2020
<u>Receivables for insurance commission</u>		
Subsidiary		
Cathay Life	\$ 185,415	\$ 350,640
<u>Guarantee deposits paid</u>		
Subsidiary		
Cathay Futures	559,180	267,303
<u>Payables from integrated tax</u>		
The Company		
Cathay Financial Holdings	507,935	765,804

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

3) Cathay Century and its subsidiaries

a) Business transactions

Item	Name	For the Year Ended December 31	
		2021	2020
Premium income	Subsidiary		
	Cathay United Bank	\$ 162,782	\$ 168,070
	Cathay Life	110,131	115,639
Operating costs			
Marketing expenses	Subsidiary		
	Cathay Life	663,151	658,336
	Cathay United Bank	117,777	113,825

b) Payables to related parties

Item	Name	December 31	
		2021	2020
Other payables	The Company		
	Cathay Financial Holdings	\$ 238,909	\$ 356,009
	(Note)		

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

The balance of the outstanding payables to related parties did not provide guaranteed.

c) Cash in bank

Item	Name	December 31	
		2021	2020
Checking deposits and demand deposits	Subsidiary Cathay United Bank	\$ 2,412,487	\$ 1,845,214
	Indovina Bank	10,489	6,151
Time deposits	Subsidiary Indovina Bank	240,811	237,068
	Cathay United Bank	<u>20,016</u>	<u>165,007</u>
		<u>\$ 2,683,803</u>	<u>\$ 2,253,440</u>

d) Financial assets at FVTPL (beneficiary certificates)

Name	December 31	
	2021	2020
Other related party Funds managed by Cathay Securities Investment Trust	<u>\$ 1,112,216</u>	<u>\$ 1,119,265</u>

e) Balance of discretionary management investments

Name	December 31	
	2021	2020
Subsidiary Cathay Securities Investment Trust	<u>\$ 1,673,486</u>	<u>\$ 1,357,146</u>

f) Lease agreements

Name	<u>Acquisition of Right-of-use Assets For the Year Ended December 31</u>	
	2021	2020
Subsidiary Cathay Life	<u>\$ 241,114</u>	<u>\$ 930</u>

Name	<u>Lease Liabilities December 31</u>	
	2021	2020
Subsidiary Cathay Life	<u>\$ 203,745</u>	<u>\$ 71,586</u>

g) SWAP

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

	Name	December 31	
		2021	2020
Subsidiary			
	Cathay United Bank	<u>US\$ 95,200</u>	<u>US\$ 95,200</u>
		<u>EUR 750</u>	<u>EUR 750</u>

4) Cathay Securities and its subsidiaries

a) Cash in bank

	Name	December 31	
		2021	2020
Subsidiary			
	Cathay United Bank	<u>\$ 14,336,986</u>	<u>\$ 4,108,990</u>

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

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

b) Customer's margin accounts

	Name	December 31	
		2021	2020
Subsidiary			
	Cathay United Bank	<u>\$ 265,339</u>	<u>\$ 943,420</u>

c) Futures trader's equity

	Name	December 31	
		2021	2020
Subsidiary			
	Cathay Life	\$ 2,234,611	\$ 1,897,019
	Cathay Securities Investment Trust (Note)	1,151,933	1,491,081
	Cathay United Bank	<u>559,180</u>	<u>267,303</u>
		<u>\$ 3,945,724</u>	<u>\$ 3,655,403</u>

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

d) Other payables

	<u>December 31</u>	
	2021	2020
The Company		
Cathay Financial Holdings (Note)	\$ <u>373,017</u>	\$ <u>218,953</u>

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

e) Lease agreement

	<u>Acquisition of right-of-use assets</u>	
	<u>For the Year Ended December 31</u>	
Name	2021	2020
Subsidiary		
Cathay Life	\$ <u>142,860</u>	\$ <u>20,938</u>

	<u>Lease liabilities</u>	
	<u>December 31</u>	
Name	2021	2020
Subsidiary		
Cathay Life	\$ <u>143,275</u>	\$ <u>58,226</u>

f) Brokerage service fee income

	<u>For the Year Ended December 31</u>	
Name	2021	2020
Subsidiary		
Cathay Life	\$ <u>209,283</u>	\$ <u>149,778</u>

g) Other operating expense

	<u>For the Year Ended December 31</u>	
Name	2021	2020
Subsidiary		
Cathay United Bank	\$ <u>320,255</u>	\$ <u>167,851</u>

h) Shares transactions - issuance of shares for cash

		<u>For the Year Ended December 31</u>	
Name	Items	2021	2020
The Company			
Cathay Financial Holdings	Ordinary shares	\$ <u>-</u>	\$ <u>1,200,000</u>

5) Cathay Securities Investment Trust

a) Cash and cash equivalents

	Name	December 31	
		2021	2020
Subsidiary			
	Cathay United Bank	<u>\$ 141,266</u>	<u>\$ 137,531</u>

b) Accounts receivable

	Name	December 31	
		2021	2020
Other related party			
	Funds managed by Cathay Securities Investment Trust	<u>\$ 255,172</u>	<u>\$ 209,165</u>

c) Accounts payable

	Name	December 31	
		2021	2020
The Company			
	Cathay Financial Holdings (Note)	<u>\$ 269,811</u>	<u>\$ 186,069</u>

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

d) Balance of discretionary management investments

	Name	December 31	
		2021	2020
Subsidiary			
	Cathay Life	\$ 343,737,780	\$ 312,835,430
	Cathay Century	<u>1,673,486</u>	<u>1,357,146</u>
		<u>345,411,266</u>	<u>314,192,576</u>
Other related party			
	Cathay Charity Foundation	<u>134,136</u>	<u>110,045</u>
		<u>\$ 345,545,402</u>	<u>\$ 314,302,621</u>

e) Management fee income

	Name	For the Year Ended December 31	
		2021	2020
Subsidiary			
	Cathay Life	\$ 466,712	\$ 288,106
Other related party			
	Funds managed by Cathay Securities Investment Trust	<u>2,792,767</u>	<u>2,328,614</u>
		<u>\$ 3,259,479</u>	<u>\$ 2,616,720</u>

f) Operating expense

	Name	For the Year Ended December 31	
		2021	2020
Subsidiary			
	Conning Asia Pacific Ltd.	\$ 147,739	\$ 136,618
	Cathay Life	<u>109,541</u>	<u>91,030</u>
		<u>\$ 257,280</u>	<u>\$ 227,648</u>

6) Cathay Venture

a) Cash and cash equivalents

	Name	December 31	
		2021	2020
Subsidiary			
	Cathay United Bank	<u>\$ 55,381</u>	<u>\$ 104,758</u>

b) Financial assets at FVTPL

	Name	December 31	
		2021	2020
Other related party			
	Funds managed by Cathay Securities Investment Trust	\$ 341,394	\$ 414,858
	Cathay Healthcare Management Co., Ltd.	<u>106,920</u>	<u>145,035</u>
		<u>\$ 448,314</u>	<u>\$ 559,893</u>

29. PLEDGED ASSETS

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

Item	Description	December 31	
		2021	2020
Time deposits and guarantee deposits paid	Capital guarantee, serving as deposits paid, settlement accounts, overdraft guarantee, collateral for lease of real estate, collateral for court guarantees, provisions for business and collateral	\$ 15,654,179	\$ 15,410,561
Due from the Central Bank (deposit reserves - general accounts)	(Note)	6,000,000	6,000,000
Financial assets at FVTPL	Collateral for securities lending and guarantee for future transactions	-	3,273,608
Financial assets at FVTOCI	Provisions for business and collateral	-	12,006,501

(Continued)

Item	Description	December 31	
		2021	2020
Debt instrument at amortized cost	Provisions for business and collateral	\$ 57,689,894	\$ 45,525,409
Investment properties	Short-term loans	<u>291,175</u>	<u>291,175</u>
		<u>\$ 79,635,248</u>	<u>\$ 82,507,254</u> (Concluded)

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

30. COMMITMENTS AND CONTINGENT LIABILITIES

a. Cathay United Bank

Lee & Li, attorneys-at-law, alleged that the embezzlement case of Liu Wei-Chieh (an employee of Lee & Li), which occurred in October 2003 was caused by the negligence of Cathay United Bank in its operation, and the plaintiff claimed damages from Cathay United Bank in the amount of approximately \$991,002 thousand. The case has been pending in the court since July 2007, and Cathay United Bank won favorable decisions in both the first and second instances. Although the Supreme Court reversed the original second-instance judgments, Cathay United Bank again won a favorable decision in the second instance on August 25, 2021. Lee & Li is currently appealing to the Supreme Court. Both Cathay United Bank and its attorneys hold that this case will not have a material adverse effect on the financial position of Cathay United Bank.

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

	December 31	
	2021	2020
Trust and security held for safekeeping	\$ 912,272,287	\$ 781,995,797
Collection and payment on behalf of customers	30,506,950	33,483,521
Book-entry for government bonds and depository for short-term marketable securities under management	388,239,044	450,195,466
Entrusted financial management business	11,589,694	11,968,703
Guarantees on duties and contracts	18,242,569	17,071,951
Unused commercial letters of credit	8,182,407	6,914,811
Irrevocable loan commitments	172,956,246	191,900,154
Unused credit card line commitments	686,356,039	662,041,965
Financial guarantee contracts	1,568,438	1,577,528

c. As of December 31, 2021, the remaining capital commitments for the contracted private equity fund of Cathay Life was NT\$829,500 thousand, US\$4,903,138 thousand, EUR375,770 thousand and GBP1,547 thousand.

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

Cathay Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

ASSETS	December 31		LIABILITIES AND EQUITY	December 31	
	2021	2020		2021	2020
CASH AND CASH EQUIVALENTS	\$ 633,233	\$ 915,274	COMMERCIAL PAPER PAYABLE, NET	\$ 58,510,000	\$ 38,250,000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	36,260,000	36,445,500	PAYABLES	6,024,616	696,079
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	143,491	116,200	CURRENT TAX LIABILITIES	7,057,511	19,849,285
RECEIVABLES, NET	1,466,748	7,739,321	BONDS PAYABLE	50,000,000	50,000,000
CURRENT TAX ASSETS	4,102,282	4,650,365	PROVISIONS	749,874	766,414
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	981,855,958	953,059,879	LEASE LIABILITIES	124,980	249,631
PROPERTY AND EQUIPMENT, NET	55,225	58,912	DEFERRED TAX LIABILITIES	266,714	266,714
RIGHT-OF-USE ASSETS	123,677	249,272	OTHER LIABILITIES	579	163,886
DEFERRED TAX ASSETS	35,604	25,397	Total liabilities	122,734,274	110,242,009
OTHER ASSETS	96,202	43,105	EQUITY		
			Share capital		
			Ordinary shares	131,692,102	131,692,102
			Preference shares	15,333,000	15,333,000
			Capital surplus	177,244,388	177,256,053
			Retained earnings		
			Legal reserve	59,471,895	51,967,688
			Special reserve	150,716,023	149,894,910
			Unappropriated earnings	267,799,001	169,606,342
			Other equity	99,781,737	197,311,121
			Total equity	902,038,146	893,061,216
TOTAL	\$ 1,024,772,420	\$ 1,003,303,225	TOTAL	\$ 1,024,772,420	\$ 1,003,303,225

Cathay Financial Holding Co., Ltd.

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

	For the Year Ended December 31	
	2021	2020
REVENUE		
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 141,760,801	\$ 76,787,053
Other operating income	<u>1,298,450</u>	<u>2,480,733</u>
Total revenue	<u>143,059,251</u>	<u>79,267,786</u>
EXPENSES AND LOSSES		
Operating expenses	(1,766,470)	(1,638,721)
Other expenses and losses	<u>(736,471)</u>	<u>(511,379)</u>
Total expenses and losses	<u>(2,502,941)</u>	<u>(2,150,100)</u>
INCOME BEFORE TAX	140,556,310	77,117,686
INCOME TAX EXPENSE	<u>(1,042,228)</u>	<u>(2,538,226)</u>
NET INCOME	<u>139,514,082</u>	<u>74,579,460</u>
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	(10,692)	(1,395)
Gain on equity instruments at fair value through other comprehensive income	27,291	9,496
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	12,233,990	4,245,540
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,139	279
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	<u>(106,600,690)</u>	<u>76,155,041</u>
Other comprehensive (loss) income for the period, net of income tax	<u>(94,347,962)</u>	<u>80,408,961</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 45,166,120</u>	<u>\$ 154,988,421</u>
EARNINGS PER SHARE		
Basic	<u>\$10.34</u>	<u>\$5.41</u>

Cathay Financial Holding Co., Ltd.
Statements of Changes in Equity
(In Thousands of New Taiwan Dollars)

	Other Equity													Total Equity	
	Share Capital			Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach		Others
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings									
BALANCE AT JANUARY 1, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,256,976	\$ 46,122,845	\$ 221,977,672	\$ 58,181,890	\$ (13,319,620)	\$ 68,319,953	\$ 331,930	\$ (1,850,508)	\$ (1,507,864)	\$ 11,240,314	\$ 57,968,675	\$ -	\$ 771,747,365
Appropriation of 2019 earnings															
Legal reserve	-	-	-	5,844,843	-	(5,844,843)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(71,928,090)	71,928,090	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(26,338,420)	-	-	-	-	-	-	-	-	(26,338,420)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(923)	-	-	-	-	-	-	-	-	-	-	-	(923)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,944,303)	(3,944,303)
Net income for the year ended December 31, 2020	-	-	-	-	-	74,579,460	-	-	-	-	-	-	-	-	74,579,460
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	(2,144,389)	38,081,079	15,941	371,803	(458,415)	-	44,542,942	-	80,408,961
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	74,579,460	(2,144,389)	38,081,079	15,941	371,803	(458,415)	-	44,542,942	-	154,988,421
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	193,192	-	(193,192)	-	-	-	-	-	-	-
Others	-	-	-	-	(154,672)	297,897	-	-	-	-	-	(143,225)	-	-	-
BALANCE AT DECEMBER 31, 2020	131,692,102	15,333,000	177,256,053	51,967,688	149,894,910	169,606,342	(15,464,009)	106,207,840	347,871	(1,478,705)	(1,966,279)	11,097,089	102,511,617	(3,944,303)	893,061,216
Appropriation of 2020 earnings															
Legal reserve	-	-	-	7,504,207	-	(7,504,207)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,025,611	(1,025,611)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(32,923,025)	-	-	-	-	-	-	-	-	(32,923,025)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(11,665)	-	-	(26,903)	-	(2,076)	-	-	-	-	-	-	(40,644)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(554,511)	-	-	-	-	-	-	-	719,914	165,403
Net income for the year ended December 31, 2021	-	-	-	-	-	139,514,082	-	-	-	-	-	-	-	-	139,514,082
Other comprehensive (loss) income for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(3,188,242)	(55,239,956)	(12,020)	589,308	1,000,149	249,745	(37,746,946)	-	(94,347,962)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	139,514,082	(3,188,242)	(55,239,956)	(12,020)	589,308	1,000,149	249,745	(37,746,946)	-	45,166,120
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	-	3,834,335	-	(3,834,335)	-	-	-	-	-	-	-
Others	-	-	-	-	(204,498)	269,423	-	-	-	-	-	(64,925)	-	-	-
BALANCE AT DECEMBER 31, 2021	<u>\$ 131,692,102</u>	<u>\$ 15,333,000</u>	<u>\$ 177,244,388</u>	<u>\$ 59,471,895</u>	<u>\$ 150,716,023</u>	<u>\$ 267,799,001</u>	<u>\$ (18,652,251)</u>	<u>\$ 47,131,473</u>	<u>\$ 335,851</u>	<u>\$ (889,397)</u>	<u>\$ (966,130)</u>	<u>\$ 11,281,909</u>	<u>\$ 64,764,671</u>	<u>\$ (3,224,389)</u>	<u>\$ 902,038,146</u>

Cathay Financial Holding Co., Ltd.

Statements of Cash Flows
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 140,556,310	\$ 77,117,686
Adjustments for:		
Depreciation expenses	141,502	72,436
Loss (gain) on of financial assets at fair value through profit or loss	185,500	(1,176,000)
Interest income	(1,271,181)	(1,261,303)
Dividend income	(7,265)	(5,512)
Interest expenses	521,517	481,797
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(141,760,801)	(76,787,053)
Loss on disposal and retirement of property and equipment	338	103
Changes in operating assets and liabilities		
Receivables	-	(15,900)
Other assets	(300)	5,857
Payables	76,472	101,752
Provisions	635	4,894
Other liabilities	(46)	(5)
Cash used in operations	(1,557,319)	(1,461,248)
Interest received	1,271,155	1,261,320
Dividends received	7,265	5,512
Interest paid	(535,387)	(384,538)
Income tax paid	(1,960,532)	(45,357)
Net cash used in operating activities	(2,774,818)	(624,311)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity the method	-	(1,200,000)
Acquisition of property and equipment	(9,649)	(15,961)
Disposal of property and equipment	127	-
(Increase) decrease in other assets	(38,846)	289
Dividends received	18,722,781	12,381,325
Net cash generated from investing activities	18,674,413	11,165,653
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payable	20,260,000	(10,230,000)
Issuance of corporate bonds	-	30,000,000
Repayments of the principal portion of lease liabilities	(127,687)	(61,417)
Dividends paid	(36,313,949)	(29,729,344)
Net cash used in financing activities	(16,181,636)	(10,020,761)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(282,041)	520,581
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	915,274	394,693
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 633,233	\$ 915,274

32. INFORMATION OF THE COMPANY'S SUBSIDIARIES

a. Condensed balance sheets and condensed statements of comprehensive income

Cathay Life Insurance Co., Ltd.

Condensed Balance Sheets (In Thousands of New Taiwan Dollars)

Assets	December 31	
	2021	2020
Cash and cash equivalents	\$ 447,821,607	\$ 504,040,612
Receivables	68,442,213	64,212,928
Financial assets at fair value through profit or loss	1,539,516,819	1,331,633,589
Financial assets at fair value through other comprehensive income	1,308,701,595	1,222,680,832
Financial assets at amortized cost	2,681,488,333	2,649,363,807
Financial assets for hedging	500,642	146,959
Investments accounted for using the equity method	103,702,207	89,577,714
Investment property	475,726,866	464,528,398
Loans	490,205,575	491,769,348
Reinsurance assets	2,232,832	2,087,931
Property and equipment	28,314,253	26,750,271
Right-of-use assets	384,896	524,444
Intangible assets	27,549,955	29,509,337
Deferred tax assets	58,336,053	56,453,457
Other assets	28,590,504	29,493,153
Separate account insurance product assets	<u>724,096,813</u>	<u>641,555,694</u>
Total	<u>\$ 7,985,611,163</u>	<u>\$ 7,604,328,474</u>
Liabilities		
Payables	\$ 17,099,854	\$ 24,648,142
Current tax liabilities	160,141	160,145
Financial liabilities at fair value through profit or loss	3,050,197	11,687,067
Financial liabilities for hedging	-	90,971
Bonds payable	80,000,000	80,000,000
Insurance liabilities	6,337,609,905	6,018,792,456
Reserve for insurance contracts with the nature of financial products	1,165,040	1,010,156
Reserve for foreign exchange valuation	9,053,726	14,820,865
Provisions	56,245	56,245
Lease liabilities	9,160,097	9,279,631
Deferred tax liabilities	52,878,793	67,447,866
Other liabilities	16,837,440	21,051,872
Separate account insurance product liabilities	<u>724,096,813</u>	<u>641,555,694</u>
Total liabilities	<u>7,251,168,251</u>	<u>6,890,601,110</u>
Equity		
Share capital	58,515,274	58,515,274
Capital surplus	60,594,868	60,606,533
Retained earnings	529,717,909	416,092,528
Other equity	<u>85,614,861</u>	<u>178,513,029</u>
Total equity	<u>734,442,912</u>	<u>713,727,364</u>
Total	<u>\$ 7,985,611,163</u>	<u>\$ 7,604,328,474</u>

Cathay Life Insurance Co., Ltd.

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

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 914,869,993	\$ 906,260,419
Operating costs	(769,618,791)	(837,328,341)
Operating expenses	<u>(22,215,769)</u>	<u>(20,564,071)</u>
Operating income	123,035,433	48,368,007
Non-operating income and expenses	<u>1,563,640</u>	<u>1,582,615</u>
Profit before income tax	124,599,073	49,950,622
Income tax (expense) benefit	<u>(12,368,278)</u>	<u>1,793,972</u>
Net income	112,230,795	51,744,594
Other comprehensive (loss) income	<u>(91,640,006)</u>	<u>77,309,213</u>
Total comprehensive income	<u>\$ 20,590,789</u>	<u>\$ 129,053,807</u>
Basic earnings per share	<u>\$19.18</u>	<u>\$8.84</u>

Cathay Lujiazui Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2021	2020
Cash and cash equivalents	\$ 1,852,041	\$ 2,329,605
Receivables	1,201,703	964,148
Financial assets at fair value through profit or loss	61,882,646	49,511,070
Financial assets at amortized cost	1,598,444	1,086,092
Loans	1,881,390	1,358,558
Reinsurance assets	146,165	112,760
Property and equipment	124,619	103,434
Right-of-use assets	482,014	254,266
Intangible assets	36,614	36,835
Other assets	2,652,013	2,663,475
Separate account insurance product assets	113,421	128,874
Total	\$ 71,971,070	\$ 58,549,117
Liabilities		
Payables	\$ 1,930,185	\$ 1,832,778
Current tax liabilities	-	23,981
Insurance liabilities	42,119,906	31,436,348
Reserve for insurance contracts with the nature of financial instruments	14,023,748	12,721,352
Lease liabilities	476,031	263,942
Deferred tax liabilities	51,473	-
Other liabilities	168,016	109,553
Separate account insurance product liabilities	113,421	128,874
Total liabilities	58,882,780	46,516,828
Equity		
Capital	13,497,155	13,497,155
Retained earnings	(621,075)	(1,400,823)
Other equity	212,210	(64,043)
Total equity	13,088,290	12,032,289
Total	\$ 71,971,070	\$ 58,549,117

Cathay Lujiazui Life Insurance Co., Ltd.

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

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 18,345,788	\$ 16,810,496
Operating costs	(15,643,108)	(13,363,144)
Operating expenses	(1,998,723)	(1,721,692)
Operating income	703,957	1,725,660
Non-operating income and expenses	(7,629)	1,279
Profit before income tax	696,328	1,726,939
Income tax benefit (expense)	83,420	(237,354)
Net income	779,748	1,489,585
Other comprehensive income (loss)	276,253	(171,539)
Total comprehensive income	\$ 1,056,001	\$ 1,318,046
Basic earnings per share	Note	Note

Note: Cathay Lujiazui Life is a limited company, and no information is disclosed accordingly.

Cathay Life Insurance Company (Vietnam)

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Cash and cash equivalents	\$ 7,542,688	\$ 748,475
Receivables	845,623	585,819
Financial assets at fair value through profit or loss	19,132,941	15,074,158
Financial assets at amortized cost	4,505,033	1,336,764
Loans	125,084	92,258
Property and equipment	14,213	19,522
Right-of-use assets	143,836	106,662
Intangible assets	2,840	3,323
Other assets	99,376	85,727
Total	\$ 32,411,634	\$ 18,052,708
Liabilities		
Payables	\$ 246,485	\$ 214,666
Insurance liabilities	9,248,547	6,752,746
Lease liabilities	140,702	103,759
Total liabilities	9,635,734	7,071,171
Equity		
Capital	20,370,930	9,090,730
Retained earnings	(849,469)	(937,479)
Other equity	3,254,439	2,828,286
Total equity	22,775,900	10,981,537
Total	\$ 32,411,634	\$ 18,052,708

Cathay Life Insurance Company (Vietnam)

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

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 4,409,627	\$ 3,119,731
Operating costs	(3,266,336)	(3,316,372)
Operating expenses	<u>(1,062,407)</u>	<u>(944,208)</u>
Operating income (loss)	80,884	(1,140,849)
Non-operating income and expenses	<u>7,126</u>	<u>5,818</u>
Profit (loss) before income tax	88,010	(1,135,031)
Income tax expense	<u>-</u>	<u>(815)</u>
Net income (loss)	88,010	(1,135,846)
Other comprehensive income	<u>426,153</u>	<u>1,291,490</u>
Total comprehensive income	<u>\$ 514,163</u>	<u>\$ 155,644</u>
Basic earnings per share	Note	Note

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

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

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2021	2020
Current assets	\$ 359,984	\$ 344,676
Financial assets at amortized cost	1,410,695	1,198,780
Investment property	7,050,213	7,039,316
Property and equipment	2	2
Total	\$ 8,820,894	\$ 8,582,774
Liabilities		
Current liabilities	\$ 12,783	\$ 2,631
Deferred tax liabilities	571,471	520,001
Other non-current liabilities	88,627	93,758
Total liabilities	672,881	616,390
Equity		
Capital	7,223,435	7,223,435
Retained earnings	1,541,757	1,326,003
Other equity	(617,179)	(583,054)
Total equity	8,148,013	7,966,384
Total	\$ 8,820,894	\$ 8,582,774

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

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

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 329,311	\$ 278,814
Operating expenses	(41,639)	(51,725)
Profit before income tax	287,672	227,089
Income tax expense	(71,918)	(65,676)
Net income	215,754	161,413
Other comprehensive (loss) income	(34,125)	69,883
Total comprehensive income	\$ 181,629	\$ 231,296
Basic earnings per share	Note	Note

Note: Lin Yuan is a limited company, and no information is disclosed accordingly.

Cathay Woolgate Exchange Holding 1 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Current assets	\$ 3,215,377	\$ 3,553,611
Investment property	<u>9,927,363</u>	<u>9,876,964</u>
Total	<u>\$ 13,142,740</u>	<u>\$ 13,430,575</u>
Liabilities		
Current liabilities	\$ 151	\$ 58,881
Total liabilities	<u>151</u>	<u>58,881</u>
Equity		
Capital	16,654,013	16,654,013
Retained earnings	1,229,459	890,991
Other equity	<u>(4,740,883)</u>	<u>(4,173,310)</u>
Total equity	<u>13,142,589</u>	<u>13,371,694</u>
Total	<u>\$ 13,142,740</u>	<u>\$ 13,430,575</u>

Cathay Woolgate Exchange Holding 1 Limited

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

	For the Year Ended December 31	
	2021	2020
Operating revenue (loss)	\$ 479,060	\$ (277,275)
Operating expenses	<u>(108,213)</u>	<u>(5,740)</u>
Profit (loss) before income tax	370,847	(283,015)
Income tax expense	<u>(32,379)</u>	<u>(62,205)</u>
Net income (loss)	338,468	(345,220)
Other comprehensive loss	<u>(567,573)</u>	<u>(230,410)</u>
Total comprehensive loss	<u>\$ (229,105)</u>	<u>\$ (575,630)</u>
Basic earnings per share	Note	Note

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

Cathay Woolgate Exchange Holding 2 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
	2021	2020
Assets		
Current assets	\$ 30,319	\$ 34,113
Investment property	<u>100,276</u>	<u>99,767</u>
Total	<u>\$ 130,595</u>	<u>\$ 133,880</u>
 Liabilities		
Current liabilities	\$ 151	\$ 681
Total liabilities	<u>151</u>	<u>681</u>
 Equity		
Capital	168,222	168,222
Retained earnings	10,050	7,166
Other equity	<u>(47,828)</u>	<u>(42,189)</u>
Total equity	<u>130,444</u>	<u>133,199</u>
Total	<u>\$ 130,595</u>	<u>\$ 133,880</u>

Cathay Woolgate Exchange Holding 2 Limited

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

	For the Year Ended December 31	
	2021	2020
Operating revenue (loss)	\$ 4,829	\$ (2,823)
Operating expenses	<u>(1,780)</u>	<u>(1,331)</u>
Profit (loss) before income tax	3,049	(4,154)
Income tax expense	<u>(165)</u>	<u>(450)</u>
Net income (loss)	2,884	(4,604)
Other comprehensive loss	<u>(5,639)</u>	<u>(2,344)</u>
Total comprehensive loss	<u>\$ (2,755)</u>	<u>\$ (6,948)</u>
Basic earnings per share	Note	Note

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

Cathay Walbrook Holding 1 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2021	2020
Current assets	\$ 1,096,093	\$ 1,473,611
Investment property	19,233,996	20,317,463
Other non-current assets	155	163
Total	\$ 20,330,244	\$ 21,791,237
Liabilities		
Current liabilities	\$ 11,769	\$ 164,650
Non-current liabilities	11,734,835	12,758,544
Total liabilities	11,746,604	12,923,194
Equity		
Capital	10,189,090	10,189,090
Retained earnings	682,254	594,604
Other equity	(2,287,704)	(1,915,651)
Total equity	8,583,640	8,868,043
Total	\$ 20,330,244	\$ 21,791,237

Cathay Walbrook Holding 1 Limited

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

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 578,970	\$ 407,658
Operating costs	(373,332)	(405,704)
Operating expenses	(103,175)	(26,545)
Profit (loss) before income tax	102,463	(24,591)
Income tax expense	(14,813)	(2,039)
Net income (loss)	87,650	(26,630)
Other comprehensive loss	(372,053)	(144,324)
Total comprehensive loss	\$ (284,403)	\$ (170,954)
Basic earnings per share	Note	Note

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

Cathay Walbrook Holding 2 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2021	2020
Current assets	\$ 60,002	\$ 72,406
Investment property	1,012,316	1,069,341
Other non-current assets	155	163
Total	<u>\$ 1,072,473</u>	<u>\$ 1,141,910</u>
Liabilities		
Current liabilities	\$ 765	\$ 8,358
Non-current liabilities	624,888	671,502
Total liabilities	<u>625,653</u>	<u>679,860</u>
Equity		
Capital	536,268	536,268
Retained earnings	30,497	26,355
Other equity	(119,945)	(100,573)
Total equity	<u>446,820</u>	<u>462,050</u>
Total	<u>\$ 1,072,473</u>	<u>\$ 1,141,910</u>

Cathay Walbrook Holding 2 Limited

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

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 30,470	\$ 21,439
Operating costs	(19,654)	(21,353)
Operating expenses	(6,412)	(2,958)
Profit (loss) before income tax	4,404	(2,872)
Income tax (expense) benefit	(262)	48
Net income (loss)	4,142	(2,824)
Other comprehensive loss	(19,372)	(7,580)
Total comprehensive loss	<u>\$ (15,230)</u>	<u>\$ (10,404)</u>
Basic earnings per share	Note	Note

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

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

	December 31	
Assets	2021	2020
Current assets	\$ 7,034,087	\$ 6,270,216
Financial assets at fair value through profit or loss	1,307,534	916,693
Financial assets at fair value through other comprehensive income	5,869	5,426
Property and equipment	1,021,594	922,833
Right-of-use assets	730,368	825,519
Intangible assets	13,903,052	14,521,342
Deferred tax assets	279,750	237,286
Other non-current assets	573,359	305,167
Total	\$ 24,855,613	\$ 24,004,482
Liabilities		
Current liabilities	\$ 4,104,453	\$ 3,865,454
Financial liabilities for hedging	20,956	48,887
Lease liabilities	833,975	913,690
Deferred tax liabilities	874,900	423,181
Other non-current liabilities	3,770,745	4,637,199
Total liabilities	9,605,029	9,888,411
Equity		
Capital	99,343	99,343
Capital surplus	15,624,196	15,624,196
Retained earnings	4,091,681	3,106,384
Other equity	(5,701,220)	(6,096,825)
Non-controlling interests	1,136,584	1,382,973
Total equity	15,250,584	14,116,071
Total	\$ 24,855,613	\$ 24,004,482

Conning Holdings Limited

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

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 10,453,473	\$ 10,260,771
Operating costs	(952,363)	(910,589)
Operating expenses	<u>(6,873,983)</u>	<u>(6,233,967)</u>
Operating income	2,627,127	3,116,215
Non-operating income and expenses	<u>-</u>	<u>(1,097)</u>
Profit before income tax	2,627,127	3,115,118
Income tax expense	<u>(541,300)</u>	<u>(264,459)</u>
Net income	2,085,827	2,850,659
Other comprehensive loss	<u>(416,618)</u>	<u>(796,073)</u>
 Total comprehensive income	 <u>\$ 1,669,209</u>	 <u>\$ 2,054,586</u>
 Basic earnings per share	 Note	 Note

Note: CHL is a limited company, and no information is disclosed accordingly.

Cathay Industrial Research and Design Center Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31, 2021
Assets	
Current assets	\$ 564,698
Investment property	1,649,664
Deferred tax assets	12,366
Other assets	<u>161,969</u>
Total	<u>\$ 2,388,697</u>
Liabilities	
Current liabilities	\$ 288
Leased liabilities	<u>1,471,391</u>
Total liabilities	<u>1,471,679</u>
Equity	
Share capital	1,000,000
Retained earnings	<u>(82,982)</u>
Total equity	<u>917,018</u>
Total	<u>\$ 2,388,697</u>

Cathay Industrial Research and Design Center Co., Ltd.

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

	From January 8 to December 31, 2021
Operating loss	\$ (33,281)
Operating costs	(57,600)
Operating expenses	<u>(4,467)</u>
Loss before income tax	(95,348)
Income tax benefit	<u>12,366</u>
Net loss	(82,982)
Other comprehensive income	<u>-</u>
Total comprehensive loss	<u>\$ (82,982)</u>
Basic loss per share	<u>\$(0.83)</u>

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

Cathay Century Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Cash and cash equivalents	\$ 11,717,250	\$ 10,004,597
Receivables	3,149,045	2,597,751
Financial assets at fair value through profit or loss	12,870,139	11,665,436
Financial assets at fair value through other comprehensive income	728,828	1,226,184
Financial assets at amortized cost	6,473,589	6,874,033
Investments accounted for using the equity method	2,931,407	2,814,164
Loans	186,463	195,316
Reinsurance assets	9,663,893	7,336,678
Property and equipment	215,061	188,259
Right-of-use assets	223,944	101,982
Intangible assets	89,962	81,777
Deferred tax assets	240,062	175,329
Other assets	<u>822,759</u>	<u>617,042</u>
Total	<u>\$ 49,312,402</u>	<u>\$ 43,878,548</u>
Liabilities		
Payables	\$ 3,714,215	\$ 3,198,584
Financial liabilities at fair value through profit or loss	72	2,700
Lease liabilities	223,979	102,357
Insurance liabilities	29,371,916	25,988,108
Other liabilities	819,688	716,499
Provisions	464,271	454,164
Deferred tax liabilities	<u>270,948</u>	<u>286,310</u>
Total liabilities	<u>34,865,089</u>	<u>30,748,722</u>
Equity		
Share capital	3,057,052	3,057,052
Capital surplus	518,326	518,326
Retained earnings	10,437,359	9,679,187
Other equity	<u>434,576</u>	<u>(124,739)</u>
Total equity	<u>14,447,313</u>	<u>13,129,826</u>
Total	<u>\$ 49,312,402</u>	<u>\$ 43,878,548</u>

Cathay Century Insurance Co., Ltd.

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

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 21,836,128	\$ 20,406,319
Operating costs	(14,791,152)	(13,861,758)
Operating expenses	<u>(4,530,579)</u>	<u>(3,998,730)</u>
Operating profit	2,514,397	2,545,831
Non-operating income and expenses	<u>42,366</u>	<u>4,446</u>
Profit before income tax	2,556,763	2,550,277
Income tax expense	<u>(381,465)</u>	<u>(376,333)</u>
Net income	2,175,298	2,173,944
Other comprehensive income	<u>525,611</u>	<u>67,481</u>
Total comprehensive income	<u>\$ 2,700,909</u>	<u>\$ 2,241,425</u>
Basic earnings per share	<u>\$7.12</u>	<u>\$7.11</u>

Cathay Insurance Co., Ltd. (Vietnam)

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2021	2020
Cash and cash equivalents	\$ 256,037	\$ 248,975
Receivables	59,907	76,283
Financial assets at amortized cost	588,882	524,924
Reinsurance assets	217,594	109,259
Property and equipment	6,094	8,827
Right-of-use assets	13,102	3,882
Intangible assets	18,853	9,403
Other assets	54,378	48,781
Total	\$ 1,214,847	\$ 1,030,334
Liabilities		
Payables	\$ 198,718	\$ 164,332
Insurance liabilities	358,981	238,175
Lease liabilities	13,504	3,680
Deferred tax liabilities	93	117
Other liabilities	16,488	13,530
Total liabilities	587,784	419,834
Equity		
Capital	845,585	845,585
Retained earnings	(30,185)	(57,250)
Other equity	(188,337)	(177,835)
Total equity	627,063	610,500
Total	\$ 1,214,847	\$ 1,030,334

Cathay Insurance Co., Ltd. (Vietnam)

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

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 360,019	\$ 338,418
Operating costs	(80,504)	(79,565)
Operating expenses	(241,497)	(225,572)
Operating income	38,018	33,281
Non-operating income and expenses	(841)	940
Profit before income tax	37,177	34,221
Income tax expense	(10,112)	(8,179)
Net income	27,065	26,042
Other comprehensive loss	(10,502)	(30,971)
 Total comprehensive income (loss)	 \$ 16,563	 \$ (4,929)
 Basic earnings per share	 Note	 Note

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

Cathay United Bank Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2021	2020
Cash and cash equivalents	\$ 61,282,356	\$ 74,801,339
Due from the Central Bank and call loans to banks	212,890,343	114,673,136
Financial assets at fair value through profit or loss	281,821,324	320,798,792
Financial assets at fair value through other comprehensive income	281,577,371	304,618,288
Debt instruments at amortized cost	570,526,304	501,266,786
Notes and bonds purchased under resale agreements	34,175,439	18,338,416
Receivables	103,077,662	99,694,198
Assets held for sale	283,087	-
Loans	1,732,854,284	1,593,426,912
Investments accounted for using the equity method	26,111,194	25,777,352
Other financial assets	8,693,946	364
Property and equipment	23,360,033	24,174,666
Right-of-use assets	3,116,075	3,697,989
Investment property	657,440	646,445
Intangible assets	7,771,516	7,635,738
Deferred tax assets	4,612,273	4,371,750
Other assets	27,266,908	30,472,784
Total	\$ 3,380,077,555	\$ 3,124,394,955
Liabilities		
Deposits from the Central Bank and banks	\$ 62,610,289	\$ 63,383,248
Due to the Central Bank and banks	1,076,000	1,076,000
Financial liabilities at fair value through profit or loss	74,475,373	114,386,759
Notes and bonds under repurchase agreements	31,297,585	10,092,058
Payables	24,704,942	22,325,212
Current tax liabilities	21,690	189,195
Deposits and remittances	2,846,473,269	2,559,958,727
Financial debentures payable	46,800,000	53,800,000
Other financial liabilities	28,655,043	35,331,092
Provisions	3,780,862	3,766,162
Lease liabilities	3,134,128	3,719,319
Deferred tax liabilities	2,554,019	3,330,151
Other liabilities	8,143,243	10,740,160
Total liabilities	3,133,726,443	2,882,098,083
Equity		
Share capital	106,985,830	106,985,830
Capital surplus	38,687,276	38,687,276
Retained earnings	98,502,438	88,733,278
Other equity	2,175,568	7,890,488
Total equity	246,351,112	242,296,872
Total	\$ 3,380,077,555	\$ 3,124,394,955

Cathay United Bank Co., Ltd.

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

	For the Year Ended December 31	
	2021	2020
Interest income	\$ 43,142,092	\$ 43,507,190
Interest expense	<u>(7,410,699)</u>	<u>(11,398,019)</u>
Net interest income	35,731,393	32,109,171
Net income and gains other than interest income	<u>25,478,800</u>	<u>26,559,968</u>
Profit from operations	61,210,193	58,669,139
Provision for bad debt, commitments and guarantee reserve	(2,568,304)	(2,900,505)
Operating expenses	<u>(31,925,693)</u>	<u>(30,746,967)</u>
Profit before income tax	26,716,196	25,021,667
Income tax expense	<u>(3,372,000)</u>	<u>(3,168,000)</u>
Net income	23,344,196	21,853,667
Other comprehensive (loss) income	<u>(3,757,956)</u>	<u>2,957,601</u>
 Total comprehensive income	 <u>\$ 19,586,240</u>	 <u>\$ 24,811,268</u>
 Basic earnings per share	 <u>\$2.18</u>	 <u>\$2.04</u>

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

Assets	December 31	
	2021	2020
Cash and cash equivalents	\$ 2,494,098	\$ 1,895,490
Due from the Central Bank and call loans to banks	3,811,523	5,210,061
Financial assets at fair value through profit or loss	1,859,334	2,049,582
Financial assets at fair value through other comprehensive income	11,057,387	9,683,574
Notes and bonds purchased under resale agreements	7,853,676	6,657,815
Receivables	523,166	468,328
Loans	40,041,334	40,406,004
Property and equipment	658,932	694,147
Right-of-use assets	150,666	143,014
Intangible assets	33,834	41,426
Other assets	<u>44,559</u>	<u>70,400</u>
Total	<u>\$ 68,528,509</u>	<u>\$ 67,319,841</u>
 Liabilities		
Due to the Central Bank and banks	\$ 8,970,476	\$ 2,543,214
Payables	1,340,803	1,764,344
Current tax liabilities	28,618	81,954
Deposits and remittances	49,034,608	53,925,397
Provisions	10,510	12,718
Lease liabilities	119,898	128,111
Deferred tax liabilities	248,672	118,016
Other liabilities	<u>22,744</u>	<u>28,589</u>
Total liabilities	<u>59,776,329</u>	<u>58,602,343</u>
 Equity		
Capital	6,094,911	6,094,911
Retained earnings	2,220,811	2,234,791
Other equity	<u>436,458</u>	<u>387,796</u>
Total equity	<u>8,752,180</u>	<u>8,717,498</u>
Total	<u>\$ 68,528,509</u>	<u>\$ 67,319,841</u>

Indovina Bank Limited

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

	For the Year Ended December 31	
	2021	2020
Interest income	\$ 3,650,325	\$ 4,226,746
Interest expense	<u>(2,134,125)</u>	<u>(2,543,013)</u>
Net interest income	1,516,200	1,683,733
Net income and gains other than interest income	<u>659,130</u>	<u>606,088</u>
Profit from operations	<u>2,175,330</u>	<u>2,289,821</u>
Provision for bad debt, commitments and guarantee reserve	(336,582)	(387,848)
Operating expenses	<u>(700,466)</u>	<u>(742,096)</u>
Profit before income tax	1,138,282	1,159,877
Income tax expense	<u>(210,046)</u>	<u>(244,603)</u>
Net income	928,236	915,274
Other comprehensive income (loss)	<u>48,662</u>	<u>(123,785)</u>
Total comprehensive income	<u>\$ 976,898</u>	<u>\$ 791,489</u>
Basic earnings per share	Note	Note

Note: Indovina Bank is a limited company, and no information is disclosed accordingly.

Cathay United Bank (Cambodia) Corporation Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Cash and cash equivalents	\$ 1,040,261	\$ 1,480,074
Due from the Central Bank and call loans to banks	1,971,574	1,803,851
Financial assets at fair value through other comprehensive income	709	730
Receivables	89,283	94,022
Current tax assets	11,499	11,671
Loans	8,655,553	7,269,273
Property and equipment	161,193	179,500
Right-of-use assets	72,804	92,651
Intangible assets	27,674	37,699
Deferred tax assets	-	6,343
Other assets	<u>53,371</u>	<u>48,348</u>
Total	<u>\$ 12,083,921</u>	<u>\$ 11,024,162</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 1,901,982	\$ 381,894
Payables	290,151	298,905
Current tax liabilities	33,186	26,852
Deposits and remittances	6,820,455	7,266,520
Provisions	791	1,558
Lease liabilities	78,264	97,596
Deferred tax liabilities	951	11,918
Other liabilities	<u>9,452</u>	<u>6,003</u>
Total liabilities	<u>9,135,232</u>	<u>8,091,246</u>
Equity		
Share capital	3,020,769	3,020,769
Retained earnings	204,547	102,425
Other equity	<u>(276,627)</u>	<u>(190,278)</u>
Total equity	<u>2,948,689</u>	<u>2,932,916</u>
Total	<u>\$ 12,083,921</u>	<u>\$ 11,024,162</u>

Cathay United Bank (Cambodia) Corporation Limited

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

	For the Year Ended December 31	
	2021	2020
Interest income	\$ 651,624	\$ 669,055
Interest expense	<u>(156,262)</u>	<u>(156,503)</u>
Net interest income	495,362	512,552
Net income and gains other than interest income	<u>37,753</u>	<u>64,904</u>
Profit from operations	<u>533,115</u>	<u>577,456</u>
Provision for bad debt, commitments and guarantee reserve	(38,475)	(92,421)
Operating expenses	<u>(376,833)</u>	<u>(385,138)</u>
Profit before income tax	117,807	99,897
Income tax expense	<u>(15,685)</u>	<u>(11,419)</u>
Net income	102,122	88,478
Other comprehensive loss	<u>(86,349)</u>	<u>(163,842)</u>
Total comprehensive income (loss)	<u>\$ 15,773</u>	<u>\$ (75,364)</u>
Basic earnings per share	<u>\$1.02</u>	<u>\$0.88</u>

Cathay United Bank (China) Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Cash and cash equivalents	\$ 1,615,702	\$ 2,648,385
Due from the Central Bank and call loans to banks	22,393,494	8,189,195
Financial assets at fair value through profit or loss	1,673,876	1,195,605
Financial assets at fair value through other comprehensive income	20,733,071	21,795,225
Debt instruments at amortized cost	1,375,438	461,357
Notes and bonds purchased under resale agreements	-	2,146,244
Receivables	7,541,894	4,271,031
Current tax assets	2,740	38,817
Loans	25,525,489	20,193,772
Property and equipment	246,740	202,683
Right-of-use assets	320,821	323,891
Intangible assets	124,881	123,097
Deferred tax assets	-	29,887
Other assets	<u>247,577</u>	<u>3,551,705</u>
Total	<u>\$ 81,801,723</u>	<u>\$ 65,170,894</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 13,033,185	\$ 10,012,819
Financial liabilities at fair value through profit or loss	1,409,559	1,227,871
Notes and bonds sold under repurchase agreements	5,864,067	-
Payables	8,057,273	4,935,100
Deposits and remittances	33,365,635	27,844,380
Other financial liabilities	2,847,686	4,417,232
Provisions	18,004	65,359
Lease liabilities	346,824	348,273
Deferred tax liabilities	68,479	4,888
Other liabilities	<u>206,747</u>	<u>73,266</u>
Total liabilities	<u>65,217,459</u>	<u>48,929,188</u>
Equity		
Capital	14,377,562	14,377,562
Capital surplus	2,522,670	2,522,670
Retained earnings	774,025	536,882
Other equity	<u>(1,089,993)</u>	<u>(1,195,408)</u>
Total equity	<u>16,584,264</u>	<u>16,241,706</u>
Total	<u>\$ 81,801,723</u>	<u>\$ 65,170,894</u>

Cathay United Bank (China) Co., Ltd.

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

	For the Year Ended December 31	
	2021	2020
Interest income	\$ 1,986,063	\$ 1,809,948
Interest expense	<u>(1,189,963)</u>	<u>(892,286)</u>
Net interest income	796,100	917,662
Net income and gains other than interest income	<u>441,574</u>	<u>166,974</u>
Profit from operations	1,237,674	1,084,636
Provision for bad debt and guarantee reserve	(42,773)	(1,692)
Operating expenses	<u>(882,933)</u>	<u>(817,705)</u>
Profit before income tax	311,968	265,239
Income tax expense	<u>(73,452)</u>	<u>(87,660)</u>
Net income	238,516	177,579
Other comprehensive income	<u>105,415</u>	<u>220,595</u>
 Total comprehensive income	 <u>\$ 343,931</u>	 <u>\$ 398,174</u>
 Basic earnings per share	 Note	 Note

Note: CUBCN BANK is a limited company, and no information is disclosed accordingly.

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

	December 31	
Assets	2021	2020
Current assets	\$ 53,111,858	\$ 44,276,495
Financial assets at fair value through other comprehensive income - non-current	394	210
Investments accounted for using the equity method	2,666,452	2,157,020
Property and equipment	256,768	219,207
Right-of-use assets	151,406	75,227
Intangible assets	60,232	69,584
Deferred tax assets	13,579	18,543
Other non-current assets	608,744	697,450
Total	\$ 56,869,433	\$ 47,513,736
Liabilities		
Current liabilities	\$ 43,654,414	\$ 36,084,418
Other non-current liabilities	169,985	59,376
Total liabilities	43,824,399	36,143,794
Equity		
Share capital	7,300,000	7,300,000
Capital surplus	898,167	898,167
Retained earnings	3,773,744	2,626,243
Other equity	1,073,123	545,532
Total equity	13,045,034	11,369,942
Total	\$ 56,869,433	\$ 47,513,736

Cathay Securities Corporation

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

	For the Year Ended December 31	
	2021	2020
Revenues	\$ 6,840,727	\$ 5,397,349
Service fee expenses	(459,721)	(196,078)
Employee benefit expenses	(1,824,072)	(1,617,639)
Operating expenses	(1,890,293)	(1,927,944)
Share of profit of subsidiaries and associates accounted for using the equity method	8,534	39,215
Non-operating income and expenses	45,201	33,652
Profit before income tax	2,720,376	1,728,555
Income tax expense	(519,834)	(261,176)
Net income	2,200,542	1,467,379
Other comprehensive income	527,591	85,913
Total comprehensive income	\$ 2,728,133	\$ 1,553,292
Basic earnings per share	\$3.01	\$2.19

Cathay Futures Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2021	2020
Current assets	\$ 12,718,888	\$ 15,729,693
Financial assets at fair value through other comprehensive income - non-current	1,206,888	643,157
Property and equipment	67,702	60,443
Investment property	291,175	291,175
Right-of-use assets	18,145	9,265
Intangible assets	11,771	17,336
Other non-current assets	<u>156,412</u>	<u>163,973</u>
Total	<u>\$ 14,470,981</u>	<u>\$ 16,915,042</u>
Liabilities		
Current liabilities	\$ 12,316,935	\$ 15,338,432
Deferred tax liabilities	6,554	6,765
Other non-current liabilities	<u>14,074</u>	<u>6,540</u>
Total liabilities	<u>12,337,563</u>	<u>15,351,737</u>
Equity		
Share capital	667,000	667,000
Capital surplus	680	680
Retained earnings	289,585	282,983
Other equity	<u>1,176,153</u>	<u>612,642</u>
Total equity	<u>2,133,418</u>	<u>1,563,305</u>
Total	<u>\$ 14,470,981</u>	<u>\$ 16,915,042</u>

Cathay Futures Co., Ltd.

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

	For the Year Ended December 31	
	2021	2020
Revenues	\$ 373,013	\$ 369,175
Operating expenses	<u>(385,544)</u>	<u>(377,185)</u>
Operating loss	(12,531)	(8,010)
Non-operating income and expenses	<u>69,146</u>	<u>85,732</u>
Profit before income tax	56,615	77,722
Income tax expense	<u>(7,341)</u>	<u>(15,320)</u>
Net income	49,274	62,402
Other comprehensive income	<u>563,511</u>	<u>104,978</u>
 Total comprehensive income	 <u>\$ 612,785</u>	 <u>\$ 167,380</u>
 Basic earnings per share	 <u>\$0.74</u>	 <u>\$0.94</u>

Cathay Securities (Hong Kong) Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
	2021	2020
Assets		
Current assets	\$ 1,079,351	\$ 4,645,940
Property and equipment	2,472	4,794
Intangible assets	1,768	1,831
Other non-current assets	<u>67,398</u>	<u>37,030</u>
 Total	 <u>\$ 1,150,989</u>	 <u>\$ 4,689,595</u>
 Liabilities		
Current liabilities	\$ 600,552	\$ 4,094,190
Non-current liabilities	<u>17,202</u>	<u>1,543</u>
Total liabilities	<u>617,754</u>	<u>4,095,733</u>
 Equity		
Capital	1,108,244	1,108,244
Retained earnings	(484,305)	(443,570)
Other equity	<u>(90,704)</u>	<u>(70,812)</u>
Total equity	<u>533,235</u>	<u>593,862</u>
 Total	 <u>\$ 1,150,989</u>	 <u>\$ 4,689,595</u>

Cathay Securities (Hong Kong) Limited

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Revenues	\$ 95,696	\$ 115,971
Service fee expenses	(3,156)	(2,672)
Employee benefit expenses	(51,515)	(49,479)
Operating expenses	(85,143)	(88,968)
Non-operating income and expenses	<u>3,383</u>	<u>1,967</u>
Net loss	(40,735)	(23,181)
Other comprehensive loss	<u>(19,892)</u>	<u>(22,889)</u>
Total comprehensive loss	<u>\$ (60,627)</u>	<u>\$ (46,070)</u>
Basic earnings per share	Note	Note

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

Cathay Capital (Asia) Limited

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

	<u>December 31</u>	
	2021	2020
Assets		
Current assets	\$ <u>1,405,235</u>	\$ <u>3,436</u>
Total	<u>\$ 1,405,235</u>	<u>\$ 3,436</u>
Liabilities		
Current liabilities	\$ <u>1,398,834</u>	\$ <u>182</u>
Total liabilities	<u>1,398,834</u>	<u>182</u>
Equity		
Capital	3,875	3,875
Retained earnings	2,869	(439)
Other equity	<u>(343)</u>	<u>(182)</u>
Total equity	<u>6,401</u>	<u>3,254</u>
Total	<u>\$ 1,405,235</u>	<u>\$ 3,436</u>

Cathay Capital (Asia) Limited

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

	For the Year Ended December 31, 2021	From February 24 to December 31, 2020
Operating revenue (loss)	\$ 24,688	\$ (5)
Operating costs	(130)	(30)
Operating expenses	(18,226)	(409)
Non-operating income and expenses	<u>5</u>	<u>5</u>
Profit (loss) before income tax	6,337	(439)
Income tax expense	<u>(3,029)</u>	<u>-</u>
Net income (loss)	3,308	(439)
Other comprehensive loss	<u>(161)</u>	<u>(182)</u>
Total comprehensive income (loss)	<u>\$ 3,147</u>	<u>\$ (621)</u>
Basic earnings per share	Note	Note

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

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

Cathay Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
Assets	2021	2020
Current assets	\$ 3,624,088	\$ 2,801,140
Financial assets at fair value through other comprehensive income - non-current	11,749	9,778
Investments accounted for using the equity method	431,922	484,507
Property and equipment	49,274	33,399
Right-of-use assets	19,547	49,495
Intangible assets	27,613	21,839
Deferred tax assets	36,873	29,850
Guarantee deposits paid	321,700	258,156
Other non-current assets	<u>17,339</u>	<u>61,759</u>
 Total	 <u>\$ 4,540,105</u>	 <u>\$ 3,749,923</u>
 Liabilities		
Current liabilities	\$ 798,127	\$ 676,044
Non-current liabilities	<u>190,010</u>	<u>149,718</u>
Total liabilities	<u>988,137</u>	<u>825,762</u>
 Equity		
Share capital	1,500,000	1,500,000
Capital surplus	16,453	16,453
Retained earnings	2,162,703	1,514,603
Other equity	<u>(127,188)</u>	<u>(106,895)</u>
Total equity	<u>3,551,968</u>	<u>2,924,161</u>
 Total	 <u>\$ 4,540,105</u>	 <u>\$ 3,749,923</u>

Cathay Securities Investment Trust Co., Ltd.

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

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 3,855,397	\$ 2,873,737
Operating expenses	<u>(1,977,713)</u>	<u>(1,788,015)</u>
Operating profit	1,877,684	1,085,722
Non-operating income and expenses	<u>(99,113)</u>	<u>(9,989)</u>
Profit before income tax	1,778,571	1,075,733
Income tax expense	<u>(376,153)</u>	<u>(218,431)</u>
Net income	1,402,418	857,302
Other comprehensive loss	<u>(20,293)</u>	<u>(17,726)</u>
 Total comprehensive income	 <u>\$ 1,382,125</u>	 <u>\$ 839,576</u>
 Basic earnings per share	 <u>\$9.35</u>	 <u>\$5.72</u>

Cathay Private Equity Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
	2021	2020
Assets		
Current assets	\$ 65,196	\$ 53,371
Other non-current assets	<u>53,142</u>	<u>28,329</u>
 Total	 <u>\$ 118,338</u>	 <u>\$ 81,700</u>
 Liabilities		
Current liabilities	\$ 11,563	\$ 4,294
Other non-current liabilities	<u>2,633</u>	<u>-</u>
Total liabilities	<u>14,196</u>	<u>4,294</u>
 Equity		
Share capital	150,000	100,000
Capital surplus	63	63
Retained earnings	<u>(45,921)</u>	<u>(22,657)</u>
Total equity	<u>104,142</u>	<u>77,406</u>
 Total	 <u>\$ 118,338</u>	 <u>\$ 81,700</u>

Cathay Private Equity Co., Ltd.

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

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 17,504	\$ 10,061
Operating expenses	<u>(42,448)</u>	<u>(22,495)</u>
Operating loss	(24,944)	(12,434)
Non-operating income and expenses	<u>(3,266)</u>	<u>(95)</u>
Loss before income tax	(28,210)	(12,529)
Income tax benefit	<u>4,946</u>	<u>2,379</u>
Net loss	<u>(23,264)</u>	<u>(10,150)</u>
Total comprehensive loss	<u>\$ (23,264)</u>	<u>\$ (10,150)</u>
Basic loss per share	<u>\$(2.19)</u>	<u>\$(1.31)</u>

Cathay Venture Inc.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	December 31	
	2021	2020
Assets		
Current assets	\$ 1,300,360	\$ 1,304,594
Financial assets at fair value through profit or loss - non-current	4,788,751	4,330,509
Investments accounted for using the equity method	310,568	317,665
Property and equipment	2,766	2,711
Right-of-use assets	5,371	11,125
Deferred tax assets	68,007	65,509
Other non-current assets	<u>1,267</u>	<u>1,267</u>
Total	<u>\$ 6,477,090</u>	<u>\$ 6,033,380</u>
Liabilities		
Current liabilities	\$ 43,735	\$ 31,349
Non-current liabilities	<u>8,785</u>	<u>13,431</u>
Total liabilities	<u>52,520</u>	<u>44,780</u>
Equity		
Share capital	5,181,730	4,842,362
Capital surplus	576,667	576,667
Retained earnings	665,695	569,427
Other equity	<u>478</u>	<u>144</u>
Total equity	<u>6,424,570</u>	<u>5,988,600</u>
Total	<u>\$ 6,477,090</u>	<u>\$ 6,033,380</u>

Cathay Venture Inc.

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

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 518,051	\$ 433,436
Operating costs	(35,210)	(38,365)
Operating expenses	(16,604)	(11,518)
Non-operating income and expenses	<u>(1,232)</u>	<u>(1,053)</u>
Profit before income tax	465,005	382,500
Income tax expense	<u>(29,369)</u>	<u>(5,425)</u>
Net income	435,636	377,075
Other comprehensive income	<u>334</u>	<u>70</u>
 Total comprehensive income	 <u>\$ 435,970</u>	 <u>\$ 377,145</u>
 Basic earnings per share	 <u>\$0.84</u>	 <u>\$0.73</u>

Cathay Investment Inc.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Assets		
Current assets	\$ 34,086	\$ 19,496
Non-current assets	<u>190</u>	<u>15,818</u>
 Total	 <u>\$ 34,276</u>	 <u>\$ 35,314</u>
 Liabilities		
Current liabilities	\$ 39	\$ 454
Non-current liabilities	<u>-</u>	<u>328</u>
Total liabilities	<u>39</u>	<u>782</u>
 Equity		
Share capital	35,000	35,000
Retained earnings	<u>(763)</u>	<u>(468)</u>
Total equity	<u>34,237</u>	<u>34,532</u>
 Total	 <u>\$ 34,276</u>	 <u>\$ 35,314</u>

Cathay Investment Inc.

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

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 54	\$ 97
Operating expenses	(210)	(643)
Non-operating income and expenses	2	(11)
Loss before income tax	(154)	(557)
Income tax (expense) benefit	(141)	131
Net loss	(295)	(426)
Total comprehensive loss	\$ (295)	\$ (426)
Basic loss per share	\$(0.08)	\$(0.12)

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

For the year ended December 31, 2021

Unit: %

	Return on Assets		Return on Equity		Net Income Ratio
	Before Tax	After Tax	Before Tax	After Tax	
The Group	1.42	1.25	17.54	15.49	22.51
The Company	13.86	13.76	15.66	15.54	98.03
Cathay Life	1.60	1.44	17.21	15.50	12.27
Cathay Century	5.49	4.67	18.54	15.78	9.96
Cathay United Bank	0.82	0.72	10.93	9.55	38.14
Cathay Securities	5.21	4.22	22.28	18.03	32.17

For the year ended December 31, 2020

Unit: %

	Return on Assets		Return on Equity		Net Income Ratio
	Before Tax	After Tax	Before Tax	After Tax	
The Group	0.78	0.72	9.68	9.01	12.06
The Company	8.30	8.03	9.26	8.96	94.70
Cathay Life	0.68	0.71	7.67	7.95	5.71
Cathay Century	5.90	5.03	19.78	16.86	10.65
Cathay United Bank	0.83	0.73	10.65	9.30	37.25
Cathay Securities	4.65	3.95	17.30	14.68	27.19

Note: Net income ratio = Net income/Net revenue

33. BUSINESS OR TRADING ACTIVITIES WITHIN SUBSIDIARIES

a. Integration of business activities

In order to improve the Group's competitiveness and enhance its operation synergy, the Company integrates various services, such as banking, insurance, and securities, and builds up a full-functioning financial platform; with 667 operating location all over Taiwan and about 30 thousand professional salesperson, the Company provides comprehensive financial planning and one-stop shopping services to its clients.

b. Cross utilization of information

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

c. Business facilities and locations

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

- 1) Cathay United Bank is engaged in co-selling activities for securities business through its 165 branches. Cathay United Bank has been engaged in insurance agency business since April 29, 2016 and promoted life insurance products in its 165 branches.
- 2) Cathay Life is engaged in co-selling activities for banking and property and casualty insurance businesses in its service units (58 locations).
- 3) Cathay Securities sets up co-selling offices in Cathay Life's 32 branches (Zhongxiao and others) to facilitate account opening services through sharing business facilities and locations.

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

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

34. SEGMENT INFORMATION

a. General information on operating segments

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

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

To determine allocation of resources and performance measure, the management monitors results of each operating segment. The accounting policies for each operating segment are the same as those stated in Note 4 the summary of significant accounting policies.

b. Information of reporting segment income was as follows:

For the year ended December 31, 2021

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 38,737,536	\$ 155,738,226	\$ 523,281	\$ 482,206	\$ (599,088)	\$ 194,882,161
Net income and gains other than interest income	17,937,696	386,860,971	7,258,868	5,857,308	13,165,601	431,080,444
Profit from operations	56,675,232	542,599,197	7,782,149	6,339,514	12,566,513	625,962,605
Provision for bad debt, commitments and guarantee reserve	(2,986,134)	(495,222)	-	(3,014)	-	(3,484,370)
Net changes in insurance liability reserve	-	(376,771,070)	(637,320)	-	-	(377,408,390)
Operating expenses	(32,675,595)	(35,360,547)	(3,816,713)	(3,186,325)	(10,504,294)	(85,543,474)
Profit from continuing operations before taxes	21,013,503	129,972,358	3,328,116	3,150,175	2,062,219	159,526,371
Income tax expense	(3,673,211)	(11,968,374)	(391,526)	(519,843)	(2,084,107)	(18,637,061)
Net income (loss) from continuing operations	17,340,292	118,003,984	2,936,590	2,630,332	(21,888)	140,889,310

For the year ended December 31, 2020

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 35,322,608	\$ 155,382,430	\$ 535,481	\$ 203,535	\$ (514,522)	\$ 190,929,532
Net income and gains other than interest income	20,400,213	396,643,821	5,847,615	4,782,604	11,310,700	438,984,953
Profit from operations	55,722,821	552,026,251	6,383,096	4,986,139	10,796,178	629,914,485
Provision for bad debt, commitments and guarantee reserve	(3,382,467)	202,228	-	2,438	(74)	(3,177,875)
Net changes in insurance liability reserve	-	(462,233,422)	139,281	-	-	(462,094,141)
Operating expenses	(31,467,935)	(35,839,479)	(3,282,903)	(3,050,587)	(9,385,784)	(83,026,688)
Profit from continuing operations before taxes	20,872,419	54,155,578	3,239,474	1,937,990	1,410,320	81,615,781
Income tax (expense) benefit	(3,514,541)	1,624,198	(384,564)	(261,185)	(3,121,466)	(5,657,558)
Net income (loss) from continuing operations	17,357,878	55,779,776	2,854,910	1,676,805	(1,711,146)	75,958,223

Note: All intercompany transactions among the operating segments have been eliminated.

c. Geographical information

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Taiwan	\$ 594,259,105	\$ 601,705,258
Asia	22,667,272	20,156,577
Other countries	<u>9,036,228</u>	<u>8,052,650</u>
	<u>\$ 625,962,605</u>	<u>\$ 629,914,485</u>

d. Major customer

There was no individual external customer whose revenue accounted for 10% or more of the Group's revenue.

35. RISK MANAGEMENT FOR INSURANCE CONTRACTS AND FINANCIAL INSTRUMENTS

a. Cathay Life and its subsidiaries

1) Risk management objectives, policies, procedures and methods:

a) Objectives of risk management

Cathay Life's risk management policy aims to promote operational efficiency, ensure asset safety, increase shareholders' value, and comply with applicable domestic and overseas laws and regulations for the purpose of steady growth and sustainable management.

- b) Framework, organizational structure and responsibilities of risk management
- i. The board of directors
 - i) The board of directors should establish appropriate risk management framework and culture, ratify appropriate risk management policy and review it regularly and allocate resources in the most effective manner.
 - ii) The board of directors and senior management should consistently promote, execute risk management and keep the consistency of the operational objectives of Cathay Life as well as operational strategies and operations management.
 - iii) The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.
 - iv) The board of directors should delegate authority to risk management department to deal with violation to risk limits by other departments.
 - ii. Risk management committee
 - i) The committee should propose the risk management policies, framework and organizational functions and establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly and making necessary suggestions for improvement.
 - ii) The committee should execute the risk management policies set by the board of directors and review the development, build-up and performance of overall management mechanisms regularly.
 - iii) The committee should assist and monitor the risk management activities.
 - iv) The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.
 - v) The committee should enhance cross-department interaction and communication.
 - iii. Chief risk officer
 - i) The chief risk officer should maintain independence. Besides a position directly related to risk management and without conflict of interest, the chief risk officer should not hold a position in any profit center of Cathay Life.
 - ii) The chief risk officer should be able to access any business information which may have an impact on risk overview of Cathay Life.
 - iii) The chief risk officer should be in charge of overall risk management of Cathay Life.
 - iv) The chief risk officer should participate in Cathay Life's important decision-making process and, as appropriate, provide opinions from a risk management perspective.
 - iv. Risk management department
 - i) The department is responsible for operational affairs such as monitoring, measuring and evaluating daily risks, which should be performed independently to business units.

- ii) The department should perform the following functions with regard to different business activities:
- Propose and execute the risk management policies set by the board of directors.
 - Propose the risk limits based on risk appetite.
 - Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.
 - Regularly present risk management reports.
 - Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.
 - Assist to execute stress testing.
 - Execute back testing if necessary.
 - Other risk management related issues.

v. Business units

- i) Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.
- ii) The duties of the risk management include the following:
- Identify and measure risks and report risk exposures and potential impacts on time.
 - Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.
 - Assist to develop the risk model and ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.
 - Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
 - Assist to collect data related to operational risk.
 - Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to mitigate such risks.
 - Manager of a business unit should supervise the unit to submit risk management information regularly to the risk management department.

vi. Audit department

The department is responsible for the audit of each department's implementation status of risk management pursuant to the applicable laws and regulations and related rules and guidance of Cathay Life.

vii. Subsidiaries

Each subsidiary's risk management department or related unit should develop risk management policies based on the nature of its business and needs and report to Cathay Life's risk management committee for future reference.

c) Range and nature of risk assessment or risk reporting

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

i. Market risk

Market risk is the risk of losses in value of Cathay Life's financial assets arising from the changes in market prices of financial instruments. Cathay Life adopts measurement indicators for market risk based on VaR and reviews regularly. In addition, Cathay Life performs back testing to ensure the accuracy of the market risk model regularly. Furthermore, Cathay Life applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly. In response to the implementation of foreign exchange valuation reserve, Cathay Life determines the ceiling of foreign exchange risk, implements warning system and monitors foreign exchange risk regularly.

ii. Credit risk

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

iii. Country risk

Country risk is the risk that Cathay Life suffers losses from loans, financial investments and long-term investments in a specific country as a result of market price fluctuation or default of security issuers or debtors stemming from local political and/or economic situations. Cathay Life adopts measurement indicators for country risk, which are calculated by total investments in a certain country or specific area divided by total foreign investments or adjusted net assets. Cathay Life reviews and adjusts the indicator on a regular basis.

iv. Liquidity risk

Liquidity risk is comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Cathay Life is not capable of performing matured commitment because it fails to realize assets or obtain sufficient funds. Cathay Life has established measurement indicators of funding liquidity risk and reviews the indicators regularly. In addition, a funding reporting system has been established under which the risk management department manages funding liquidity based on the information provided by relevant business units. Furthermore, the cash flow analysis model has been applied and monitored regularly, and improvements should be made once unusual events occur. The cash flow analysis model is also applied to set the annual assets allocation plan to maintain

appropriate liquidity of assets. Market liquidity risk is the risk of significant changes in fair values when Cathay Life sells or offsets its positions during a market disorder or a lack of sufficient market depth. Cathay Life has established a liquidity threshold for investment positions. Each investment department evaluates the market trading volumes and adequacy of positions held according to the features and objectives of its investment positions.

v. Operational risk

Operational risk is the risk caused by improper conduct or errors of internal process, personnel, system or external issues that lead to losses. Operational risk includes legal risk but excludes strategic risk and reputation risk. Cathay Life has set the standard operating procedures based on the nature of the business and established reporting system for loss events of operation risk as well as to collect and manage information with respect to losses resulting from operational risk. To maintain Cathay Life's operation and ability to provide customer services while minimizing the losses under a major crisis, Cathay Life has established business continuity management system, emergency handling mechanism and information system damage responses.

vi. Insurance risk

Cathay Life assumes certain risks which is transferred from policyholders after the collection of premiums from policyholders, and Cathay Life may bear losses due to unexpected changes when paying claims and related expenses. This risk is involved with policy design and pricing risk, underwriting risk, reinsurance risk, catastrophe risk, claim risk and reserve-related risk.

vii. Asset and liability matching risk

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

viii. Capital adequacy

Cathay Life regards RBC ratio and equity ratio as a management indicator for capital adequacy. The RBC ratio is the total capital of Cathay Life divided by its risk-based capital, as regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies. The equity ratio is Cathay Life's equity audited (or reviewed) by the auditors divided by the total assets excluding the total assets recorded in separate accounts for investment type insurance policies.

ix. Risk of information security and personal data management

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

x. Emerging risks

Emerging risks refer to risks that are not currently revealed but may arise as a result of the changes in the environment, usually due to changes in politics, regulations, markets or the natural environment. Cathay Life conducts emerging risk management operations by reference to authority organizations, benchmarking enterprise reports, regularly identifying and measuring emerging risks as well as assessing risk response and control mechanism

when compiling annual risk maps, and reports the status of emerging risk to senior management every year, which is incorporated into the risk management business implementation report and delivered to the Risk Management Committee for deliberation.

xi. ESG and climate risks

ESG risks refer to the financial losses that may be directly or indirectly incurred by Cathay Life due to the investees who fail to pay attention to ESG issues, and ESG risks include environmental, social and corporate governance risks. Climate risk is part of the environmental risks of ESG risks and refers to the potential negative impact of climate changes, including transformation risk (a wide range of risks resulting from the trend of low-carbon economy, including policy, legal, technology and market change risks) and physical risk (the risk of financial losses due to extreme weather events). Cathay Life has established related management measures as a response.

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

i. The process of assuming, measuring, monitoring and controlling insurance risks

i) Stipulate Cathay Life's insurance risk management standards including the definitions and range of risks, management structure, risk management indicators and other risk management measures.

ii) Establish methods to evaluate insurance risks.

iii) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and for developing insurance risk management strategies.

iv) Regularly summarize the results of implementing risk management policies and report to the risk management committee. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of Cathay Life and that of the Company.

ii. The underwriting policies to determine proper risk classification and premium levels

i) Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from the insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.

ii) Cathay Life has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards

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

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

i. Insurance risk assessment covers the following risks:

i) Product design and pricing risk: The risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.

- ii) Underwriting risk: Unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.
 - iii) Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.
 - iv) Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect Cathay Life's credit rating or solvency.
 - v) Claim risk: This risk arises from mishandling claims.
 - vi) Reserve-related risk: This risk occurs when Cathay Life does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.
- ii. The scope of management of insurance risk
- i) Develop a risk control framework of Cathay Life's insurance risk to empower related development to execute risk management.
 - ii) Establish Cathay Life's insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.
 - iii) Develop related response in consideration of Cathay Life's growth strategy and changes in the domestic and global economic and financial environments.
 - iv) Determine methods to measure insurance risks.
 - v) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.
 - vi) Other insurance risk management issues.
- f) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

Cathay Life limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed considering Cathay Life's risk taking ability, risk profiling and legal issues factors to determine whether to retain or cede a policy. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, Cathay Life has established reinsurer selection standards.

- g) Asset/liability management
- i. Cathay Life established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks Cathay Life faces.
 - ii. Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of Cathay Life. Furthermore, the annual report is delivered to the risk management committee of the Company.

- iii. When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of Cathay Life and that of the Company.
- h) The procedures to manage, monitor and control a special event for which Cathay Life is committed to assuming additional liabilities or funding 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, and submits the capital adequacy analysis report and actions.

- i) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments
 - i. Cathay Life enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from Cathay Life's investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.
 - ii. Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. Cathay Life executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.
 - iii. Cathay Life assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.

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

Considering the credit risk factors, Cathay Life has set up the measurement indicators for credit and investment positions by countries, industries and business groups. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, Cathay Life shall not grant loans or make investment in general. However, if Cathay Life has to undertake the business under certain circumstances, Cathay Life shall follow the internal regulations, including but not limited to “Guidelines for sovereign risk management”, “Guidelines for securities investment risk limit” and “Guidelines for credit and investment risk management on conglomerate and other juristic person institute”.

2) Information of insurance risk

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

i. Cathay Life

For the Year Ended December 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 3,037,807	Decrease (increase)	\$ 2,430,246
Expense	×1.05 (×0.95)	Decrease (increase)	3,134,316	Decrease (increase)	2,507,453
Surrender rate	×1.05 (×0.95)	Increase (decrease)	227,270	Increase (decrease)	181,816
Rate of return	+0.1%	Increase	6,574,793	Increase	5,259,834
Rate of return	-0.1%	Decrease	6,581,208	Decrease	5,264,967

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

ii. Cathay Lujiazui Life

For the Year Ended December 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 158,461	Decrease (increase)	\$ 118,846
Expense	×1.05 (×0.95)	Decrease (increase)	96,546	Decrease (increase)	72,409
Surrender rate	×1.10 (×0.90)	Increase (decrease)	76,562	Increase (decrease)	57,421
Rate of return	+0.25%	Increase	153,137	Increase	114,853
Rate of return	-0.25%	Decrease	153,509	Decrease	115,132

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

iii. Cathay Life (Vietnam)

For the Year Ended December 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 3,706	Decrease (increase)	\$ 2,965
Expense	×1.05 (×0.95)	Decrease (increase)	72,499	Decrease (increase)	57,999
Surrender rate	×1.10 (×0.95)	Increase (decrease)	17,931	Increase (decrease)	14,345
Rate of return	+0.1%	Increase	23,176	Increase	18,541
Rate of return	-0.1%	Decrease	23,199	Decrease	18,559

For the Year Ended December 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 2,484	Decrease (increase)	\$ 1,987
Expense	×1.05 (×0.95)	Decrease (increase)	62,745	Decrease (increase)	50,196
Surrender rate	×1.10 (×0.95)	Increase (decrease)	16,325	Increase (decrease)	13,060
Rate of return	+0.1%	Increase	15,464	Increase	12,371
Rate of return	-0.1%	Decrease	15,479	Decrease	12,383

- i) Changes in income before tax listed above referred to the effects of income before tax for the year ended December 31, 2021 and 2020. The changes in equity of Cathay Life, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.
- ii) As an increase (decrease) of 0.1% in discount rates is applied to the liability adequacy test, the result of the test is still adequate for Cathay Life and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.

iii) Sensitivity test

- Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.
- Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.
- Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.
- Rate of return sensitivity test is executed by adjusting the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

Note 1: Expense items includes underwriting expenses, commission expenses, other operating costs as well as general expenses, administration expenses, employee training expenses of operating expenses, and expected credit impairment losses and gains on reversal from non-investments.

Note 2: Rate of return is calculated as follows (to be annualized):

$$2 \times (\text{Net investment} - \text{Finance costs}) / (\text{The beginning balance of available funds} + \text{The ending balance of available funds, net incomes (losses) on investment} + \text{Finance costs})$$

b) Concentration of insurance risks

Cathay Life's insurance business is mainly from the R.O.C., and all the insurance policies have similar risk exposure; for example, the risk exposure to the unexpected changes in trend (mortality, morbidity, and surrender rate) or the risk exposure to multiple insurance contracts caused by a single incident (for example, simultaneous risk exposure to life insurance, health insurance, and casualty insurance caused by an earthquake). Cathay Life reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

In principle, Cathay Life performs an evaluation on the retained risks by considering the risk characteristics and its risk bearing capacity, which is submitted for approval by authority, and engages in reinsurance business for the excess of risks over the retained. At the same time, Cathay Life considers unexpected human and natural disasters in each year to estimate the reasonable maximum of losses based on the retained risks and determines according to the risk characteristics and its bearing capacity whether to adjust the reinsured amount or purchase catastrophe reinsurance. Therefore, the insurance risks to some extent are diversified to reduce the potential impact on unexpected losses.

Furthermore, according to Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, special reserve for catastrophic events should be provided for huge claims and payments due to future catastrophic events, and special reserve for fluctuation of risk should be provided for abnormal changes in loss ratio and claims of each insurance type. The annual increase of special reserve for catastrophic events and fluctuation of risks should be recorded in special reserve of equity, net of tax in accordance with IAS 12.

c) Claim development trend

i. Cathay Life

i) Direct business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2015	15,353,566	18,647,560	18,975,168	19,056,336	19,103,869	19,131,408	19,148,667	-	-
2016	15,940,308	19,566,897	19,885,388	19,971,081	20,016,631	20,045,358	20,063,960	18,602	18,640
2017	17,297,974	21,370,269	21,769,245	21,867,634	21,919,866	21,951,128	21,970,727	50,861	50,962
2018	19,438,330	23,925,964	24,359,320	24,481,170	24,542,817	24,577,490	24,599,067	117,897	118,132
2019	21,412,454	26,422,361	26,916,178	27,044,842	27,113,878	27,152,125	27,174,887	258,709	259,226
2020	21,393,621	26,253,941	26,723,177	26,847,005	26,913,444	26,951,728	26,974,764	720,823	722,265
2021	19,906,774	24,391,134	24,813,219	24,922,174	24,980,352	25,016,119	25,038,567	5,131,793	5,142,057
								Expected future payments	\$ 6,311,282
								Add: Assumed reserve for claims not yet filed	<u>23,868</u>
								Reserve for claims not yet filed	6,335,150
								Add: Claims filed but not yet paid	<u>4,844,212</u>
								Loss reserve balance	\$ <u>11,179,362</u>

ii) Retained business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2015	15,474,235	18,809,508	19,140,593	19,222,947	19,270,603	19,298,248	19,315,628	-	-
2016	16,051,766	19,702,389	20,024,753	20,110,678	20,156,445	20,185,309	20,204,012	18,703	18,740
2017	17,425,760	21,529,927	21,929,989	22,028,646	22,081,037	22,112,477	22,132,235	51,198	51,300
2018	19,559,154	24,057,586	24,492,262	24,614,489	24,676,696	24,711,854	24,733,864	119,375	119,613
2019	21,440,110	26,462,299	26,957,693	27,086,749	27,156,093	27,194,604	27,217,601	259,908	260,429
2020	21,422,045	26,296,684	26,767,453	26,891,722	26,958,513	26,997,100	27,020,408	723,724	725,171
2021	19,944,238	24,442,977	24,866,879	24,976,355	25,034,945	25,071,069	25,093,836	5,149,598	5,159,897
								Expected future payments	\$ 6,335,150
								Add: Claims filed but not yet paid	<u>4,804,610</u>
								Retained loss reserve balance	\$ <u>11,139,760</u>

Note: Retained business equals direct business plus assumed reinsurance less ceded reinsurance business.

In accordance with Jin Guan Bao Shou No. 10402133590 issued on December 22, 2015 by the FSC, reserve for claims not yet filed is provided as claims filed and adjusted for related expenses; reserve for claims filed but not yet paid is provided on a case-by-case basis. The loss reserve is the sum of the above reserve, and due to uncertainty, estimation, and judgment, there is a high degree of complexity in the provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Life may be delayed in certain cases, and estimates of the payments for cases not yet filed are involved with a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The

loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in the specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in the specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

ii. Cathay Lujiazui Life

i) Direct business development trend

Accident Year	Development Year							Expected Future Payment	
	1	2	3	4	5	6	7		
2015	207,586	388,522	415,798	436,459	436,459	436,459	436,459	-	
2016	246,327	422,700	475,129	527,813	527,813	527,813	527,813	-	
2017	253,422	480,559	536,162	536,162	536,162	536,162	536,162	-	
2018	313,092	367,433	408,258	408,258	408,258	408,258	408,258	-	
2019	421,773	597,511	615,991	640,607	640,607	640,607	640,607	24,616	
2020	455,039	614,302	667,279	693,944	693,944	693,944	693,944	79,642	
2021	564,941	854,906	928,632	965,742	965,742	965,742	965,742	400,801	
								Expected future payments	\$ 505,059
								Less: Assumed reserve for claims not yet filed	(10,932)
								Reserve for claims not yet filed	494,127
								Add: Claims filed but not yet paid	37,374
								Loss reserve balance	\$ 531,501

ii) Retained business development trend

Accident Year	Development Year							Expected Future Payment	
	1	2	3	4	5	6	7		
2015	186,033	366,566	393,821	396,899	396,899	396,899	396,899	-	
2016	243,841	419,851	472,280	514,786	514,786	514,786	514,786	-	
2017	241,762	468,899	523,326	523,326	523,326	523,326	523,326	-	
2018	304,711	356,695	419,641	419,641	419,641	419,641	419,641	-	
2019	418,235	592,500	623,684	639,399	639,399	639,399	639,399	15,715	
2020	451,368	609,347	672,436	689,380	689,380	689,380	689,380	80,033	
2021	560,612	854,562	943,039	966,801	966,801	966,801	966,801	406,189	
								Expected future payments	\$ 501,937
								Less: Expected claims filed but not yet paid	(10,932)
								Add: Claims filed but not yet paid	28,601
								Retained loss reserve balance	\$ 519,606

Note: Retained business equals direct business plus assumed reinsurance less ceded reinsurance business.

Cathay Lujiazui Life provides loss reserve for claims filed but not paid and claims not yet filed. Due to uncertainty, estimation, and judgment, there is a high degree of complexity in provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Lujiazui Life may be delayed in certain cases, and estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the

currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in a specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in a specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

iii. Cathay Life (Vietnam)

i) Direct business development trend

Accident Year	Development Year				
	1	2	3	4	5
2017	13,668	16,605	16,605	16,665	16,665
2018	79,233	90,995	91,042	91,042	91,042
2019	95,423	115,689	115,689	115,752	115,752
2020	279,720	318,842	318,907	319,081	319,081
2021	368,685	427,298	427,385	427,619	427,619

ii) Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2017	13,668	16,605	16,605	16,665	16,665
2018	79,233	90,995	91,042	91,042	91,042
2019	95,423	115,689	115,689	115,752	115,752
2020	279,720	318,842	318,907	319,081	319,081
2021	368,685	427,298	427,385	427,619	427,619

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

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

3) Credit risk, liquidity risk, and market risk for insurance contracts

a) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, Cathay Life chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with Cathay Life's Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of Cathay Life's reinsurers are above a certain level, complying with Cathay Life's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to Cathay Life's total assets; therefore, no significant credit risk exists.

b) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance payments and expenses of valid insurance contracts in the future deducting total premium on the balance sheet date. The actual future payment amounts may differ due to the difference between the result and expected amount.

Unit: In 100 Millions of NTD

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	Within 1 Year	1 to 5 Years	Over 5 Years
December 31, 2021	\$ 622	\$ 4,829	\$ 175,742
December 31, 2020	(1,025)	4,481	182,228

Note: Separate account products were not included.

c) Market risk

Cathay Life measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for Cathay Life's valid insurance contracts are considered minor to profit or loss or equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of Cathay Life. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

b. Cathay Century and its subsidiaries

1) Risk management objectives, policies, procedures and methods:

a) Framework of risk management, organizational structure and responsibilities

i. Board of directors

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

ii. Risk management department

i) Risk management committee

- The committee should propose the risk management policies, framework, and organization functions and establish quantitative and qualitative management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly, and making necessary suggestions for improvement.
- The committee should execute the risk management policies set by the board of directors and review development, build-up and performance of overall management mechanisms regularly.
- The committee should assist and monitor the risk management activities performed by each department.
- The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.
- The committee should enhance cross-department interaction and communication.

ii) Chief risk officer

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

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

- The chief risk officer should be a member of the risk management committee.

iii) Risk management department

Cathay Century and its subsidiaries established a risk management department, which is responsible for monitoring, measuring and evaluating major risks, performed independently to business units.

Duties of risk management department are as follows:

- Propose and execute the risk management policies set by the board of directors.
- Propose the risk limits based on risk appetite.
- Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.
- Regularly present risk management reports.
- Regularly review the risk limits and its use of each business unit.
- Assist to execute stress testing and back testing if necessary.
- Other risk management related issues.

iii. Business unit

i) The risk management duties of the manager of a business unit are as follows:

- Manage and report daily risk of the business unit and take necessary responsive actions.
- Supervise regular submission of risk management information to the risk management department.

ii) The risk management duties of a business unit are as follows:

- Identify and measure risks and report risk exposures.
- Evaluate the impacts (quantitative or qualitative) when risks occur and deliver the risk information in a timely and accurate manner.
- Regularly review the risks and their limits to ensure the effective execution of risk limits within business unit.
- Monitor risk exposures and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions of the business units.
- Assist to develop the risk model and ensure that the risk measurement, application of model, and the parameter settings are reasonable and consistent.
- Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
- Assist to collect data related to operational risk.

iv. Audit department

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

b) Risk reporting and the scope and nature of risk assessment for property insurance business

i. Risk management reports

i) Each business unit should regularly deliver risk information to the risk management department, and report the excess of risk limits and responding measures when risk exposure exceeds the limit.

ii) The risk management department summarizes the risk information provided by each department, tracks the uses of major risk limit, submits a monthly risk management report to the chairman, and makes quarterly report to the risk management committee and the board of directors.

ii. The scope and nature of risk assessment

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

c) Processes to undertake, evaluate, supervise and control insurance risk of property insurance business and underwriting policies to ensure proper risk classification and premium level

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

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

Insurance risk management of Cathay Century and its subsidiaries covers product design and pricing, underwriting, reinsurance, catastrophe, claim, and reserve. Proper management mechanisms are set up and executed thoroughly.

e) Methods to limit insurance risk exposure and avoid inappropriate concentration risk

When Cathay Century and its subsidiaries implement business, the underwriter evaluates the quality of the business based on the underwriting criteria of each insurance to decide whether to undertake the business to properly hedge and control the risk and reduce the exposure.

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

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

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

Insurance Type	For the Year Ended December 31	
	2021	2020
Fire insurance	\$ 1,200,000	\$ 1,200,000
Marine insurance	1,200,000	1,200,000
Engineering insurance	1,200,000	1,200,000
Miscellaneous insurance/liability insurance	1,200,000	1,200,000
Healthy and accident insurance	1,200,000	1,200,000
Automobile insurance	50,000	50,000
Liability insurance	250,000	250,000

f) Asset-liability management

i. Asset-liability coordinated with risk identification and measurement

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

ii. Asset-liability coordinated with risk response

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

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

Cathay Century and its subsidiaries have established a set of capital adequacy management standards, including RBC management indicators for regular review, under which RBC is calculated each quarter and RBC management report is prepared every half year as implementation of RBC management.

If the RBC ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose a response to the risk management committee and inform the Company to review the impact on the Group's CAR.

2) Liability on policyholders' claims filed and losses not yet filed

Claims and payments recoverable for policyholders' claims filed and paid

Insurance Type	Claims Filed and Paid	
	December 31	
	2021	2020
Fire insurance	\$ 22,238	\$ 13,274
Marine insurance	97,105	11,468
Land and air insurance	39,700	37,194
Liability insurance	55,275	45,977
Guarantee insurance	1,272	157
Other property insurance	25,750	19,898
Accident insurance	16,683	15,417
Health insurance	7,718	-
Policy-oriented residential earthquake insurance	-	-
Compulsory automobile liability insurance	<u>200,809</u>	<u>161,235</u>
	466,550	304,620
Less: Loss allowance	<u>(4,665)</u>	<u>(15,231)</u>
Net amount	<u>\$ 461,885</u>	<u>\$ 289,389</u>

3) Receivables and payables of insurance contracts

a) Receivables

Insurance Type	Premiums Receivable	
	December 31	
	2021	2020
Fire insurance	\$ 840,311	\$ 936,657
Marine insurance	335,547	356,045
Land and air insurance	182,914	137,421
Liability insurance	338,638	304,996
Guarantee insurance	31,417	34,644
Other property insurance	218,867	237,919
Accident insurance	128,059	119,462
Health insurance	4,160	4,849
Policy-oriented residential earthquake insurance	27,665	30,466
Compulsory automobile liability insurance	<u>21,068</u>	<u>19,596</u>
	2,128,646	2,182,055
Less: Loss allowance	<u>(31,309)</u>	<u>(36,713)</u>
Net amount	<u>\$ 2,097,337</u>	<u>\$ 2,145,342</u>

Aging analysis of premiums receivable:

	<u>December 31</u>	
	2021	2020
Up to 90 days	\$ 1,839,532	\$ 1,845,819
Over 90 days	<u>289,114</u>	<u>336,236</u>
	<u>\$ 2,128,646</u>	<u>\$ 2,182,055</u>

The overdue amounts as of December 31, 2021 and 2020 in the above premiums receivable were \$289,114 thousand and \$336,236 thousand, respectively, and loss allowance of \$11,894 thousand and \$18,347 thousand were provided, respectively.

b) Payables

Insurance Type	<u>December 31, 2021</u>		
	Commission Payable	Others	Total
Fire insurance	\$ 27,292	\$ 16,037	\$ 43,329
Marine insurance	15,061	14,224	29,285
Land and air insurance	144,015	110,874	254,889
Liability insurance	29,591	34,523	64,114
Guarantee insurance	2,650	893	3,543
Other property insurance	8,576	8,718	17,294
Accident insurance	10,400	30,735	41,135
Health insurance	1,462	1,095	2,557
Policy-oriented residential earthquake insurance	273	3,508	3,781
Compulsory automobile liability insurance	<u>19,870</u>	<u>-</u>	<u>19,870</u>
	<u>\$ 259,190</u>	<u>\$ 220,607</u>	<u>\$ 479,797</u>

Insurance Type	<u>December 31, 2020</u>		
	Commission Payable	Others	Total
Fire insurance	\$ 28,222	\$ 12,555	\$ 40,777
Marine insurance	13,293	11,805	25,098
Land and air insurance	106,137	98,872	205,009
Liability insurance	23,814	25,884	49,698
Guarantee insurance	3,840	378	4,218
Other property insurance	7,176	9,654	16,830
Accident insurance	10,325	25,601	35,926
Health insurance	1,352	878	2,230
Policy-oriented residential earthquake insurance	1,646	1,225	2,871
Compulsory automobile liability insurance	<u>26,369</u>	<u>-</u>	<u>26,369</u>
	<u>\$ 222,174</u>	<u>\$ 186,852</u>	<u>\$ 409,026</u>

c) Due from (to) reinsurers and ceding companies - reinsurance

Items	December 31, 2021	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 129,191	\$ 246,885
AON	76,758	174,100
Central Re	49,361	463,973
Marsh	249,530	94,038
Willis	79,626	336,647
Others (individually below 5%)	<u>412,096</u>	<u>958,154</u>
	996,562	2,273,797
Less: Loss allowance	<u>(58,751)</u>	<u>-</u>
Net amount	<u>\$ 937,811</u>	<u>\$ 2,273,797</u>

Items	December 31, 2020	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 311,559	\$ 360,628
AON	44,900	188,748
Central Re	11,634	131,069
Cosmos	1,248	117,131
Guy Carpenter	47,162	25,353
Marsh	85,855	225,611
Swiss Re	19,000	113,884
Willis	58,826	57,680
Others (individually below 5%)	<u>171,960</u>	<u>558,117</u>
	752,144	1,778,193
Less: Loss allowance	<u>(43,501)</u>	<u>-</u>
Net amount	<u>\$ 708,643</u>	<u>\$ 1,778,193</u>

The overdue amounts as of December 31, 2021 and 2020 in the above due from reinsurers and ceding companies were \$14,731 thousand and \$11,495 thousand, respectively, and loss allowances of \$14,731 thousand and \$11,495 thousand were provided, respectively.

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

4) Acquisition cost of insurance contracts

For the Year Ended December 31, 2021					
Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 192,181	\$ 16,200	\$ 150,166	\$ 28,114	\$ 386,661
Marine insurance	71,821	480	4,574	2,082	78,957
Land and air insurance	1,239,112	601	17,100	501,713	1,758,526
Liability insurance	221,151	155	1,277	39,065	261,648
Guarantee insurance	9,418	71	2,966	779	13,234
Other property insurance	87,670	3,949	19,472	4,850	115,941
Accident insurance	337,152	1,249	1,950	94,782	435,133
Health insurance	184,370	309	1,322	2,221	188,222
Policy-oriented residential earthquake insurance	15,797	197	-	8,119	24,113
Compulsory automobile liability insurance	-	358,159	-	-	358,159
	<u>\$ 2,358,672</u>	<u>\$ 381,370</u>	<u>\$ 198,827</u>	<u>\$ 681,725</u>	<u>\$ 3,620,594</u>
For the Year Ended December 31, 2020					
Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 180,979	\$ 19,732	\$ 170,473	\$ 16,644	\$ 387,828
Marine insurance	60,288	1,218	8,861	1,655	72,022
Land and air insurance	1,127,555	1,034	34,141	437,584	1,600,314
Liability insurance	179,774	214	436	29,606	210,030
Guarantee insurance	11,457	393	10,000	263	22,113
Other property insurance	76,619	5,579	36,502	4,710	123,410
Accident insurance	348,587	1,127	832	86,345	436,891
Health insurance	34,461	497	1,872	3,533	40,363
Policy-oriented residential earthquake insurance	21,036	267	-	2,648	23,951
Compulsory automobile liability insurance	-	394,505	-	-	394,505
	<u>\$ 2,040,756</u>	<u>\$ 424,566</u>	<u>\$ 263,117</u>	<u>\$ 582,988</u>	<u>\$ 3,311,427</u>

Acquisition costs of the insurance contracts were not deferred.

5) Profit and loss analysis of the insurance business

Direct underwriting business

For the Year Ended December 31, 2021						
Insurance Type	Written Premium	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 3,523,624	\$ 27,087	\$ 236,494	\$ 1,106,236	\$ 1,414,512	\$ 739,295
Marine insurance	834,013	(24,447)	74,383	395,649	179,038	209,390
Land and air insurance	11,178,580	576,228	1,741,426	5,944,362	(11,558)	2,928,122
Liability insurance	1,944,347	234,376	260,371	735,894	23,537	690,169
Guarantee insurance	112,674	6,047	10,268	(24,249)	(17,364)	137,972
Other property insurance	1,297,880	211,596	96,468	309,000	(46,465)	727,281
Accident insurance	2,960,319	67,628	433,183	1,233,331	13,543	1,212,634
Health insurance	1,023,534	364,046	186,901	181,697	81,562	209,328
Policy-oriented residential earthquake insurance	451,406	5,314	24,114	-	-	421,978
Compulsory automobile liability insurance	<u>2,882,455</u>	<u>9,972</u>	<u>358,159</u>	<u>2,084,385</u>	<u>(2,039)</u>	<u>431,978</u>
	<u>\$ 26,208,832</u>	<u>\$ 1,477,847</u>	<u>\$ 3,421,767</u>	<u>\$ 11,966,305</u>	<u>\$ 1,634,766</u>	<u>\$ 7,708,147</u>

For the Year Ended December 31, 2020						
Insurance Type	Written Premium	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 3,366,745	\$ 242,442	\$ 217,355	\$ 594,824	\$ 313,619	\$ 1,998,505
Marine insurance	725,089	59,511	63,161	253,829	133,801	214,787
Land and air insurance	10,110,601	347,246	1,566,173	5,689,720	(51,299)	2,558,761
Liability insurance	1,559,980	52,983	209,593	756,109	12,289	529,006
Guarantee insurance	110,740	7,227	12,113	(56,033)	(6,417)	153,850
Other property insurance	1,207,441	229,760	86,909	362,378	(9,372)	537,766
Accident insurance	2,938,798	7,806	436,059	1,364,967	(22,285)	1,152,251
Health insurance	178,398	(10,676)	38,491	87,556	(29,255)	92,282
Policy-oriented residential earthquake insurance	447,474	14,829	23,951	-	-	408,694
Compulsory automobile liability insurance	<u>2,841,187</u>	<u>(25,854)</u>	<u>394,505</u>	<u>2,065,446</u>	<u>63,198</u>	<u>343,892</u>
	<u>\$ 23,486,453</u>	<u>\$ 925,274</u>	<u>\$ 3,048,310</u>	<u>\$ 11,118,796</u>	<u>\$ 404,279</u>	<u>\$ 7,989,794</u>

Reinsurance inward business

For the Year Ended December 31, 2021						
Insurance Type	Net Changes in			Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
	Reinsurance Premium	Unearned Premium Reserve	Reinsurance Commission Expense			
Fire insurance	\$ 657,286	\$ 59,243	\$ 150,166	\$ 319,604	\$ 334,728	\$ (206,455)
Marine insurance	42,058	6,533	4,574	39,377	2,385	(10,811)
Land and air insurance	115,401	2,229	17,100	58,221	14,042	23,809
Liability insurance	6,939	2,085	1,277	1,266	(28)	2,339
Guarantee insurance	11,053	(4,541)	2,966	3,515	55	9,058
Other property insurance	145,426	(233)	19,472	143,880	(9,354)	(8,339)
Accident insurance	21,096	5,295	1,950	6,917	(55)	6,989
Health insurance	12,371	255	1,322	8,477	2,915	(598)
Policy-oriented residential earthquake insurance	57,483	2,712	-	-	-	54,771
Compulsory automobile liability insurance	<u>736,632</u>	<u>(7,919)</u>	<u>-</u>	<u>786,370</u>	<u>(5,791)</u>	<u>(36,028)</u>
	<u>\$ 1,805,745</u>	<u>\$ 65,659</u>	<u>\$ 198,827</u>	<u>\$ 1,367,627</u>	<u>\$ 338,897</u>	<u>\$ (165,265)</u>
For the Year Ended December 31, 2020						
Insurance Type	Net Changes in			Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
	Reinsurance Premium	Unearned Premium Reserve	Reinsurance Commission Expense			
Fire insurance	\$ 803,557	\$ 67,368	\$ 170,474	\$ 478,816	\$ 70,534	\$ 16,365
Marine insurance	49,317	(1,855)	8,861	46,204	3,198	(7,091)
Land and air insurance	81,407	9,062	34,140	51,516	22,575	(35,886)
Liability insurance	4,329	1,150	436	438	1,019	1,286
Guarantee insurance	38,160	6,554	10,000	8,733	(11,768)	24,641
Other property insurance	205,846	(5,889)	36,502	174,164	8,477	(7,408)
Accident insurance	16,179	(1,279)	832	5,226	1,833	9,567
Health insurance	19,880	(530)	1,872	21,633	(223)	(2,872)
Policy-oriented residential earthquake insurance	52,444	1,418	-	65	(136)	51,097
Compulsory automobile liability insurance	<u>740,921</u>	<u>(8,457)</u>	<u>-</u>	<u>930,227</u>	<u>7,053</u>	<u>(187,902)</u>
	<u>\$ 2,012,040</u>	<u>\$ 67,542</u>	<u>\$ 263,117</u>	<u>\$ 1,717,022</u>	<u>\$ 102,562</u>	<u>\$ (138,203)</u>

Ceded reinsurance business

For the Year Ended December 31, 2021						
Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Loss (Profit)
Fire insurance	\$ 2,345,771	\$ 182,146	\$ 170,943	\$ 659,429	\$ 1,168,782	\$ 128,471
Marine insurance	543,404	(12,834)	60,320	256,468	132,048	107,402
Land and air insurance	428,893	30,284	104,108	163,912	16,832	113,757
Liability insurance	528,505	25,748	109,505	233,561	2,198	157,493
Guarantee insurance	71,436	8,194	12,158	(31,446)	(16,667)	99,197
Other property insurance	966,746	266,928	130,188	176,086	(28,034)	421,578
Accident insurance	231,213	9,692	61,812	80,261	(617)	80,065
Health insurance	521,149	206,784	208,144	67,503	26,251	12,467
Policy-oriented residential earthquake insurance	451,406	5,314	-	-	-	446,092
Compulsory automobile liability insurance	<u>1,207,603</u>	<u>5,983</u>	<u>-</u>	<u>1,222,360</u>	<u>(1,015)</u>	<u>(19,725)</u>
	<u>\$ 7,296,126</u>	<u>\$ 728,239</u>	<u>\$ 857,178</u>	<u>\$ 2,864,134</u>	<u>\$ 1,299,778</u>	<u>\$ 1,546,797</u>
For the Year Ended December 31, 2020						
Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Loss (Profit)
Fire insurance	\$ 1,936,551	\$ 223,018	\$ 151,223	\$ 174,182	\$ 249,824	\$ 1,138,304
Marine insurance	498,842	47,020	46,220	159,675	112,714	133,213
Land and air insurance	379,318	10,650	92,242	149,674	(3,212)	129,964
Liability insurance	493,731	12,302	93,261	274,634	(22,831)	136,365
Guarantee insurance	64,349	1,899	11,673	(71,199)	(9,469)	131,445
Other property insurance	847,643	130,203	117,225	195,734	16,604	387,877
Accident insurance	233,358	3,647	59,918	69,832	(6,130)	106,091
Health insurance	13	7	5	-	-	1
Policy-oriented residential earthquake insurance	447,474	14,829	-	(996)	-	433,641
Compulsory auto liability insurance	<u>1,184,609</u>	<u>(15,512)</u>	<u>-</u>	<u>1,215,098</u>	<u>34,825</u>	<u>(49,802)</u>
	<u>\$ 6,085,888</u>	<u>\$ 428,063</u>	<u>\$ 571,767</u>	<u>\$ 2,166,634</u>	<u>\$ 372,325</u>	<u>\$ 2,547,099</u>

6) Sensitivity to insurance risk

a) Cathay Century

For the year ended December 31, 2021

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 3,288,907	48.77%	\$ (164,445)	\$ (100,489)
Marine insurance	823,370	44.52%	(41,168)	(19,346)
Land and air insurance	10,989,343	62.61%	(549,467)	(537,593)
Liability insurance	1,943,097	50.75%	(97,155)	(64,834)
Guarantee insurance	112,674	39.47%	(5,634)	(1,172)
Other property insurance	1,292,999	51.41%	(64,650)	(14,576)
Accident insurance	2,927,412	43.65%	(146,371)	(139,895)
Health insurance	1,023,534	32.94%	(51,177)	(41,888)
Policy-oriented residential earthquake insurance	451,406	11.00%	(22,570)	(4,514)
Compulsory automobile liability insurance	2,882,455	Not applicable	Not applicable	Not applicable
	<u>\$ 25,735,197</u>		<u>\$ (1,142,637)</u>	<u>\$ (924,307)</u>

For the year ended December 31, 2020

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 3,166,499	51.56%	\$ (158,325)	\$ (158,325)
Marine insurance	714,949	39.38%	(35,747)	(17,336)
Land and air insurance	9,915,252	63.37%	(495,763)	(481,124)
Liability insurance	1,558,773	50.66%	(77,939)	(49,772)
Guarantee insurance	110,740	37.54%	(5,537)	(3,252)
Other property insurance	1,201,102	62.13%	(60,055)	(47,233)
Accident insurance	2,910,928	41.66%	(145,546)	(137,843)
Health insurance	178,398	38.15%	(8,920)	(8,920)
Policy-oriented residential earthquake insurance	447,474	10.64%	(22,374)	(11,187)
Compulsory automobile liability insurance	2,841,187	Not applicable	Not applicable	Not applicable
	<u>\$ 23,045,302</u>		<u>\$ (1,010,206)</u>	<u>\$ (914,992)</u>

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

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

b) Cathay Insurance (Vietnam)

For the year ended December 31, 2021

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 189,237	21.52%	\$ (9,462)	\$ (9,437)
Marine insurance	10,643	18.45%	(532)	(151)
Fire insurance	234,717	31.49%	(11,736)	(2,594)
Engineering insurance	4,881	65.21%	(244)	(41)
Accident insurance	32,907	39.86%	(1,645)	(1,645)
Liability insurance	<u>1,250</u>	12.16%	<u>(63)</u>	<u>(24)</u>
	<u>\$ 473,635</u>		<u>\$ (23,682)</u>	<u>\$ (13,892)</u>

For the year ended December 31, 2020

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 195,349	30.61%	\$ (9,767)	\$ (9,725)
Marine insurance	10,140	15.16%	(507)	(117)
Fire insurance	200,246	53.38%	(10,012)	(2,327)
Engineering insurance	6,280	28.25%	(314)	(95)
Accident insurance	27,870	36.75%	(1,393)	(1,393)
Liability insurance	<u>1,266</u>	14.24%	<u>(63)</u>	<u>(20)</u>
	<u>\$ 441,151</u>		<u>\$ (22,056)</u>	<u>\$ (13,677)</u>

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

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

7) Risk concentration

a) Cathay Century

i. Situations that may cause concentration of insurance risk:

i) Single insurance contract or several related contracts

As of December 31, 2021, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meeting.

ii) Exposure to unanticipated changes in trend

As of December 31, 2021, the loss rates of commercial fire insurance and marine insurance have increased due to the huge claims and loss estimate.

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

“The Regulations for Assisting in Filing Lawsuit Cases of Cathay Century Insurance” were set up to safeguard the rights of Cathay Century and the insured and to monitor the progress of insurance claim lawsuits. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of December 31, 2021, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

iv) Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Century established “points for handling teams of catastrophe and major event” and “Operation Standards under Crisis”, under which crisis handling team is set up in reaction to the event and executes emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and Cathay Century and to keep financial stability. As of December 31, 2021, measures have been taken to deal with the impact of COVID-19 on operating, insurance and investment business.

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

Since the 3rd stage of liberalization of property insurance premium rate took effect, Cathay Century has conducted regular reviews in accordance with regulations. When the actual loss rate exceeds the expected loss rate to a certain percentage, premium rates will be properly adjusted to avoid persistent enlargement of losses. In addition, the actuarial department observes the changes in trend of loss rates of each product on irregular basis and adjusts pricing and coverage in a timely manner to effectively lower insurance risks.

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

In addition, stress testing is performed for the overall business every year to assess the impacts on financial positions due to extreme scenarios of the assets and insurance risk and understand the major risk factors to response in advance.

vi) Concentration of geographic regions and operating segments

Cathay Century's catastrophe insurance for earthquakes and floods are mainly in the areas of Taoyuan, Hsinchu, Taichung, Chiayi, Tainan, Kaohsiung and Pingtung.

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

The following table summarizes Cathay Century's concentration of risk before and after reinsurance by insurance type:

Insurance Type	For the Year Ended December 31, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 3,288,907	\$ 656,400	\$ 2,134,459	\$ 1,810,848	8.85
Marine insurance	823,370	41,502	535,637	329,235	1.61
Land and air insurance	10,989,343	115,336	428,775	10,675,904	52.16
Liability insurance	1,943,097	6,890	527,677	1,422,310	6.95
Guarantee insurance	112,674	11,053	71,436	52,291	0.26
Other property insurance	1,292,999	143,916	961,989	474,926	2.32
Accident insurance	2,927,412	21,059	231,213	2,717,258	13.28
Health insurance	1,023,534	12,371	521,149	514,756	2.51
Policy-oriented residential earthquake insurance	451,406	57,483	451,406	57,483	0.28
Compulsory automobile liability insurance	2,882,455	736,632	1,207,603	2,411,484	11.78
Total	\$ 25,735,197	\$ 1,802,642	\$ 7,071,344	\$ 20,466,495	100.00

Insurance Type	For the Year Ended December 31, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 3,166,499	\$ 813,144	\$ 1,767,902	\$ 2,211,741	11.54
Marine insurance	714,949	49,317	491,729	272,537	1.42
Land and air insurance	9,915,252	81,407	379,244	9,617,415	50.19
Liability insurance	1,558,773	4,242	492,959	1,070,056	5.59
Guarantee insurance	110,740	38,160	64,349	84,551	0.44
Other property insurance	1,201,102	205,821	843,081	563,842	2.94
Accident insurance	2,910,928	16,179	233,358	2,693,749	14.06
Health insurance	178,398	19,880	13	198,265	1.03
Policy-oriented residential earthquake insurance	447,474	52,444	447,474	52,444	0.28
Compulsory automobile liability insurance	2,841,187	740,921	1,184,609	2,397,499	12.51
Total	\$ 23,045,302	\$ 2,021,515	\$ 5,904,718	\$ 19,162,099	100.00

- iii. Disclosure of the management's past performance regarding the risks with low frequency of occurrence but enormous impact on property insurance business to assist the user of financial statements assess the uncertainty of cash flows related to such risks.

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

To control and manage risk with low frequency of occurrence but enormous impact, Cathay Century assesses the risk of natural disasters and special insured items (for example, high-tech factory, power plant and traffic engineering) holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

b) Cathay Insurance (Vietnam)

- i. Situations that may cause concentration of insurance risk:

i) Single insurance contract or several related contracts

As of December 31, 2021, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department and reinsurance department or in project meeting.

ii) Exposure to unanticipated changes in trend

As of December 31, 2021, the premium income of comprehensive travel insurance have decreased due to the reduced demand for traveling in case of COVID-19; however, there is no effect to business risk so far, and Cathay Insurance (Vietnam) will keep on observing risk exposure.

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

“The Procedure for Subrogation” and “The Proceedings of the Court” are set up to safeguard the rights of Cathay Century and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of December 31, 2021, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

- iv) Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Insurance (Vietnam) established the Points for Handling Major Events of Cathay Insurance (Vietnam) under which crisis handling team is set up in reaction to the event and executes emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to maintain financial stability. As of December 31, 2021, there is no interaction among risks resulting from a catastrophe.

- v) Concentration of geographic regions and operating segments

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

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

The following table summarizes the Cathay Insurance (Vietnam)’s concentration of risk before and after reinsurance by insurance type:

Insurance Type	For the Year Ended December 31, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 189,237	\$ 65	\$ 118	\$ 189,184	75.09
Flood insurance	10,643	556	7,767	3,432	1.36
Fire insurance	234,717	16,524	226,950	24,291	9.64
Engineering insurance	4,881	1,510	4,757	1,634	0.65
Accident insurance	32,907	37	-	32,944	13.07
Liability insurance	1,250	49	828	471	0.19
Total	\$ 473,635	\$ 18,741	\$ 240,420	\$ 251,956	100.00

Insurance Type	For the Year Ended December 31, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 195,349	\$ -	\$ 74	\$ 195,275	77.95
Flood insurance	10,140	-	7,113	3,027	1.21
Fire insurance	200,246	5,413	183,650	22,009	8.79
Engineering insurance	6,280	26	4,508	1,798	0.72
Accident insurance	27,870	-	-	27,870	11.12
Liability insurance	1,266	87	826	527	0.21
Total	\$ 441,151	\$ 5,526	\$ 196,171	\$ 250,506	100.00

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

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

8) Development trends of claims

a) Cathay Century

December 31, 2021

Accident Year	≤ 2014	2015	2016	2017	2018	2019	2020	2021	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 7,559,012	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	\$ 10,259,775	
After the first year	-	7,418,703	11,455,620	8,025,062	8,574,948	10,063,196	11,023,615	-	
After the second year	-	7,548,387	10,970,548	7,965,701	8,479,083	9,915,122	-	-	
After the third year	-	7,495,744	11,133,431	8,000,179	8,447,631	-	-	-	
After the fourth year	-	7,449,663	11,177,663	7,977,104	-	-	-	-	
After the fifth year	-	7,456,430	11,102,224	-	-	-	-	-	
After the sixth year	-	7,452,191	-	-	-	-	-	-	
Final estimated claim payments	-	7,452,191	11,102,224	7,977,104	8,447,631	9,915,122	11,023,615	10,259,775	
Accumulated claims disbursed	-	7,422,770	11,057,773	7,905,417	8,312,638	9,361,832	8,584,467	5,410,326	
Adjustment	209,490	29,421	44,451	71,687	134,993	553,290	2,439,148	4,849,449	\$ 8,331,929
Amount recognized in balance sheet	\$ 209,490	\$ 29,421	\$ 44,451	\$ 71,687	\$ 134,993	\$ 553,290	\$ 2,439,148	\$ 4,849,449	\$ 8,331,929

December 31, 2020

Accident Year	≤ 2013	2014	2015	2016	2017	2018	2019	2020	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 7,066,945	\$ 7,559,012	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	
After the first year	-	7,217,836	7,418,703	11,455,620	8,025,062	8,574,948	10,063,196	-	
After the second year	-	7,156,309	7,548,387	10,970,548	7,965,701	8,479,083	-	-	
After the third year	-	7,135,341	7,495,744	11,133,431	8,000,179	-	-	-	
After the fourth year	-	7,133,873	7,449,663	11,177,663	-	-	-	-	
After the fifth year	-	7,145,756	7,456,430	-	-	-	-	-	
After the sixth year	-	7,168,709	-	-	-	-	-	-	
Final estimated claim payments	-	7,168,709	7,456,430	11,177,663	8,000,179	8,479,083	10,063,196	9,508,911	
Accumulated claims disbursed	-	6,948,860	7,415,068	11,098,912	7,856,050	8,173,127	8,556,037	5,089,598	
Adjustment	84,801	219,849	41,362	78,751	144,129	305,956	1,507,159	4,419,313	\$ 6,801,320
Amount recognized in balance sheet	\$ 84,801	\$ 219,849	\$ 41,362	\$ 78,751	\$ 144,129	\$ 305,956	\$ 1,507,159	\$ 4,419,313	\$ 6,943,750

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

Note 2: The above tables excludes direct loss reserve of compulsory insurance, policy-oriented residential earthquake insurance and inward loss reserve of \$1,636,748 thousand and \$1,580,057 thousand as of December 31, 2021, \$1,638,786 thousand and \$1,241,160 thousand as of December 31, 2020.

b) Cathay Insurance (Vietnam)

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

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 1,929,395,229	\$ 1,748,081,143
Financial assets at FVTOCI	1,626,821,625	1,562,998,457
Financial assets for hedging	500,642	146,959
Financial assets at amortized cost		
Cash and cash equivalents	467,635,057	536,716,255
Due from the Central Bank and call loans to banks	234,546,475	129,503,924
Debt instruments at amortized cost	3,266,686,240	3,161,044,538
Notes and bonds purchased under resale agreements	77,243,060	67,264,342
Discounts and loans, net	2,287,115,449	2,141,276,205
Receivables, net	205,480,862	191,916,164
Other financial assets	741,107,026	660,547,975
Guarantee deposits paid	36,253,079	40,044,829
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	79,934,187	140,778,098
Financial liabilities for hedging	20,956	139,858
Financial liabilities at amortized cost		
Deposits from the Central Bank and banks	74,605,174	66,131,059
Due to the Central Bank and banks	1,076,000	1,076,000
Notes and bonds sold under repurchase agreements	39,827,873	12,299,564
Commercial paper payable, net	63,469,166	39,519,918
Payables	76,870,285	68,696,694
Deposits and remittances	2,871,960,053	2,615,799,063
Bonds payable	141,800,000	148,800,000
Other borrowings	1,670,185	1,657,576
Other financial liabilities	763,908,198	692,760,284
Lease liabilities	14,721,170	13,011,637
Guarantee deposits received	14,457,919	21,314,390

b. The valuation technique and assumptions used in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- 1) The carrying amount of cash and cash equivalents, accounts receivable, short-term debts and accounts payable approximates their fair value due to their short maturities.
- 2) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- 3) Fair values of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of liquidity, P/E ratio of similar entities and Price-Book ratio of similar entities).
- 4) Fair value of debt instruments without market quotations is determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk information).
- 5) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using the interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).
- 6) The Group evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Group will not default, the Group determines its credit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Group calculates its debit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the Group. The Group decides the estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Group sets estimated loss given default at 60% by considering the experiences of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded on the Taipei Exchange.

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

1) Fair value hierarchy

Items	December 31, 2021				December 31, 2020			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>								
Assets								
Financial assets at FVTPL								
Stocks	\$ 556,703,945	\$ 538,060,770	\$ 12,026,990	\$ 6,616,185	\$ 538,241,070	\$ 511,087,638	\$ 20,099,118	\$ 7,054,314
Bonds	384,289,144	13,933,074	367,464,550	2,891,520	213,583,160	7,624,176	203,032,964	2,926,020
Other	935,660,571	557,774,762	192,388,208	185,497,601	895,567,396	541,181,304	234,648,942	119,737,150
Financial assets at FVTOCI								
Stocks	176,155,083	162,871,952	-	13,283,131	123,365,677	113,328,058	-	10,037,619
Bonds (Note)	1,426,163,420	151,032,840	1,275,130,580	-	1,401,383,513	171,349,180	1,230,034,333	-
Other	25,599,336	-	25,599,336	-	39,411,018	-	39,411,018	-
Liabilities								
Financial liabilities at FVTPL								
Financial liabilities designated as at FVTPL	40,587,123	-	40,587,123	-	44,204,582	-	44,204,582	-
Held for trading	1,045,405	1,045,405	-	-	15,146,735	15,146,735	-	-
<u>Derivative instruments</u>								
Assets								
Financial assets at FVTPL	52,741,569	342,275	48,033,674	4,365,620	100,689,517	1,504,002	93,823,683	5,361,832
Financial assets for hedging	500,642	-	500,642	-	146,959	-	146,959	-
Liabilities								
Financial liabilities at FVTPL	38,301,659	660,426	33,275,613	4,365,620	81,426,781	611,466	75,453,483	5,361,832
Financial liabilities for hedging	20,956	-	20,956	-	139,858	-	139,858	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the year ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value.

2) Reconciliation for movements in Level 3 fair value measurements

	For the Year Ended December 31, 2021		
	Financial Assets		Financial Liabilities
	At FVTPL	At FVTOCI	At FVTPL
Beginning balance	\$ 135,079,316	\$ 10,037,619	\$ 5,361,832
Recognized in profit or loss			
Gain on financial assets and liabilities at FVTPL	41,983,244	-	(843,824)
Loss on reclassification using the overlay approach	(28,311,993)	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	(54,745)	(183)	-
Other comprehensive income reclassified using the overlay approach	28,311,993	-	-
Gain on financial assets at FVTOCI	-	3,103,382	-
Acquisitions or issuances	54,662,682	3,797,981	294,961
Disposals or settlements	(30,862,991)	(3,655,668)	(447,349)
Transfers out of Level 3	(1,436,580)	-	-
Ending balance	<u>\$ 199,370,926</u>	<u>\$ 13,283,131</u>	<u>\$ 4,365,620</u>
	For the Year Ended December 31, 2020		
	Financial Assets		Financial Liabilities
	At FVTPL	At FVTOCI	At FVTPL
Beginning balance	\$ 113,469,910	\$ 11,107,719	\$ 10,681,179
Recognized in profit or loss			
Gain on financial assets and liabilities at FVTPL	3,837,851	-	(4,457,141)
Loss on reclassification using the overlay approach	(1,992,371)	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	(122,015)	(323)	-
Other comprehensive income reclassified using the overlay approach	1,992,371	-	-
Loss on financial assets at FVTOCI	-	(656,240)	-
Acquisitions or issuances	35,882,297	115,541	113,221
Disposals or settlements	(16,989,302)	(65,348)	(975,427)
Transfers out of Level 3	(999,425)	(463,730)	-
Ending balance	<u>\$ 135,079,316</u>	<u>\$ 10,037,619</u>	<u>\$ 5,361,832</u>

Regarding the above amounts recognized in profit or loss for the year ended December 31, 2021 and 2020, unrealized gains of \$1,093,768 thousand and unrealized losses of \$4,926,797 thousand were related to financial assets held at the end of the period, respectively.

Regarding the above amounts recognized in profit or loss for the year ended December 31, 2021 and 2020, unrealized gains of \$843,824 thousand and \$4,457,141 thousand were related to financial liabilities held at the end of the period, respectively.

3) Information on significant unobservable inputs applied for Level 3 fair value measurement

The significant unobservable inputs applied for recurring Level 3 fair value measurement were as follows:

Cathay Life and its subsidiaries

December 31, 2021				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	3%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Residual income approach	Discount for lack of liquidity, discount for minority interest, etc.	16%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
			Growth rate of net profit after tax	(48%)-135%
		Dividend payout ratio	60%-140%	The higher the dividend payout ratio, the higher the fair value estimates
December 31, 2020				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	11%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Residual income approach	Discount for lack of liquidity, discount for minority interest, etc.	20%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
			Growth rate of net profit after tax	(48%)-32%
		Dividend payout ratio	85%-140%	The higher the dividend payout ratio, the higher the fair value estimates

Cathay United Bank and its subsidiaries

December 31, 2021				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

December 31, 2020				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares.

Cathay Century and its subsidiaries

December 31, 2020				
Financial Assets	Valuation Techniques	Significant Unobservable Inputs	Weighted Average Number	Relationship Between Inputs and Fair Value
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	29%	The higher the discount for lack of liquidity, the lower the fair value of the shares

Cathay Securities and its subsidiaries

December 31, 2021					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market approach	Discount for lack of liquidity	15%-20 %	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

December 31, 2020					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market approach	Discount for lack of liquidity	15%-20 %	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

4) Valuation process for Level 3 fair value measurements.

The Group's risk management department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs. The department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

d. Fair values of financial instruments not measured at fair value

Except for the accounts whose carrying amounts approximate their fair values, including cash and cash equivalents, due from the Central Bank and call loans to banks, notes and bonds purchased under resale agreements, receivables, discounts and loans, partial other financial assets, guarantee deposits paid, deposits from the Central Bank and banks, due to the Central Bank and banks, notes and bonds sold under repurchase agreements, commercial paper payable, bonds payable, other borrowings, payables, deposits and remittances, lease liabilities and guarantee deposits received, the fair values of the financial instruments which are not measured at fair value are listed in the following table:

December 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 3,276,571,435	\$ 35,353,661	\$ 3,448,415,980	\$ 650,293	\$ 3,484,419,934

December 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 3,170,942,822	\$ 122,770,951	\$ 3,443,887,987	\$ 743,273	\$ 3,567,402,211

Note: Including those serving as refundable deposits.

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with the income approach based on a discounted cash flow analysis. Significant unobservable inputs used in Level 3 fair value measurement were the discount rates that reflect the credit risk of counterparties and the cash flows that reflect the feature of early reimbursement.

e. Hedge accounting disclosures

Cathay Life and its subsidiaries

1) Cash flow hedges

The future cash flows of the bond investments held by Cathay Life and its subsidiaries may fluctuate due to the changes in market interest rates and thus lead to risks. Accordingly, Cathay Life and its subsidiaries held interest rate derivatives to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

a) Hedging instruments

December 31, 2021					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 90,307	\$ -	Financial assets for hedging	\$ (8,497)
IRS	865,313	-	20,956	Financial liabilities for hedging	28,176
December 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 146,959	\$ -	Financial assets for hedging	\$ 31,333
IRS	1,086,868	-	48,887	Financial liabilities for hedging	(20,076)

b) Maturities of the nominal amount of hedging instruments and average price or rate

Period Till Maturity						
		1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2021</u>						
IRS						
Nominal principal	\$	-	\$ -	\$ 207,675	\$ 4,657,638	\$ -
Average fixed rate		-	-	2.5%	1.7%-2.5%	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2020</u>					
IRS					
Nominal principal	\$ -	\$ -	\$ 195,993	\$ 4,890,875	\$ -
Average fixed rate	-	-	2.5%	1.7%-2.5%	-

c) Hedged items

	For the Year Ended December 31, 2021							
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ 8,497	\$ 90,307	N/A	\$ (8,497)	\$ -	\$ -	\$ (48,155)	Net other non-interest gain
Payables	(28,177)	(20,956)	N/A	(28,177)	-	-	-	Net other non-interest gain
Discontinued hedge - bond investments	N/A	N/A	(236)	N/A	N/A	N/A	9	Net other non-interest gain

	For the Year Ended December 31, 2020							
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ (31,333)	\$ 146,959	N/A	\$ 31,333	\$ -	\$ -	\$ (69,581)	Net other non-interest gain
Payables	20,076	(48,887)	N/A	(20,076)	-	-	-	Net other non-interest gain
Discontinued hedge - bond investments	N/A	N/A	(252)	N/A	N/A	N/A	10	Net other non-interest gain

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

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 74,960	\$ 116,269
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	19,687	11,271
Amount reclassified from the cash flow hedge reserve to profit or loss	(48,146)	(69,571)
Tax effects	<u>4,617</u>	<u>16,991</u>
Ending balance	<u>\$ 51,118</u>	<u>\$ 74,960</u>

2) Fair value hedges

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

a) Hedging instruments

December 31, 2021					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
CCS	\$ 4,687,225	\$ 202,531	\$ -	Financial assets for hedging	\$ 418,611
Forward	21,550,450	207,804	-	Financial assets for hedging	188,400

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

b) Maturities of the nominal amount of hedging instruments and average price or rate

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2021</u>					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,687,225
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285
Forward					
Nominal principal	-	-	-	21,550,450	-
Exchange rate (USD/TWD)	-	-	-	26.9228	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2020</u>					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,825,692
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285

c) Hedged items

For the Year Ended December 31, 2021									
	Book Value of Hedged Item		Cumulative Adjustment for Change in Fair Value of Hedged Item Included in the Book Value of Hedged Item		Line Item in the Statement of Financial Position That Includes the Hedged Items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes the Hedge Ineffectiveness	
	Assets	Liabilities	Assets	Liabilities					
	Overseas bonds	\$ 4,687,225	\$ -	\$ (418,611)					\$ -
Overseas bonds	21,550,450	-	(188,400)	-	Financial assets at amortized cost	(188,400)	-	-	

For the Year Ended December 31, 2020									
	Book Value of Hedged Item		Cumulative Adjustment for Change in Fair Value of Hedged Item Included in the Book Value of Hedged Item		Line Item in the Statement of Financial Position That Includes the Hedged Items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes the Hedge Ineffectiveness	
	Assets	Liabilities	Assets	Liabilities					
	Overseas bonds	\$ 4,825,692	\$ -	\$ 525,402					\$ -

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

	For the Year Ended December 31	
	2021	2020
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 272,911	\$ 215,661
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	(105,706)	71,563
Amount reclassified to profit or loss		
	120,484	-
Tax effects	<u>(2,956)</u>	<u>(14,313)</u>
Ending balance	<u>\$ 284,733</u>	<u>\$ 272,911</u>

f. Offsetting of financial assets and financial liabilities

Cathay Life and its subsidiaries

Cathay Life and its subsidiaries engage in derivative financial instruments that do not meet the offsetting criteria of standards, but enters into master netting arrangements or other similar agreements with counterparties. Financial instruments subject to master netting arrangements or other similar agreements could be settled at net amount as agreed by both parties of the transaction, or the financial instrument should be settled at gross amount otherwise. However, if one of both parties of the transaction defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities is disclosed as follows:

December 31, 2021

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 15,041,952	\$ -	\$ 15,041,952	\$ 2,978,568	\$ 7,373,362	\$ 4,690,022

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 3,019,680	\$ -	\$ 3,019,680	\$ 2,978,568	\$ 42,919	\$ (1,807)

December 31, 2020

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

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

Cathay United Bank and its subsidiaries

Cathay United Bank and its subsidiaries engages in financial instrument transactions that are offset in accordance with IAS 32, section 42, and the financial assets and financial liabilities that are relevant to such transactions are presented in the balance sheets at net amounts.

Cathay United Bank and its subsidiaries is also engaged in financial instrument transactions that are not offset in accordance with the regulations, but entered into enforceable master netting arrangements or other similar agreements with counterparties, for example: Global master repurchase agreements, global securities lending agreements, or other similar agreements. Financial instruments subject to enforceable master netting arrangement or other similar agreements could be settled at net amount as chosen by the counterparties, or the financial instruments could be settled at gross amount if not. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities was disclosed as follows:

December 31, 2021

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 38,512,412	\$ -	\$ 38,512,412	\$ 35,297,809	\$ 3,214,603	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 35,297,809	\$ -	\$ 35,297,809	\$ 35,297,809	\$ -	\$ -
Repurchase bonds	37,161,652	-	37,161,652	36,593,423	568,229	-

December 31, 2020

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 73,217,904	\$ -	\$ 73,217,904	\$ 71,410,047	\$ 1,807,857	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 71,410,047	\$ -	\$ 71,410,047	\$ 71,410,047	\$ -	\$ -
Repurchase bonds	10,092,058	-	10,092,058	9,278,702	813,356	-

Note: Master netting arrangement and non-cash collateral are included.

Cathay Securities and its subsidiaries

Cathay Securities and its subsidiaries enter into secured repurchase agreements with counterparties, for which Cathay Securities and its subsidiaries provide securities as collateral. Only in the event of default, insolvency or bankruptcy, these transactions are allowed to be offset, which does not meet the offsetting criteria of financial instrument transactions, Article 42 of IAS 32, and they are not subject to enforceable master netting arrangements or other similar agreements and should be settled at gross amounts. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities and its subsidiaries is disclosed as follows:

December 31, 2021

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Repurchase bonds	\$ 2,666,221	\$ -	\$ 2,666,221	\$ 2,654,273	\$ -	\$ 11,948

December 31, 2020

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Repurchase bonds	\$ 2,207,506	\$ -	\$ 2,207,506	\$ 2,218,853	\$ -	\$ (11,347)

Note: Master netting arrangements and non-cash collateral are included.

g. Transfers of financial assets

Financial assets transferred that have not been fully removed

Cathay United Bank and its subsidiaries

In the daily operations of Cathay United Bank and its subsidiaries, transferred financial assets that do not meet the criteria for full removal are mostly debt securities used as counterparty collateral for repurchase agreements or equity securities lent out as part of securities lending agreement. The nature of these transactions are secured loans, and reflects the liability where Cathay United Bank is obligated to repurchase the transferred financial assets according to a fixed price in future periods. With respect to such transactions, Cathay United Bank and its subsidiaries will not be able to use, sell or pledge such transferred financial assets during the effective period. However Cathay United Bank and its subsidiaries are still exposed to interest rate risk and credit risk, hence they are not derecognized.

The following table analyses financial assets and financial liabilities that have not been fully removed:

December 31, 2021					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTPL Repurchase agreements	\$ 2,215,810	\$ 2,148,959	\$ 2,215,810	\$ 2,148,959	\$ 66,851
Financial assets at FVTOCI Repurchase agreements	28,782,456	27,600,460	28,782,456	27,600,460	1,181,996
Debt instruments at amortized cost Repurchase agreements	7,276,510	7,412,233	7,226,614	7,412,233	(185,619)

December 31, 2020					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI Repurchase agreements	\$ 9,706,456	\$ 9,175,931	\$ 9,706,456	\$ 9,175,931	\$ 530,525
Debt instruments at amortized cost Repurchase agreements	865,651	916,127	961,477	916,127	45,350

Cathay Securities and its subsidiaries

Transferred financial assets that are part of Cathay Securities and its subsidiaries' daily operations that do not meet the criteria for full derecognition are mostly made up of notes and bonds sold under repurchase agreements. The cash flows of these transactions have been transferred, and reflects the liability where Cathay Securities and its subsidiaries are obligated to buy back the transferred financial assets according to fixed prices in future periods. With respect to such transactions, Cathay Securities and its subsidiaries will not be able to use, sell or pledge the said transferred financial assets during the effective period. However, Cathay Securities and its subsidiaries are still exposed to interest rate risk and credit risk, hence the assets are not fully derecognized.

The following table analyses Cathay Securities and its subsidiaries' financial assets and financial liabilities that have not been fully derecognized:

December 31, 2021

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 2,654,273	\$ 2,666,221	\$ 2,654,273	\$ 2,666,221	\$ (11,948)

December 31, 2020

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 2,218,853	\$ 2,207,506	\$ 2,218,853	\$ 2,207,506	\$ 11,347

h. Financial risk management objectives and policies

Cathay Life and its subsidiaries

Cathay Life and its subsidiaries' major financial instruments include equity and debt investments, derivative instruments, receivables, payables and bonds payable. The main financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk analysis

a) Sources of market risk

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

Cathay Life and its subsidiaries continuously utilize market risk management instruments such as Value at Risk ("VaR") and stress testing to completely and effectively measure, monitor and manage market risk.

i. Value at Risk

VaR is the maximum loss on the investment portfolio due to changes in market risk factors over a given period and at a specified confidence level. Currently, Cathay Life and its subsidiaries respectively adopt the one-week VaR at 95% and 99% confidence levels to measure market risk.

ii. Stress testing

In addition to the VaR model, Cathay Life and its subsidiaries carry out regular stress testing to measure the potential risk in the case of extreme and abnormal events.

Cathay Life and its subsidiaries perform stress testing on positions regularly by applying the simple sensitivity test and scenario analysis. Such tests cover the losses on positions which resulted from changes in specific risk factors in various kinds of historical scenarios.

i) Simple sensitivity test

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

ii) Scenario analysis

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

- Historical scenario

By considering the fluctuations in risk factors during a specific historical event, Cathay Life and its subsidiaries evaluate the losses that would be incurred for the current investment portfolio at the time of the event.

- Hypothetical scenario

Cathay Life and its subsidiaries simulate rational expectations for possible extreme market changes to evaluate the losses incurred on the investment positions by considering the fluctuations in related risk factors and the relevance between the investment targets and the risk factors.

The risk management department regularly performs stress testing with historical and hypothetical scenarios to serve as a basis for risk analysis, early warning for risk and business management.

Table of Stress Testing

Risk Factor	Variable (+/-)	For the Year Ended December 31	
		2021	2020
Equity risk (stock price index)	-10%	\$ (64,448,025)	\$ (57,825,161)
Interest rate risk (yield curve)	+100bps	(221,598,455)	(148,426,208)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(12,532,342)	(9,747,740)

Note 1: Impact of credit spread changes was not included.

Note 2: Effects of hedging were considered.

Note 3: Data of subsidiaries were not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

iii. Sensitivity analysis

Summary of Sensitivity Analysis

Risk Factor	Variable (+/-)	For the Year Ended December 31, 2021	
		Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 6,097,876	\$ 5,535,216
	Appreciation of CNY/USD by 1%	938,508	322,401
	Appreciation of HKD/USD by 1%	261	258,879
	Appreciation of EUR/USD by 1%	(146,356)	312,124
	Appreciation of GBP/USD by 1%	(6,408)	272,827
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	-	(1,496,723)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(35,531)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(5,463)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,397)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(603,416)
Equity price risk	Increase in equity price by 1%	(96,023)	6,600,666

For the Year Ended December 31, 2020

Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 5,000,932	\$ 4,844,285
	Appreciation of CNY/USD by 1%	1,192,325	316,591
	Appreciation of HKD/USD by 1%	(388)	247,411
	Appreciation of EUR/USD by 1%	(2,740)	210,729
	Appreciation of GBP/USD by 1%	(149)	291,831
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	74	(1,245,536)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(47,559)
	Upward parallel shift of the yield curve (EUR) by 1bp	2,453	(7,561)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,708)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(337,406)
	Equity price risk	Increase in equity price by 1%	(105,682)

Note 1: Impact of credit spread changes was not included.

Note 2: Effects of hedging were considered.

Note 3: Change in equity was not included in the impact on the change in profit or loss.

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

Note 5: Data of subsidiaries were not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

iv. Effect of interest rate benchmark reform

In order to implement the benchmark reform of interbank offered rates, several countries are currently carrying out interest rate benchmark reform plans to implement new risk-free interest rates to replace IBORs, such as USD London Interbank Offered Rate (USD LIBOR) and GBP London Interbank Offered Rate (GBP LIBOR). In March 2021, UK's Financial Conduct Authority announced the extension of the tenors of the overnight, one-month, three-month, six-month and 12-month USD LIBOR until June 30, 2023, in order for existing LIBOR contracts to naturally expire. Other interest rate benchmarks that have expired on the original termination date of December 31, 2021 have been handled with the least impact from the interest rate benchmark reform.

As a response to the cessation of USD LIBOR, Secured Overnight Financing Rate (SOFR) is expected to replace USD LIBOR in the future, but there are key differences between USD LIBOR and SOFR. USD LIBOR is "forward looking", which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a "backward-looking" rate, based on interest rates from actual transactions, and excludes a credit spread. To transit existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Risks arising from interest rate benchmark reform relate to interest rate basis, hedge accounting and related operation risk as follows:

i. Interest rate basis risk

Risk arising from the transition relate principally to the potential impact of interest rate basis risks. If the bilateral negotiations with Cathay Life and its subsidiaries' counterparties are not successfully concluded before the cessation of USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

ii. Hedge accounting

If a hedged financial instrument and the related hedging derivative instrument are transited to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

iii. Operation risk

If the update and adjustments for related accounting and tax system, valuation of financial instrument, and information systems as well as the testing for operational effectiveness of the systems are not finished on schedule before the cessation of USD LIBOR, operating risk may occur.

In light of the abovementioned risks, Cathay Life and its subsidiaries made a transition plan for interest rate benchmark reform toward the required adjustment and updates for risk management policies, internal process, information system, valuation model of financial instrument, and related accounting and tax system. Cathay Life and its subsidiaries have identified all required updates for information systems and internal process, and part of these updates was finished. Afterwards, Cathay Life and its subsidiaries will complete the required updates on schedule, discuss with counterparties of financial instruments modification of affected contracts, and report the progress of the cessation of USD LIBOR to the board of the directors semi-annually as required by authority.

As at December 31, 2021, Cathay Life and its subsidiaries' financial instruments affected by the interest rate benchmark reform, which include bonds and loans (the Group's main exposure is to the USD LIBOR), are summarized in the table below (excluding the positions that would naturally expire):

	<u>Carrying Amount</u>	
	USD LIBOR	Other Interest Rates Benchmarks
<u>Financial assets</u>		
Bonds	\$ 295,966,077	\$ -
Loans	1,585,794	-

2) Credit risk analysis

a) Sources of credit risk

When engaged in financial transactions, Cathay Life is exposed to credit risks, including issuer credit risk, counterparty credit risk and credit risk of underlying assets:

- i. Issuer credit risk is the risk that Cathay Life may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations on agreed conditions due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk that Cathay Life may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
- iii. Credit risk of underlying assets is the risk that Cathay Life may suffer losses due to deterioration of the credit quality, increase of credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Concentration risk

- i. Regional distribution of maximum risk exposure for Cathay Life's financial assets:

December 31, 2021

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 313,417,908	\$ 5,659,118	\$ 290,130	\$ 107,274,631	\$ 21,153,500	\$ 447,795,287
Financial assets at FVTPL	42,559,418	14,886,965	119,731,982	90,480,654	22,906,893	290,565,912
Financial assets at FVTOCI	45,394,461	42,480,018	161,764,238	466,843,223	447,516,688	1,163,998,628
Financial assets for hedging	46,209	-	340,532	113,901	-	500,642
Financial assets at amortized cost	<u>133,223,615</u>	<u>186,812,778</u>	<u>446,310,424</u>	<u>1,306,524,756</u>	<u>608,616,760</u>	<u>2,681,488,333</u>
	<u>\$ 534,641,611</u>	<u>\$ 249,838,879</u>	<u>\$ 728,437,306</u>	<u>\$ 1,971,237,165</u>	<u>\$ 1,100,193,841</u>	<u>\$ 4,584,348,802</u>
Proportion	11.7%	5.4%	15.9%	43.0%	24.0%	100%

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%

- ii. Regional distribution of maximum risk exposure for Cathay Life's secured loans:

December 31, 2021

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 204,709,374	\$ 44,281,927	\$ 59,430,029	\$ 2,042,084	\$ 310,463,414
Non-accrual receivables	<u>606,067</u>	<u>25,133</u>	<u>37,039</u>	<u>1,976,800</u>	<u>2,645,039</u>
	<u>\$ 205,315,441</u>	<u>\$ 44,307,060</u>	<u>\$ 59,467,068</u>	<u>\$ 4,018,884</u>	<u>\$ 313,108,453</u>
Proportion	65.6%	14.2%	19.0%	1.2%	100%

December 31, 2020

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

c) Categories for credit risk quality

Cathay Life classified credit risk into low credit risk, medium credit risk, high credit risk and credit impaired. The definitions of each category are as follows:

- i. Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment obligations will be kept and maintained.
- ii. Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.
- iii. High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform financial commitment depends on the favorability of its business environment and financial conditions.
- iv. Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and Cathay Life evaluates the potential losses and determines it as impaired.

d) Determination on the credit risk that has increased significantly since initial recognition

- i. Cathay Life assesses whether there is a significant increase in credit risk of a financial instrument applicable for impairment requirements under IFRS 9 since initial recognition at each reporting date. To make this assessment, Cathay Life considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.
- ii. If the credit risk of a financial instrument is determined to be low at the reporting date, it indicates that the credit risk of the financial instrument has not increased significantly since initial recognition.

e) The definition of default and credit-impaired financial assets

Cathay Life's definition of default on financial assets is the same as that of a credit-impaired financial asset. If one or more of the following criteria are met, a financial asset is considered defaulted and credit-impaired:

- i. Quantitative factor: When the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit-impaired.

- ii. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:
 - i) The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.
 - ii) The issuers or borrowers fail to pay interest or principal according to the issue terms and conditions.
 - iii) The collaterals of the borrowers are provisionally seized or enforced.
 - iv) The borrowers claim for a change of credit conditions due to financial difficulties.
 - iii. The abovementioned definitions of default on a financial asset and a credit-impaired financial asset are applicable to all financial assets held by Cathay Life, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.
- f) Measurement of expected credit loss

- i. The methodology and assumptions applied

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

Expected credit losses in the next 12 months and for the duration of the instrument is calculated separately for the two periods using probability of default (“PD”) of issuers, guarantee agencies or borrowers multiplied by loss given default (“LGD”) and exposure at default (“EAD”), in consideration of time value of money.

PD is the rate that a default occurs on issuers, guarantee agencies or borrowers. LGD is the loss rate that resulted from a default of issuers, guarantee agencies or borrowers. Loss given default used by Cathay Life in impairment assessment is based on information regularly issued by Moody’s. Probability of default is based on information regularly issued by Taiwan Ratings Crop. and Moody’s and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of financial assets.

- ii. Forward-looking information considerations

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

g) Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i. Financial assets of Cathay Life

	December 31, 2021					
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Investment grade						
Debt instruments at FVTOCI	\$ 1,145,257,603	\$ -	\$ -	\$ -	\$ -	\$ 1,145,257,603
Financial assets at amortized cost	2,667,830,573	-	-	-	(615,441)	2,667,215,312
Non-investment grade						
Debt instruments at FVTOCI	18,741,025	-	-	-	-	18,741,025
Financial assets at amortized cost	12,068,749	2,333,237	-	-	(128,785)	14,273,201

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

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

ii. Secured loans and non-accrual receivables of Cathay Life

	December 31, 2021						
	Stage 1	Stage 2	Stage 3		Loss Allowance	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses			
Secured loans and non-accrual receivables	\$ 304,597,635	\$ 1,762,552	\$ 6,748,266	\$ -	\$ (725,543)	\$ (4,423,948)	\$ 307,958,962

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

h) Reconciliation for loss allowance is summarized below:

i. Debt instruments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2021	\$ 690,084	\$ 3,063	\$ -	\$ -	\$ 693,147
Changes due to financial instruments recognized as at January 1					
Transferred to 12-month expected credit losses	130	(130)	-	-	-
New financial assets originated or purchased	395,186	-	-	-	395,186
Financial assets that have been derecognized during the period	(213,220)	(2,852)	-	-	(216,072)
Changes in models/risk parameters	(511,609)	(69)	-	-	(511,678)
Foreign exchange and other movements	<u>(14,677)</u>	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(14,689)</u>
December 31, 2021	<u>\$ 345,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,894</u>
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2020	\$ 337,078	\$ 9,666	\$ -	\$ -	\$ 346,744
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(1,821)	1,821	-	-	-
New financial assets originated or purchased	430,775	-	-	-	430,775
Financial assets that have been derecognized during the period	(263,331)	(334,637)	-	-	(597,968)
Changes in models/risk parameters	217,772	332,427	-	-	550,199
Foreign exchange and other movements	<u>(30,389)</u>	<u>(6,214)</u>	<u>-</u>	<u>-</u>	<u>(36,603)</u>
December 31, 2020	<u>\$ 690,084</u>	<u>\$ 3,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693,147</u>

ii. Financial assets at amortized cost

	Lifetime Expected Credit Losses				
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2021	\$ 1,775,172	\$ 798,243	\$ -	\$ -	\$ 2,573,415
New financial assets originated or purchased	162,513	-	-	-	162,513
Financial assets that have been derecognized during the period	(141,715)	(184,099)	-	-	(325,814)
Changes in models/risk parameters	(1,137,103)	(485,774)	-	-	(1,622,877)
Foreign exchange and other movements	<u>(31,840)</u>	<u>(11,171)</u>	<u>-</u>	<u>-</u>	<u>(43,011)</u>
December 31, 2021	<u>\$ 627,027</u>	<u>\$ 117,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,226</u>

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

iii. Secured loans and non-accrual receivable

	Lifetime Expected Credit Losses				Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2021	\$ 33,284	\$ 32	\$ 606,973	\$ -	\$ 640,289	\$ 4,093,427	\$ 4,733,716
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(3,153)	68,503	(65,350)	-	-	-	-
Transferred to credit-impaired financial assets	(44)	(3)	47	-	-	-	-
Transferred to 12-month expected credit losses	41	(23)	(18)	-	-	-	-
New financial assets originated or purchased	4,639	-	4,783	-	9,422	-	9,422
Financial assets that have been derecognized during the period	(3,570)	(4)	(42,291)	-	(45,865)	-	(45,865)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	330,521	330,521
Changes in models/risk parameters	<u>(4,016)</u>	<u>(64,826)</u>	<u>190,539</u>	<u>-</u>	<u>121,697</u>	<u>-</u>	<u>121,697</u>
December 31, 2021	<u>\$ 27,181</u>	<u>\$ 3,679</u>	<u>\$ 694,683</u>	<u>\$ -</u>	<u>\$ 725,543</u>	<u>\$ 4,423,948</u>	<u>\$ 5,149,491</u>

	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, 2020	\$ 84,809	\$ 299	\$ 1,146,939	\$ -	\$ 1,232,047	\$ 3,593,929	\$ 4,825,976
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(9)	9	-	-	-	-	-
Transferred to credit-impaired financial assets	(3,194)	(68)	3,262	-	-	-	-
Transferred to 12-month expected credit losses	607	(86)	(521)	-	-	-	-
New financial assets originated or purchased	59,347	-	10,691	-	70,038	-	70,038
Financial assets that have been derecognized during the period	(38,899)	(130)	(298,466)	-	(337,495)	-	(337,495)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	499,498	499,498
Changes in models/risk parameters	(69,377)	8	(254,932)	-	(324,301)	-	(324,301)
December 31, 2020	\$ 33,284	\$ 32	\$ 606,973	\$ -	\$ 640,289	\$ 4,093,427	\$ 4,733,716

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

i) Exposure to credit risk and loss allowance of receivables

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

	Aging of Receivables				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2021</u>					
Gross carrying amount (Note)	\$ 17,514,345	\$ 51,473	\$ 13	\$ -	\$ 17,565,831
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,030	1	-	1,031

Note: Notes receivable of \$36,297 thousand and other receivables of \$17,529,534 thousand were included.

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

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

The loss allowance was reconciled as follows:

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 1,611	\$ 1,541
(Reversal) provision for the current period	<u>(580)</u>	<u>70</u>
Ending balance	<u>\$ 1,031</u>	<u>\$ 1,611</u>

3) Liquidity risk analysis

a) Sources of liquidity risk

Liquidity risks of financial instruments are comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Cathay Life is not capable of performing matured commitment because it fails to realize assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when Cathay Life sells or offsets its positions during a market disorder or a lack of sufficient market depth.

b) Liquidity risk management

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

Cathay Life uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situations. Also, for abnormal and urgent financing needs, management of Cathay Life makes an emergency operating procedure to deal with significant liquidity risks.

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

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

	December 31, 2021				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 21,364,786	\$ 258,462	\$ 942,036	\$ 264,665	\$ 5,410
Bonds payable (Note 2)	559,620	1,194,411	2,715,000	6,885,000	83,315,000
Lease liabilities (Note 3)	443,192	450,366	758,511	1,498,026	20,468,276
<u>Derivative financial liabilities</u>					
SWAP	1,493,936	75,585	-	-	-
Forward	2,110,718	1,032,946	-	-	-
Option	30,517	-	-	-	-

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

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

Note 2: For the bonds payable without maturity dates, the contractual cash flows were calculated on the basis of 10 years starting from the issuance date.

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

Cathay United Bank and its subsidiaries

Cathay United Bank's risk control and hedging strategy follows the requirements of the customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, Cathay United Bank adopts different risk management methods to identify its risks and Cathay United Bank follows the spirit and regulation of the "Basel Accord" to keep strengthening its assets and the practices of capital management to maintain the best capital adequacy ratio.

Cathay United Bank has set up its risk management committee, whose responsibilities are as follows:

- 1) To amend the risk management policies, risk appetite or risk tolerance and report the above issues to the board of directors for approval.
- 2) To manage and decide the strategy about Cathay United Bank's credit risk, market risk and operational risk.
- 3) To report the significant risk management issues, such as credit ratings, market assessment and risk indicators.
- 4) To analyze the issues that Cathay United Bank's business unit brought up for discussion.
- 5) Other issues.

Cathay United Bank organized a risk management group to monitor, lead, develop, and establish the integral risk management framework.

1) Credit risk

Credit risk represents the risk of loss that Cathay United Bank would incur if counterparty fails to perform its contractual obligations. Sources of credit risk cover both on and off balance sheet accounts.

a) Credit risk policy and implementation

i. Cathay United Bank, Indovina Bank and CUBCN Bank

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management Division and its subdivisions assist in reviewing and monitoring risk tolerance ability and risk control procedures; and establish credit approval processes, credit limit management, credit rating information, collateral information, periodic reviews and remedial management systems. The subdivisions include the Market Risk Management Division, Credit and Operational Management Division, Consumer Finance Credit Management Division, Corporate Finance Credit Management Division, and International Credit Management Division. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts are the executive unit of credit risk control. The credit quality of the Company is strictly controlled in advance. After the loan is approved, lending portfolios are reviewed according to Cathay United Bank and Indovina Bank's loan review regulations and deficiencies are tracked to strengthen post-event risk management.

Cathay United Bank, Indovina Bank and CUBCN Bank maintain a strict policy to evaluate customers' credit ratings when providing loans, loan commitments and commercial letters of credit. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank, Indovina Bank and CUBCN Bank retain the legal right to foreclose on or liquidate the collateral, which effectively reduces the credit risk of Cathay United Bank, Indovina Bank and CUBCN Bank. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

ii. CUBC Bank

The approval unit of CUBC Bank's credit risk policies is the board of directors, and the policies are then implemented by the CUBC Bank's credit risk management department. These credit risk policies form the basic principles for all credit risk situations faced by CUBC Bank and also serve as the basis for the development of CUBC Bank's various businesses in Cambodia.

When CUBC Bank provides loans, the approval unit is decided based on credit amount. The loan committee is the top lending authority within CUBC Bank, and is composed of CUBC Bank's senior management. It is in charge of approval of all credit in excess of CUBC Bank's lending authorities. Certain customers are required to provide appropriate collateral for the related loans, and CUBC Bank retains the legal right to foreclose or liquidate the collateral, which effectively reduces Cathay United Bank's credit risk. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

b) Judgment of significant increase in credit risk after initial recognition

i. Cathay United Bank and CUBCN Bank

Cathay United Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, Cathay United Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Information on the overdue status of a contract

When the contract payment is overdue for 30 days to 90 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Auditors' opinion - adverse opinion.
- Auditors' opinion - disclaimer of opinion.
- The stock was placed in full-cash delivery stock.
- Other changes in the internal or external information on judging the credit quality changes.

Cathay United Bank established Stage 1 and Stage 2 for debt instruments based on bonds ratings. Bonds rated above investment grades are classified as low credit risks. Credit risks are deemed to have significantly increased if credit ratings decreased over specific level after initial recognition date.

ii. CUBCN Bank

CUBCN Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, CUBCN Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Information on the overdue status of a contract

When the contract payment is overdue for 30 days to 90 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

- Any financial instruments are classified as special mention.
- Other changes in the internal or external information on judging the credit quality changes.

iii. Indovina Bank

Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition:

i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Low credit risk criteria

An exposure rated below Moody's investment grade (i.e., the credit rating is lower than the credit rating Baa 3 of Moody's, an international credit rating agency) at the reporting date would be classified as a significant increase in credit risk since initial recognition.

- Information on the overdue status of a contract

When the contract payment is overdue for 30 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

- Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Other changes in the internal or external information on judging the credit quality.

iv. CUBC Bank

CUBC Bank assesses if the credit risk of financial assets at each reporting date has increased significantly since initial recognition based on the following indicators:

i) Information on the overdue status of a contract

When the contract payment is overdue for more than 15 days for short-term loans or more than 30 days for long-term loans at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Loan classification from National Bank of Cambodia

A loan contract with special mention position at reporting date would be classified as a significant increase in credit risk since initial recognition.

iii) Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

c) Default and credit impairment of financial asset

i. Cathay United Bank

Cathay United Bank's criteria for determining that a financial asset is in default is the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, Cathay United Bank determines the financial assets to be subject to default and credit impairment.

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment. Debt instruments that do not pay principal and interest according to issuance or transaction condition are determined to be credit impaired.

ii) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- Other internal or external information on judging the deterioration in credit quality.

The aforementioned definition of default and credit impairment applies to all financial assets held by Cathay United Bank, and is consistent with the definition applied on the significant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

ii. CUBCN Bank

CUBCN Bank's criteria for determining that a financial asset is in default is the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, CUBCN Bank determines the financial assets to be subject to default and credit impairment.

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

ii) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

- Any financial instruments are classified as substandard, doubtful or loss.
- The lowest credit risk is classified as substandard, doubtful or loss.
- Other internal rating is determined to have fallen into default level.

The aforementioned definition of default and credit impairment applies to all financial assets held by CUBCN Bank, and is consistent with the definition applied on the relevant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

iii. Indovina Bank

Indovina Bank assesses the following indicators at each reporting date to determine if the financial assets are credit-impaired:

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

ii) Qualitative indicator

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- The debtor has filed for bankruptcy or may apply for bankruptcy or reorganization.
- Principal or interest could not be paid as scheduled during the settlement period.
- Other internal or external information on judging the deterioration in credit quality.

iv. CUBC Bank

CUBC Bank assesses the following indicators at each reporting date to determine if the financial assets are credit impaired:

i) Information on the overdue status of a contract

When the contract payment is overdue for more than 30 days for short-term loans or more than 90 days for long-term loans at the reporting date, it is determined as credit impairment.

ii) Loan classification from National Bank of Cambodia

A loan contract with specific position, such as substandard, doubtful and loss, at reporting date would be classified as a credit-impaired loan.

iii) Internal credit assessment indicators

The credit information used for internal credit risk management purpose that indicated credit deterioration at the reporting date would be recognized as credit-impaired assets.

d) Measurement of expected credit loss

i. Cathay United Bank

For the purpose of assessing the expected credit losses, Cathay United Bank classifies the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, and so on.

Credit Category	Definition
Enterprise loan	Grouped by risk characteristics, enterprise size and internal credit rating
Consumer loan	Grouped by product category and internal credit rating
Credit card	Grouped by product category and internal credit rating

When the credit risk of the financial instrument has not increased significantly after the initial recognition (Stage 1), Cathay United Bank will measure the allowance for losses at the 12-month expected credit losses. When the credit risk of the financial instrument has increased significantly (Stage 2) or credit impairment has existed (Stage 3) after the initial recognition, Cathay United Bank will measure the allowance for losses based on the lifetime expected credit losses.

For the measurement of the expected credit losses (“ECL”), Cathay United Bank calculates the 12-month ECL and lifetime ECL by multiplying three factors, i.e., probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) of the borrower over the next 12 months and the lifetime.

The PD and LGD applied in the impairment assessment of the credit business of Cathay United Bank is adjusted and calculated based on the internal information of each group of assets as well as the currently observable data and the forward-looking macroeconomic information (such as economic growth rate, etc.).

Cathay United Bank assesses the EAD of loan at the reporting date. According to internal and external information, Cathay United Bank considers the portion of the loan commitment that is expected to be drawn within 12 months after the reporting date and the lifetime, to determine the EAD for calculating the expected credit losses.

Cathay United Bank performs impairment assessment of debt instruments measured at FVTOCI and those measured at amortized cost in accordance with related requirements:

- i) The EAD is measured at the amortized cost of a financial asset plus its interest receivable.
- ii) The PD is based on the information regularly published by Moody’s, and calculated on the basis of the adjusted historical data according to the currently observable data and the looking-forward macroeconomic information (e.g., gross domestic product and economic growth rate, etc.).
- iii) The LGD is selected according to the type of debt instrument based on the information regularly published by Moody’s.

ii. CUBCN Bank

For the purpose of assessing the expected credit losses, CUBCN Bank classifies the credit assets into the following groups based on product characteristics.

Credit Category	Definition
Loan activities, call loans to banks business, and off-balance sheet credit business	Grouped by product category and internal/external credit rating
Billing business	Grouped by product category and internal/external credit rating
Bond business	Grouped by product category and internal/external credit rating
Due from banks and reverse repurchase	Grouped by product category and internal/external credit rating

i) The expected credit losses of financial instruments are measured on a case-by-case basis as follows:

- For financial instruments in Stage 1, the allowance for losses is measured by the 12-month expected credit losses.
- For financial instruments in Stage 2, the allowance for losses is measured by the lifetime expected credit losses.
- For financial instruments in Stage 3, if the single account loan balance exceeds a certain amount, the discounted cash flow method can be used for individual assessment; if not using individual assessment, the allowance for losses is measured by the lifetime expected credit losses, and the PD is 100%.

ii) The expected credit loss parameters of financial instruments are calculated according to the following principles respectively:

- The PD is based on the information regularly published by Moody's, and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information.
- The LGD is based on LGD regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.
- The EAD is measured at current exposure method. Besides, off-balance sheet credit business also converts using credit conversion factor regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.

iii. Indovina Bank

For the purpose of assessing the expected credit losses, Indovina Bank classifies the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, counterparty type, and so on.

Category	Description
Loan portfolio	Grouped by counterparty type and enterprise size
Bond portfolio	Grouped by product category, external credit rating and payment ranks

i) Loan portfolio

The measurement of expected credit loss of Indovina Bank's loan portfolio is based on its internal product category, risk characteristics and product category, and is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probabilities of default and loss given default were built by Cathay United Bank's historical delinquent information and recovery data and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

ii) Bond portfolio

The measurement of expected credit loss of Indovina Bank's bond portfolio is based on its product category, issuer's credit rating and payment ranks. The probabilities of default and loss given default were built by the delinquent information and calibrated by selected macroeconomic factors for forward-looking adjustment. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

iv. CUBC Bank

CUBC Bank has grouped its exposures on the basis of shared credit risk characteristic including product category and counterparty types as follows:

Category	Description
Loan	Grouped by product characteristics, industry and counterparty type
Credit Card	Grouped by product characteristics

The measurement of expected credit loss of CUBC Bank's loan portfolio is based on its credit category, counterparty type and product category. The probabilities of default and loss given default were built by the internal and external historical delinquent information, LGD supervised under Basel II and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

e) Write-off policy

Cathay United Bank and its subsidiaries write-off the financial assets partially or entirely to the extent of the amount which cannot be reasonably expected to be recovered.

The indicators for reasonably expected to be unrecoverable include:

- i. The recourse procedure has ceased.
- ii. The debtor's assets or income are evaluated to be insufficient to repay outstanding payments.

Financial asset which has been written-off can peruse the recovery of debt and institute legal proceedings continuously under related policies.

f) Consideration of forward-looking information

Cathay United Bank

Cathay United Bank uses historical data to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and use the regression model to estimate the impairment parameter after the prospective adjustment. The significant economic factors and their impact on PD differ depending on the type of financial instruments.

The significant economic factors identified by Cathay United Bank in 2021 are as follows:

Credit Category	Probability of Default (PD)
Enterprise loan	Proportion of revenue less expenditures from government to GDP % Proportion of expenditures from government to GDP %
Consumer loan	Inflation index % Unemployment rate % Price Index
Credit card	Price Index Proportion of revenue from government to GDP (%)

CUBCN Bank

CUBCN Bank uses historical data and rate of non-performing industry loans issued by the authorities to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression model to estimate the impairment parameter after the prospective adjustment, in order to obtain an unbiased estimate of expected credit losses.

The relevant economic factors identified by CUBCN Bank in 2021 include but are not limited to gross domestic product (GDP) published by the China Statistics Bureau, China Customs and other government authorities, consumer price index (CPI), import price index, and government expenditure data, etc.

Indovina Bank

Based on the qualitative and quantitative analysis of historical data, Indovina Bank identifies the local and global economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression models, interpolation adjustment, and historical scenario analysis to estimate the impairment parameter after the prospective adjustment. The selected economic factors and their effects on PDs varied from different types of portfolios.

The macroeconomic factors selected by Indovina Bank for the forward-looking adjustments in 2021 are as follows:

Segment	Selected Factors
Loan portfolio	Vietnam GDP growth rate
Bond portfolio	Global GDP growth rate Global inflation index

CUBC Bank

CUBC Bank establishes ECL model based on historical default and loss data and uses the regression analysis to adjust the forward-looking parameters with local macroeconomic factors by considering local risk distribution and borrowers' characteristics.

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments in 2021 are as follows:

Segment	Selected Factors
Loan	Change of inflation (%) Change of volume of imports (%) Change of GDP (%) Proportion of general government revenue of GDP (%)
Credit Card	Change of inflation(%) Change in reserves Proportion of general government net lending/borrowing of GDP (%)

The valuation techniques or significant assumptions used by Cathay United Bank and its subsidiaries for assessing the expected credit losses have no significant change as of December 31, 2021.

g) Credit risk management policy

The category of credit asset and the grade of credit quality are described as follows:

i. Category of credit asset

The credit risk of Cathay United Bank is classified into five categories. Normal credit assets are classified as "Category One." The remaining unsound credit assets are evaluated based on the status of the loan collateral and the length of time overdue. Assets that require special mention are classified as "Category Two," assets that are substandard are classified as "Category Three," assets that are doubtful are classified as "Category Four," and assets for which there is loss are classified as "Category Five". For managing the default credits, Cathay United Bank established the regulations governing the procedures to deal with non-performing loans, non-accrual loans and bad debts.

ii. Grade of credit quality

Cathay United Bank sets the grade of credit quality based on the characteristics and scale of business (such as establishing the internal rating model of credit risk, setting the credit rating table or relevant rules to classify credit quality) to proceed with risk management.

In order to measure the credit risk of the clients, Cathay United Bank develops the rating model of business credit by employing statistical methods and the professional judgment of the experts as well as considering the clients' relevant information. The model is reviewed periodically to verify if the calculated results conform to the reality and make necessary revision to the parameters to optimize the results.

With respect to consumer credit assets such as mortgages, credit cards, and small-amount credit loans, Cathay United Bank also evaluates default risk of clients by using the credit rating scores developed by Cathay United Bank and the external due diligence services.

The credit quality of Cathay United Bank's corporate borrowers is classified as excellent, good, average, or bad.

To ensure the reasonableness of the estimated values of the credit rating system's design, process, and relevant risk factors, Cathay United Bank executes the relevant verification and tests the model according to the actual default every year so that the calculated results will be close to actual default.

Cathay United Bank evaluates the counterparties' credit quality before transactions are made and refers to the domestic and foreign credit rating agencies, when rendering different lines of credit based on the credit quality.

iii. Hedge of credit risk and easing policy

i) Collateral

Cathay United Bank adopts a series of policies to lower the credit risk, and one of the frequently-used methods is requesting borrowers to provide collateral. To ensure the creditor's rights, Cathay United Bank sets the scope of collateral and the procedures for appraising, managing, and disposing of the collateral. In addition, a credit contract stipulates the bases for credit claims, preservation of collateral, and offset provisions when a credit loss event occurs; Cathay United Bank may reduce the limit, cut down the payback period, or deem all debts as due. Also, Cathay United Bank may use the deposits that the borrowers saved in Cathay United Bank to offset the liabilities to lower the credit risk.

Other non-credit business collateral depends on the characteristics of the financial instruments. Only asset-backed securities and other similar financial instruments are secured by an asset pool of financial instruments.

ii) Limit of credit risk and control of credit risk concentration

To avoid the excessive risk concentration, Cathay United Bank limits the credit amounts of single counterparties and groups; Cathay United Bank also sets the investment guide and regulation of risk control of equity investment to restrict the investment limits of single person (company) or related company (group). Furthermore, Cathay United Bank establishes relevant regulations to control the concentration risk of assets, and sets the credit limits by industry, group, country, and stock types to monitor the credit concentration risk.

iii) Net settlement agreement

Cathay United Bank usually settles by the gross balance, but signs contract with some counterparties to settle by net balance. If a default happens, Cathay United Bank will terminate all transactions with the counterparty and settle by net balance in order to lower the credit risk.

iv. Maximum exposure to credit risk

Without taking into account the collateral or other credit enhancement instruments, the maximum credit risk exposures of on-balance-sheet financial assets equals their carrying amounts. The maximum credit risk exposures of off-balance-sheet items (without considering the collateral or other credit enhancement instruments) are as follows:

i) Cathay United Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2021	December 31, 2020
Irrevocable loan commitments	\$ 171,600,838	\$ 190,736,959
Credit card commitments	770,929,935	744,977,230
Unused commercial letters of credit	6,566,178	5,731,441
Guarantees on duties and contracts	18,242,569	17,071,951

ii) Indovina Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2021	December 31, 2020
Financial guarantee contracts	\$ 1,292,761	\$ 1,323,647
Unused commercial letters of credit	994,336	972,917

iii) CUBC Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2021	December 31, 2020
Financial guarantee contracts	\$ 20,528	\$ 17,406
Credit card commitments	269,953	277,491
Irrevocable loan commitments	338,751	234,582

iv) CUBCN Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2021	December 31, 2020
Financial guarantee contracts	\$ 255,149	\$ 236,475
Unused commercial letters of credit	621,893	210,453
Irrevocable loan commitments	1,016,657	928,613

To reduce the risk from any businesses, Cathay United Bank conducts an overall assessment and takes appropriate risk reduction measures before undertaking the business, such as obtaining collateral and guarantors. For obtaining of collateral, Cathay United Bank has set Guidelines Governing Collateral to ensure that collateral meets the specific criteria and has the effect of reducing the business risk.

The management deems Cathay United Bank and its subsidiaries are able to control and minimize the credit risk exposures in off-balance-sheet items as Cathay United Bank and its subsidiaries use stricter rating procedures when extending credits and conduct reviews regularly.

The carrying amounts of the maximum credit risk exposure of on-balance-sheet items were as follows:

December 31, 2021

	Discounts and Loans			Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	Stage 1	Stage 2	Stage 3		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 1,763,964,944	\$ 60,965,797	\$ 12,124,070	\$ -	\$ 1,837,054,811
Less: Allowance impairment	(3,442,880)	(1,990,988)	(5,005,473)	-	(10,439,341)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(19,538,811)	(19,538,811)
	<u>\$ 1,760,522,064</u>	<u>\$ 58,974,809</u>	<u>\$ 7,118,597</u>	<u>\$ (19,538,811)</u>	<u>\$ 1,807,076,659</u>

	Receivables			Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	Stage 1	Stage 2	Stage 3		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 101,532,216	\$ 2,692,899	\$ 2,105,098	\$ -	\$ 106,330,213
Less: Allowance impairment	(418,248)	(288,704)	(1,658,913)	-	(2,365,865)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(69,669)	(69,669)
	<u>\$ 101,113,968</u>	<u>\$ 2,404,195</u>	<u>\$ 446,185</u>	<u>\$ (69,669)</u>	<u>\$ 103,894,679</u>

December 31, 2020

	Discounts and Loans			Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	Stage 1	Stage 2	Stage 3		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 1,621,545,452	\$ 55,888,623	\$ 12,109,964	\$ -	\$ 1,689,544,039
Less: Allowance impairment	(4,643,771)	(2,095,225)	(5,124,881)	-	(11,863,877)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(16,384,201)	(16,384,201)
	<u>\$ 1,616,901,681</u>	<u>\$ 53,793,398</u>	<u>\$ 6,985,083</u>	<u>\$ (16,384,201)</u>	<u>\$ 1,661,295,961</u>

	Receivables			Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	Stage 1	Stage 2	Stage 3		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 98,245,219	\$ 1,889,559	\$ 2,141,088	\$ -	\$ 102,275,866
Less: Allowance impairment	(465,842)	(202,476)	(1,731,461)	-	(2,399,779)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(62,941)	(62,941)
	<u>\$ 97,779,377</u>	<u>\$ 1,687,083</u>	<u>\$ 409,627</u>	<u>\$ (62,941)</u>	<u>\$ 99,813,146</u>

v. Credit concentration risk of Cathay United Bank and its subsidiaries

When the counterparties are obviously the same party, or there are several counterparties but engaging in similar business activities and sharing similar economic characteristics, and vulnerable to the same economic impacts or other changes, the credit concentration risk is apparent.

Credit concentration risk of Cathay United Bank and its subsidiaries derives from the assets, liabilities and off-balance-sheet items, and arises from performing obligations or engaging in transactions of cross-credit line portfolio with risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. Cathay United Bank and its subsidiaries does not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty relative to Cathay United Bank and its subsidiaries' total bills discounts and loans, including overdue loans, guarantees, bills purchased, and acceptances receivable is not significant. Credit concentration risk of Cathay United Bank and its subsidiaries according to industry and geographic region is listed below:

Industry Type	December 31			
	2021		2020	
	Amount	%	Amount	%
Manufacturing	\$ 157,020,976	8.45	\$ 136,414,473	7.98
Financial institutions and insurance	85,199,467	4.58	77,235,347	4.52
Leasing and real estate	177,239,865	9.53	151,233,185	8.85
Individuals	1,169,015,836	62.89	1,029,137,040	60.20
Others	<u>270,414,254</u>	<u>14.55</u>	<u>315,605,920</u>	<u>18.45</u>
	<u>\$ 1,858,890,398</u>	<u>100.00</u>	<u>\$ 1,709,625,965</u>	<u>100.00</u>

Geographic Region	December 31			
	2021		2020	
	Amount	%	Amount	%
Domestic	\$ 1,603,854,334	86.28	\$ 1,432,739,575	83.80
Asia	197,945,764	10.65	208,251,320	12.18
America	41,734,650	2.25	47,564,475	2.78
Others	<u>15,355,650</u>	<u>0.82</u>	<u>21,070,595</u>	<u>1.24</u>
	<u>\$ 1,858,890,398</u>	<u>100.00</u>	<u>\$ 1,709,625,965</u>	<u>100.00</u>

2) Liquidity risk

a) Source and definition of liquidity risk

Liquidity risk means the possible losses arising from the failure of the Bank to obtain funds at a reasonable price within a reasonable time to cover the increase in assets or repay matured liabilities.

b) Liquidity risk management strategy and principles

The liquidity risk management strategy and principles of Cathay United Bank and its subsidiaries are to stabilize the liquidity of funds. The first priority for the source of funds is diversification and stability, and Cathay United Bank and its subsidiaries adopt the conservative principle to estimate the funds. The use of funds should take into account both safety and profitability, and pay attention to diversifying liquidity risks. Cathay United Bank and its subsidiaries have set up an Asset and Liability Management Committee, which is responsible for planning and monitoring liquidity risk management strategy and controlling liquidity risk with risk limits from different measuring dimensions and early warning indicators. When the liquidity has or expects significant changes, relevant authorities and responsible units jointly analyze the reasons and discuss solutions to deal with the impact of emergent events on liquidity risk.

c) Financial assets held to manage liquidity risk and maturity analysis of non-derivative financial liabilities.

i. Financial assets held to manage liquidity risk

Cathay United Bank and its subsidiaries hold highly marketable and diverse financial assets to meet payment obligations, i.e., assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets held to manage liquidity risk include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, financial assets at FVTOCI, debt instruments at amortized cost, discounts and loans, notes and bonds purchased under resale agreements.

ii. Maturity analysis of non-derivative financial liabilities of Cathay United Bank

The table below shows the analysis of the cash outflow of non-derivative financial liabilities on the number of days remaining from the balance sheet date until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

	December 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	\$ 19,739,865	\$ 19,426,898	\$ 23,321,812	\$ 201,876	\$ 62,690,451
Central Bank and interbank lending	1,076,000	-	-	-	1,076,000
Non-derivative financial liabilities at FVTPL	-	-	550,293	35,720,100	36,270,393
Securities sold under repurchase agreements	24,984,153	6,338,247	-	-	31,322,400
Payables	12,719,115	9,366,422	151,144	460,730	22,697,411
Deposits and remittances	413,504,732	1,148,909,532	1,122,164,408	163,228,761	2,847,807,433
Financial debentures payable	-	4,685,464	5,637,213	37,000,000	47,322,677
Lease liabilities	102,243	465,602	569,180	2,029,181	3,166,206
Other capital outflow at maturity	7,080,447	13,149,630	6,565,722	1,904,957	28,700,756

	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	\$ 21,632,134	\$ 18,939,610	\$ 22,759,390	\$ 174,251	\$ 63,505,385
Central Bank and interbank lending	-	960,000	116,000	-	1,076,000
Non-derivative financial liabilities at FVTPL	-	-	566,549	36,775,320	37,341,869
Securities sold under repurchase agreements	8,782,928	1,322,545	-	-	10,105,473
Payables	16,497,492	2,928,046	113,437	426,011	19,964,986
Deposits and remittances	366,399,102	1,030,683,105	1,016,354,012	148,106,423	2,561,542,642
Financial debentures payable	-	7,518,502	37,213	46,800,000	54,355,715
Lease liabilities	116,107	555,111	680,363	2,409,535	3,761,116
Other capital outflow at maturity	12,868,822	15,291,646	6,218,538	1,037,130	35,416,136

Additional information about the maturity analysis for lease liabilities:

	December 31	
	2021	2020
Less than 1 year	\$ 1,137,025	\$ 1,351,581
1-5 years	1,714,563	2,156,451
5-10 years	314,618	250,974
Over 10 years	-	2,110
	<u>\$ 3,166,206</u>	<u>\$ 3,761,116</u>

iii. Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: Foreign exchange options, non-delivery forwards;
- ii) Interest rate derivative instruments: Swaptions, net settled interest rate swaps and other interest rate agreements.

The table below shows the net settled derivative financial instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. The analysis of contractual maturity dates illustrates all derivative financial instruments listed on the consolidated balance sheet. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheet. Maturity analysis of net settled derivative financial liabilities was as follows:

	December 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 24,880	\$ 37,114	\$ 4,574	\$ 242	\$ 66,810
Interest rate derivative instruments	<u>33,714</u>	<u>860,300</u>	<u>585,840</u>	<u>13,799,055</u>	<u>15,278,909</u>
	<u>\$ 58,594</u>	<u>\$ 897,414</u>	<u>\$ 590,414</u>	<u>\$ 13,799,297</u>	<u>\$ 15,345,719</u>
	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 144,336	\$ 51,523	\$ 17,164	\$ 5	\$ 213,028
Interest rate derivative instruments	<u>25,200</u>	<u>879,624</u>	<u>362,723</u>	<u>23,592,651</u>	<u>24,860,198</u>
	<u>\$ 169,536</u>	<u>\$ 931,147</u>	<u>\$ 379,887</u>	<u>\$ 23,592,656</u>	<u>\$ 25,073,226</u>

Gross settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: Foreign exchange swaps;
- ii) Interest rate derivative instruments: Cross currency swaps;
- iii) Credit derivative instruments: All derivatives shown in gross amount pay a periodic fee in return for a payment by the protection seller on credit event if any occurs.

The table below shows Cathay United Bank's gross settled derivative instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. Contractual maturities are evaluated to be the most basic element for understanding all the derivative financial instruments presented on the balance sheets. The disclosed amounts are based on contractual cash flows and part of the disclosed amounts are not in conformity with related items on consolidated balance sheet. Maturity analysis of gross settled derivative financial liabilities was as follows:

	December 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (1,251,076)	\$ (1,099,995)	\$ (583,172)	\$ (4,579,484)	\$ (7,513,727)
Cash inflow	4,813	7,496	2,222	-	14,531
Interest rate derivative instruments					
Cash outflow	(37,888)	(34,819)	(335,739)	(414,111)	(822,557)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,288,964)	(1,134,814)	(918,911)	(4,993,595)	(8,336,284)
Cash inflow subtotal	<u>4,813</u>	<u>7,496</u>	<u>2,222</u>	<u>-</u>	<u>14,531</u>
Net cash flow	<u>\$ (1,284,151)</u>	<u>\$ (1,127,318)</u>	<u>\$ (916,689)</u>	<u>\$ (4,993,595)</u>	<u>\$ (8,321,753)</u>
	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (6,206,951)	\$ (9,612,506)	\$ (3,966,155)	\$ (543,230)	\$ (20,328,842)
Cash inflow	9,935	2,984	1,329	-	14,248
Interest rate derivative instruments					
Cash outflow	-	(114,986)	(47,427)	(473,217)	(635,630)
Cash inflow	38	-	-	-	38
Cash outflow subtotal	(6,206,951)	(9,727,492)	(4,013,582)	(1,016,447)	(20,964,472)
Cash inflow subtotal	<u>9,973</u>	<u>2,984</u>	<u>1,329</u>	<u>-</u>	<u>14,286</u>
Net cash flow	<u>\$ (6,196,978)</u>	<u>\$ (9,724,508)</u>	<u>\$ (4,012,253)</u>	<u>\$ (1,016,447)</u>	<u>\$ (20,950,186)</u>

iv. Maturity analysis of off-balance sheet items

- i) Irrevocable commitments: Include Cathay United Bank’s irrevocable loan commitments and credit card commitments.
- ii) Financial guarantee contracts: Cathay United Bank acts as a guarantor or an issuer of standby letter of credit.

Maturity analysis of off-balance sheet items are shown as follows:

December 31, 2021

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 143,514,844	\$ 24,884,198	\$ 3,201,796	\$ 171,600,838
Credit card commitments	48,902,335	205,372,171	516,655,429	770,929,935
Financial guarantee contracts	16,348,326	7,756,651	703,770	24,808,747

December 31, 2020

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 159,685,630	\$ 25,896,936	\$ 5,154,393	\$ 190,736,959
Credit card commitments	52,483,033	233,082,112	459,412,085	744,977,230
Financial guarantee contracts	15,178,359	7,594,933	30,100	22,803,392

3) Market risk

a) Source and definition of market risk

Market risk is the potential loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and equity securities.

Cathay United Bank organized market risk management department and the committee of assets and liabilities management. The department and the committee periodically examine Cathay United Bank’s structure of assets and liabilities; plan the pricing principle of deposit and loan and financing, and uses medium and long term funding schemes. While executing the market risk management, the market risk management department periodically provides the related information of management and reports to the authorized managers of Cathay United Bank for the management system, such as evaluating position, risk limit management, calculation of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

b) Market risk management strategy and process

Market risk management process

i. Identification and measurement

The operations department and risk management department of Cathay United Bank identify the market risk factors of risk exposure position, and measure the market risk. Market risk factors are the components that could have an impact on value of financial instrument, such as interest rates, foreign exchange rates, equity securities price, etc., including position, gain and loss, stress testing, sensitivity (DV01, Delta, Vega, Gamma) and Value at Risk (VaR) etc., are used to measure the extent of investment portfolio loss that is influenced by interest risk, foreign exchange risk and price of equity securities.

ii. Monitoring and reporting

The risk management department periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress testing, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. Cathay United Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. If the transaction reaches its stop-loss limitation, stop-loss process will be implemented immediately. If the stop-loss process is not implemented, the transaction department should document the reason for not implementing stop-loss process and response plan. Furthermore, the department shall report to the executive management for approval and report to the board of directors regularly.

c) Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investments for the purpose of trading or the hedge on the trading book. Portfolio is held for trading for the purpose of earning profit from the bid-ask spread. Any positions aside from the above trading book will be in the banking book.

i. Strategy

In order to control market risk effectively and ensure flexibility in operating the transaction strategy, Cathay United Bank carries out various assessment and control procedures. The portfolio of trading book has the risk limit for each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

ii. Policy and procedure

Cathay United Bank sets the “Rules of Market Risk Management” as the important regulation that should be complied with when holding the trading portfolio.

iii. Valuation policy

If the financial instruments of trading book have market values, they should be evaluated at least once each day based on information from independent source and easily accessible sources. If the financial instruments are evaluated by a model, a mathematical model should be used prudently, and the assumptions and parameters of the valuation model should be regularly reviewed and examined.

iv. Method of measurement

i) The assumptions and calculation method are described in the VaR section.

ii) Cathay United Bank executes the stress testing monthly based on the following scenarios: The fluctuation of interest rate at 100bp, equity securities price at 15% and foreign exchange rate at 3%, and reports to the risk management committee regularly.

d) Interest risk management of trading book

i. Definition of interest risk

Interest risk is the risk that the trading portfolios suffer losses or the fair value changes due to fluctuations in interest rates. The main instruments include the securities and derivatives that are related to interest rates.

ii. Interest risk management procedure of the trading book

Cathay United Bank prudently chooses its investment target by studying the credibility and financial position of the securities issuers, and the sovereign risk and the trend of interest rates of the country. According to the operating strategy and the circumstances of the market, Cathay United Bank sets the transaction limit and stop-loss limit (including the limits of dealing room, traders, and investment, etc.) of the trading book that are reported to the executive management or the board of directors for approval.

iii. Method of measurement

- i) The assumptions and calculation method are described in the VaR section.
- ii) Cathay United Bank measures the investment portfolio's interest risk exposure with DV monthly.

e) Interest risk management of banking book

The interest risk of banking book means that adverse changes in interest rates affect the value and cash flow of the banking book position, resulting in current or potential risks to Cathay United Bank's capital and earnings.

i. Strategy

Based on the principle of prudent operation and conservation, the first priority is on the diversification and stability of assets and liabilities, and then on safety and profitability, and Cathay United Bank should pay attention to risk diversification.

ii. Management procedure

Cathay United Bank and its subsidiaries have established interest risk indicators of banking book to control the banking book interest risk. If the indicators are abnormal, the possible offset treatment should be evaluated and reported to the Asset and Liability Management Committee to review the asset and liability structure and pricing principles, so as to reduce or control the adverse impact on earnings or net worth.

iii. Method of measurement

Measurement methods of banking book interest risk include repricing gap analysis, earnings viewpoint (Δ NII) analysis, and economic value viewpoint (Δ EVE) analysis. Cathay United Bank and its subsidiaries adopt appropriate measurement methods to manage banking book interest risk in accordance with local regulatory requirements or internal management needs.

f) Foreign exchange risk management

i. Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchanged at different times. Cathay United Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option, etc. Cathay United Bank's foreign exchange transactions are implemented daily to offset clients' positions. Thus, Cathay United Bank is not exposed to significant foreign exchange risk.

ii. Policy, procedure and measurement method of foreign exchange risk management

In order to control foreign exchange risk, Cathay United Bank sets the limits of transaction and stop-loss limits for the dealing room and traders. Meanwhile, Cathay United Bank also sets the maximum annual loss limit to control the loss within the tolerable extent. Foreign exchange risk is controlled based on VaR. The assumption and calculation of VaR are described in the VaR section.

For foreign exchange risk, Cathay United Bank sets the scenario at 3% fluctuation of foreign exchange rates of major currencies to execute the stress testing quarterly, and reports to the risk management committee.

g) Risk management of equity securities price

i. Definition of risk of equity securities price

The market risk of equity securities held by Cathay United Bank includes the individual risk from the fluctuation of individual equity securities' market price and general market risk from the fluctuation of the overall price trend.

ii. Purpose of risk management of equity securities price

The purpose is avoid the massive fluctuation of equity securities price that worsens Cathay United Bank's financial situation or earnings, as well as to raise the operating efficiency of capital and strengthen the business operation.

iii. Procedure of risk management of equity securities price

Cathay United Bank sets investment limits on industries and enterprises, using the β value to measure the investment portfolio affected by the systemic risk monthly. The stop-loss point must be authorized by the board of directors, and the equity investment should be authorized by the executives if the stop-loss point is reached but the investment is not going to be disposed of.

iv. Measurement method

The risk of equity securities price in trading book is mainly controlled by VaR.

Cathay United Bank's risk of equity securities prices from its non-trading portfolio is controlled through stress testing of business scale under appropriate scenarios and Cathay United Bank reports the results to the risk management committee.

Cathay United Bank adopts many methods to manage its market risk. Value-at-risk (VaR) is one of the methods. VaR is a statistical measure that assesses potential losses that might be caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence. Cathay United Bank applies historical simulation with a statistical confidence of 99% to extrapolate the VaR of one-year fluctuations. The following form indicates the VaR which is the estimation of potential amount of loss within one day. The statistical confidence of 99% represents the possible fluctuations that would be included in assumed adverse market changes. Based on the assumption, the VaR may exceed the amounts listed in 1 of 100 days due to the price changes in the market. The overall VaR in the market may be less than the aggregate VaR of individual market risk factors.

December 31, 2021				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 135,734	\$ 215,547	\$ 43,133	\$ 215,547
Foreign exchange	85,389	162,748	65,675	84,654
Equity securities price	344,290	629,009	91,597	365,415

December 31, 2020				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 98,733	\$ 194,699	\$ 44,753	\$ 44,753
Foreign exchange	223,146	371,160	121,699	162,748
Equity securities price	364,210	791,984	103,986	431,373

Note: Above information about factors of market risks is defined by risk management of the trading book.

Cathay United Bank enters into a variety of derivatives transactions for both trading and non-trading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage Cathay United Bank's exposure to risks and to generate revenues through trading activities. Cathay United Bank trades derivative instruments on behalf of customers and for its own positions. Cathay United Bank transacts derivative contracts with its clients to meet their demands and also takes proprietary positions for its own accounts within the allowed market risk.

h) Stress testing

The stress testing is used to measure the maximum loss of risk asset portfolio under the worst-case scenario. Cathay United Bank takes into consideration various types of risk factors during stress testing and the results will be reported to the executive management.

Stress Test			
Market/Product	Scenarios	December 31, 2021	December 31, 2020
Stock market	Major stock exchanges +15%	\$ 2,764,778	\$ 2,111,674
	Major stock exchanges -15%	(2,764,778)	(2,038,832)
Interest rate/bond market	Major interest rate + 100bp	(478,517)	(1,433,146)
	Major interest rate (100bp)	887,005	53,539
Foreign exchange market	Major currencies +3%	240,221	306,945
	Major currencies -3%	(231,115)	(306,945)
Composite	Major stock exchanges -15%	(3,003,074)	(3,165,033)
	Major interest rate +100bp		
	Major currencies +3%		

Note: The information of stress testing is defined by risk management policy of the trading book.

i) Sensitivity analysis

i. Interest rate risk

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivative portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting the portfolio. Cathay United Bank’s interest rate-sensitive portfolios include government bonds, corporate bonds, interest rate swaps, forward rate agreements and interest rate collars.

ii. Foreign exchange risk

Foreign exchange rate factor sensitivities (“FX delta”) represent the change of the foreign exchange portfolios (i.e., forward exchange transactions and currency swaps) caused by the underlying currency exchange rate fluctuation.

iii. Equity securities price risk

Equity securities price factor sensitivities (“Equity delta”) represent the change of the equity securities price portfolio caused by a parallel unit shift of 1% (100 basis points) in the underlying stock prices fluctuation. Cathay United Bank’s equity portfolios include stocks and equity index options.

Risk Factors	Changes (+/-)	December 31, 2021	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 117,788	\$ -
	HKD+1%	(3,058)	-
	JPY+1%	3,755	-
	AUD+1%	(512)	-
	CNY+1%	(17,215)	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	412	-
	Yield curves (HKD) parallel shift+1bp	(40)	-
	Yield curves (JPY) parallel shift+1bp	(208)	-
	Yield curves (AUD) parallel shift+1bp	(188)	-
	Yield curves (CNY) parallel shift+1bp	(1,843)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	35,274	149,044

Risk Factors	Changes (+/-)	December 31, 2020	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 87,303	\$ -
	HKD+1%	9,862	-
	JPY+1%	15,101	-
	AUD+1%	12,843	-
	CNY+1%	(7,927)	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(8,730)	-
	Yield curves (HKD) parallel shift+1bp	147	-
	Yield curves (JPY) parallel shift+1bp	2	-
	Yield curves (AUD) parallel shift+1bp	(131)	-
	Yield curves (CNY) parallel shift+1bp	(1,303)	-
	Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	22,531

j) Effect of interest rate benchmark reform

Cathay United Bank is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. Therefore, when existing contracts and agreements that reference USD LIBOR transfer to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Cathay United Bank established a USD LIBOR transition project plan to handle changes in risk management policies, internal processes adjustments, IT systems updates and valuation models adjustments, as well as to manage any related tax and accounting issues in accordance with interest rate benchmark reform. As of December 31, 2021, changes required to IT systems and internal processes have been identified and have been partially implemented.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with Cathay United Bank’s counterparties are not successfully concluded before the cessation of USD LIBOR, the case will bring significant uncertainties to the future interest rate basis applied to financial instruments, and give rise to additional interest rate risk that was not anticipated when the contracts were entered into. If a hedged financial instrument and the related hedging derivative instruments are transitioned to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

Cathay United Bank

The following table contains details of non-derivative financial instruments held by Cathay United Bank as of December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets linked to USD LIBOR	
Financial assets at FVTOCI	\$ 3,857,784
Investments in debt instruments at amortized cost	3,939,024
Discounts and loans	<u>68,973,215</u>
	<u>76,770,023</u>
Financial assets linked to EUR LIBOR	
Discounts and loans	<u>693,578</u>
Financial assets linked to JPY LIBOR	
Discounts and loans	<u>3,547,170</u>
Financial assets linked to HKD HIBOR	
Discounts and loans	<u>22,609,319</u>
Financial assets linked to SGD SIBOR	
Discounts and loans	<u>20,464</u>
Financial assets linked to SGD SOR	
Discounts and loans	<u>8,604,907</u>
Financial assets linked to VND VNIBOR	
Discounts and loans	<u>248,178</u>
	<u>\$ 112,493,639</u>

Non-derivative financial liabilities which are subject to the reform

Financial liabilities linked to USD LIBOR	
Notes and bonds sold under repurchase agreement	<u>\$ 138,450</u>

The following table contains details of derivative financial instruments held by Cathay United Bank at December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

Derivative Financial Instrument	Nominal Amount	Carrying Amount	
		Financial Assets	Financial Liabilities
<u>Financial assets linked to USD LIBOR</u>			
IRS	\$ 18,205,146	\$ 380,315	\$ 111,092
CCS	553,800	194	-
Options	<u>2,272,745</u>	<u>-</u>	<u>200</u>
	<u>\$ 21,031,691</u>	<u>\$ 380,509</u>	<u>\$ 111,292</u>

CUBCN Bank

The following table contains details of derivative financial instruments held by CUBCN Bank at December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets linked to USD LIBOR	
Discounts and loans	<u>\$ 8,896</u>

Cathay Century and its subsidiaries

Cathay Century and its subsidiaries' major financial instruments include equity and debt investments, derivatives, receivables, payables and bonds payable. The major risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk analysis

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

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

a) Value at Risk

VaR is used to measure the maximum potential loss of a portfolio in a given period and confidence level when the market risk factors changes. Cathay Century and its subsidiaries calculate VaR on the next day (week or two weeks) at 99% confidence level.

b) Stress testing

In addition to the VaR model, Cathay Century and its subsidiaries periodically use stress testing to assess the potential risk of extreme and abnormal events.

Cathay Century and its subsidiaries conduct stress testing regularly on positions by simple sensitivity analysis test and scenario analysis. Such tests cover the losses on positions resulting from changes of various risk factors in various historical scenarios.

i. Simple sensitivity test

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

ii. Scenario analysis

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

i) Historical scenario

By considering the fluctuations in risk factors during a specific historical event, Cathay Century and its subsidiaries evaluate that losses would be incurred for the current investment portfolio in the event.

ii) Hypothetical scenario

Cathay Century and its subsidiaries simulate rational expectations for possible extreme market changes to evaluate the losses incurred for the investment positions by considering the fluctuations in related risk factors and the relevance between the investment targets and the risk factors.

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

Table of Stress Testing

Risk Factors	Changes (+/-)	December 31, 2021	December 31, 2020
Equity price risk (index)	-10%	\$ (1,097,510)	\$ (936,002)
Interest rate risk (yield curve)	+20bps	(127,128)	(139,733)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(156,646)	(133,032)

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

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

- Foreign currency risk

Cathay Century and its subsidiaries has foreign currency-denominated assets and liabilities, which expose Cathay Century and its subsidiaries to foreign currency risk.

- Interest rate risk

Cathay Century and its subsidiaries is exposed to interest rate risk because entities in the Cathay Century and its subsidiaries hold debt instrument at both fixed and floating interest rates. The risk is managed by the Cathay Century and its subsidiaries by maintaining an appropriate mix of fixed and floating rate debt instrument.

- Price risk

Cathay Century and its subsidiaries was exposed to equity price risk through its investments in listed shares and mutual funds. Equity price exposures were managed by utilizing futures. That positions of futures do not exceed the hedged positions.

c) Sensitivity analysis

For the Year Ended December 31, 2021			
Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 23,810	\$ 10,145
	CNY appreciates 1%	2,706	-
	HKD appreciates 1%	2,039	2,881
	EUR appreciates 1%	24	511
	VND appreciates 1%	-	6,271
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,100)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(34)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,223)	(927)
Equity securities price sensitivity	Increases 1% in equity price	-	109,751
For the Year Ended December 31, 2020			
Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 23,146	\$ 6,311
	CNY appreciates 1%	2,637	-
	HKD appreciates 1%	788	4,396
	EUR appreciates 1%	4	499
	VND appreciates 1%	-	6,105
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,006)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(50)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,292)	(712)
Equity securities price sensitivity	Increases 1% in equity price	-	93,600

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

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

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

2) Credit risk

a) Cathay Century and its subsidiaries' credit risk exposure of financial transactions include issuer credit risk, counterparty credit risk and credit risk of underlying assets.

- i. Issuer's credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations in accordance with agreed conditions due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
- iii. Credit risk of underlying assets is the risk that Cathay Century and its subsidiaries may suffer losses due to deterioration of the credit quality, increase in credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Credit concentration risk analysis

- i. The amounts of credit risk exposure for Cathay Century and its subsidiaries' financial assets are as follows:

December 31, 2021

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 11,672,113	\$ -	\$ -	\$ -	\$ 256,037	\$ 11,928,150
Financial assets at FVTPL	349,701	-	-	-	-	349,701
Financial assets at FVTOCI	728,828	-	-	-	-	728,828
Financial assets at amortized cost	2,299,413	69,225	1,205,648	2,570,778	1,617,471	7,762,535
Total	\$ 15,050,055	\$ 69,225	\$ 1,205,648	\$ 2,570,778	\$ 1,873,508	\$ 20,769,214
Proportion	72.46%	0.33%	5.81%	12.38%	9.02%	100.00%

December 31, 2020

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 9,987,740	\$ -	\$ -	\$ -	\$ 248,975	\$ 10,236,715
Financial assets at FVTPL	467,409	-	-	-	-	467,409
Financial assets at FVTOCI	764,184	-	-	-	-	764,184
Financial assets at amortized cost	2,104,756	71,512	1,231,351	2,916,059	1,582,093	7,905,771
Total	\$ 13,324,089	\$ 71,512	\$ 1,231,351	\$ 2,916,059	\$ 1,831,068	\$ 19,374,079
Proportion	68.77%	0.37%	6.36%	15.05%	9.45%	100.00%

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

- i. Cathay Century and its subsidiaries assess, at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, Cathay Century and its subsidiaries consider reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit ratings, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.
- ii. If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.

d) Definitions of a default occurring on a financial asset and a credit-impaired financial asset

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

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

e) Measurement of expected credit losses

i. Methods and assumptions adopted

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

To measure expected credit losses, Cathay Century and its subsidiaries multiply exposure at default by the 12-month and lifetime probability of default of issuers, guarantee agencies or borrowers and loss given default. Cathay Century and its subsidiaries also consider the effect of the time value of money to calculate the 12-month and lifetime expected credit losses, respectively.

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

ii. Consideration of forward-looking information

Cathay Century and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets. For example, the default rate used in the bond measurement is based on the default rate regularly published by the International Credit Rating Agency (Moody's) and adjusted according to general economic information.

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

i. Financial assets of Cathay Century and its subsidiaries

	December 31, 2021					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 728,828	\$ -	\$ -	\$ -	\$ -	\$ 728,828
Financial assets measured at amortized cost	7,764,815	-	-	-	(2,280)	7,762,535
<hr/>						
	December 31, 2020					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 764,184	\$ -	\$ -	\$ -	\$ -	\$ 764,184
Financial assets measured at amortized cost	7,781,007	-	-	-	(6,120)	7,774,887
<u>Non-investment grade</u>						
Financial assets at amortized cost	-	141,195	-	-	(10,311)	130,884

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

ii. Secured loans of Cathay Century and its subsidiaries

	December 31, 2021					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 188,921	\$ -	\$ -	\$ -	\$ (2,458)	\$ 186,463
<hr/>						
	December 31, 2020					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 197,791	\$ -	\$ -	\$ -	\$ (2,475)	\$ 195,316

g) Reconciliation for loss allowance is summarized below:

i. Debt instruments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2021	\$ 91	\$ -	\$ -	\$ -	\$ 91
Changes in models/risk parameters	<u>(72)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72)</u>
December 31, 2021	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19</u>
January 1, 2020	\$ 66	\$ -	\$ -	\$ -	\$ 66
Changes in models/risk parameters	<u>25</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25</u>
December 31, 2020	<u>\$ 91</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91</u>

ii. Financial assets at amortized cost

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2021	\$ 6,120	\$ -	\$ 10,311	\$ -	\$ 16,431
Changes in models/risk parameters	<u>(3,840)</u>	<u>-</u>	<u>(10,311)</u>	<u>-</u>	<u>(14,151)</u>
December 31, 2021	<u>\$ 2,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,280</u>
January 1, 2020	\$ 3,909	\$ -	\$ -	\$ -	\$ 3,909
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit loss	(523)	-	523	-	-
Derecognition of financial assets in the current period	-	-	(8,854)	-	(8,854)
Changes in models/risk parameters	<u>2,734</u>	<u>-</u>	<u>18,642</u>	<u>-</u>	<u>21,376</u>
December 31, 2020	<u>\$ 6,120</u>	<u>\$ -</u>	<u>\$ 10,311</u>	<u>\$ -</u>	<u>\$ 16,431</u>

iii. Secured loans

	<u>Lifetime Expected Credit Losses</u>					Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9		
January 1, 2021	\$ 22	\$ -	\$ -	\$ -	\$ 22	\$ 2,453	\$ 2,475
Changes in model/risk parameters	21	-	-	-	21	-	21
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(38)	(38)
December 31, 2021	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 2,415</u>	<u>\$ 2,458</u>
January 1, 2020	\$ 66	\$ -	\$ -	\$ -	\$ 66	\$ 2,737	\$ 2,803
Changes in model/risk parameters	(44)	-	-	-	(44)	-	(44)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(284)	(284)
December 31, 2020	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ 2,453</u>	<u>\$ 2,475</u>

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

h) Exposure to credit risk and loss allowance of receivables

Cathay Century and its subsidiaries apply the simplified approach to providing for expected credit loss prescribed by IFRS 9, and the estimation of lifetime credit loss was as follows:

December 31, 2021	Due	Overdue	Total
Carrying amount	\$ 2,027,195	\$ 292,113	\$ 2,319,308
Expected credit loss rate	1.05%	5.10%	
Lifetime expected credit losses	\$ 21,292	\$ 14,893	\$ 36,185
December 31, 2020	Due	Overdue	Total
Carrying amount	\$ 2,017,873	\$ 338,004	\$ 2,355,877
Expected credit loss rate	1.00%	5.95%	
Lifetime expected credit losses	\$ 20,087	\$ 20,115	\$ 40,202

3) Liquidity risk

a) Sources of liquidity risk

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

b) Liquidity risk management

Cathay Century and its subsidiaries established a complete capital liquidity management by assessing the business features, monitoring short-term cash flow, and considering the trading volume and holding position to carefully manage the market liquidity risk.

According to the actual management need or special situations, Cathay Century and its subsidiaries use cash flow model and stress testing to assess cash flow risk. Moreover, Cathay Century and its subsidiaries have drawn up a plan for capital requirements with respect to abnormal and emergency conditions to deal with significant liquidity risk.

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

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

December 31, 2021

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,871,971	\$ 21,504	\$ 5,263	\$ 9,387	\$ 4,808
Lease liabilities	74,994	71,072	93,624	800	-
<u>Derivative financial liabilities</u>					
Swap	72	-	-	-	-

December 31, 2020

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,322,801	\$ 18,618	\$ 8,438	\$ 8,209	\$ 4,850
Lease liabilities	69,228	27,848	7,944	2,033	-
<u>Derivative financial liabilities</u>					
Swap	2,700	-	-	-	-

Cathay Securities and its subsidiaries

1) Risk management system

a) Risk management objectives

Adhering to the risk management policies of the Company, Cathay Securities and its subsidiaries manage the risks during its operating activities in compliance with domestic and foreign regulations as well as in an efficient and flexible manner to maximize the profit.

b) Risk management policies

Cathay Securities and its subsidiaries comply with the risk management policies as a guiding principle to establish significant risk management matters such as objectives, coverage, organization duties and operating, management principles and reports.

The management policies of Cathay Securities and its subsidiaries cover different types of risk including market risk, credit risk, operating risk, liquidity risk, capital adequacy management, regulation risk and other risks related to operating activities. Before initiating a business, Cathay Securities and its subsidiaries identify relevant risks and have integrated planning of risk management mechanism and methods to ensure that such business is compliant with the management policies.

c) Risk management organization

i. Board of directors

The board of directors takes the ultimate responsibilities for risk management. The board of directors approves the risk management policy, ensures that approved risk management policies are in accordance with the nature of operating activities and types of business and cover different types of risk and monitors the effective implementation of risk management policies.

ii. Risk management committee

The risk management committee is responsible for reviewing risk management policies, principles, and rules of trading transactions, and for determining the appropriate degree of risk exposure and monitoring the implementation of the risk management policies. The risk management committee is under the board of directors and the chairman of board of directors takes chair of the committee, and the members include the general manager, finance supervisor, accounting manager, risk management supervisor, and the relevant trading department supervisor. The committee meetings are typically held quarterly and provisional meetings are called by the chairman of the board.

iii. Risk management department

The risk management department is under the board of directors. The supervisor and staff of the department are prohibited from holding positions at the trading or settlement department. Their responsibilities are to plan and implement risk management policies, principles and directions, review policies regularly to ensure that those policies are suitable for business development. The risk management department also establishes online monitoring and prevention systems and reaction mechanisms, according to the development of Cathay Securities and its subsidiaries.

iv. Business unit

Each business unit participates in the setting of the risk management mechanism and executes daily risk management and reporting to ensure that the risk model used by the business unit is implemented with the consistent credibility and is in accordance with the internal control procedures to comply with the regulations and risk management policies.

v. Auditing office

The auditing office executes risk management and internal control procedures regularly, and traces and documents findings and deviations of internal control procedures periodically to ensure that the appropriate actions of improvement have been taken in time.

vi. Finance department

The finance department participates in the setting of the risk management mechanism. The department is responsible for executing liquidity risk management and providing the liquidity risk report to the risk management department regularly.

vii. Accounting department

The accounting department participates in the setting of the risk management mechanism and provides the form of capital adequacy to the risk management department monthly.

viii. Legal affairs office

The legal affairs office executes legal risk management to ensure that business operations and risk management procedures are all in compliance with the regulations.

d) Risk management workflows

Risk management workflow for Cathay Securities and its subsidiaries includes risk identification, risk measurement, risk management mechanism, and risk reporting. Risk assessment and response strategies to each risk are addressed as follows:

i. Market risk

i) Definition

Market risk is the risk of losses in Cathay Securities and its subsidiaries' investment positions, including shares, bonds, and derivatives etc. arising from changes in the market prices of financial instruments.

ii) Controls

Cathay Securities and its subsidiaries set up rules of trading transactions including the limits of authorization, risk limitation, stop-loss rules, and responses to the exceeded limits by each product or service line and implement those control procedures efficiently through the front desk risk control staff and on-line monitoring system. Furthermore, Cathay Securities and its subsidiaries provide the market risk management report regularly that includes market price assessments, the dollar amounts of surplus/shortfall and arbitrage, Value at Risk, and back-testing model and perform stress testing by each extreme scenario to control the risks that Cathay Securities and its subsidiaries face and manage all risks as a whole efficiently.

ii. Credit risk

i) Definition

Credit risk is the risk of loss incurred by Cathay Securities and its subsidiaries as a result of a counterparty or debtor not being able to perform its contract obligations due to deterioration of financial conditions or other factors.

ii) Controls

Cathay Securities and its subsidiaries check and review the credit position of each counterparty before trading and manage risk exposure after trading. Risks arising from securities trading are monitored and controlled based on the credit rating model. Investment concentration and risks are analyzed and documented regularly. Investment limit to each counterparty is established by its credit rating (TCRI, Taiwan Ratings, S&P, Moody's, and Fitch). In addition, the customers covered by the high-risk range of self-managed credit integrity and the credit balance of the underlying account for a certain percentage of the market credit balance are regularly reviewed and the credit risk emergency notification mechanism for the Company is established.

iii. Operational risk

i) Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategy risk and credit risk.

ii) Controls

Cathay Securities and its subsidiaries establish authority levels and the segregation of duties for the processes of front, middle and back offices. Trading, confirmation, settlement, financial accounting, and trading documents are archived for future reference. The strict processes are also established to prevent fraud and negligence. Cathay Securities and its subsidiaries request each department to establish and implement internal audit and control policies authentically. The reporting mechanism for loss events from operational risk and database are established to understand the causes of the loss.

In addition, the auditing office is established under the board of directors. The functions of the office are to implement daily process checks to establish completed internal audit control and provide internal review reports periodically to lower the loss arising from the operational failures.

iv. Liquidity risk

i) Definition

Fund liquidity refers to Cathay Securities and its subsidiaries' acquisition of funds to maintain its needed flexibility to support asset growth or to repay liabilities; market liquidity refers to the managing and avoidance of risk of loss resulting from significant changes in the market price of held positions due to the lack of market depth or market disruption.

ii) Controls

The measurement index for liquidity risk is established and Cathay Securities compiles the liquidity risk management report regularly to review the capital conditions and cash flow gap as of the balance sheet date and liquidity of overall foreign currency. Capital allocation planning is based on the compiled structure analysis as of the balance sheet date. In addition, capital liquidity simulation operations are regularly conducted to ensure that there are corresponding contingency measures in the extreme situations which can cover the funding gap. Meanwhile, credit lines of short-term financing are acquired from other financial institutions and receipts and payments are managed properly to sustain appropriate liquidity and ensure payment ability. Investment business units should conduct market liquidity risk control when buying in accordance with market liquidity management index.

v. Legal risk

i) Definition

Legal risk is the risk of loss that results from a counterparty being unable to legally enter into a contract due to the contract or eligibility of the counterparty being defective.

ii) Controls

The procedures of making and reviewing legal documentation are established. All the documents related to the contracts are required to be reviewed and approved by the legal office and may be reviewed with reference to external lawyers' opinions if needed.

vi. Capital adequacy management

i) Definition

Cathay Securities and its subsidiaries implement capital management to maintain an appropriate capital adequacy ratio, promote business growth and ensure a robust capital structure.

ii) Controls

Cathay Securities established the capital adequacy index and compiles the capital adequacy management report regularly to evaluate the appropriateness of the capital adequacy ratio and the robustness of the capital structure.

vii. Reputation risk and strategy risk

i) Definition

Reputation risk is the risk of loss resulting from negative aspects of Cathay Securities and its subsidiaries' operations, leading to the loss of customers or revenue, and the need for Cathay Securities and its subsidiaries to bear large amounts of legal fees or other losses from damages. Strategy risk is another risk of current or potential loss to revenue or capital resulting from a strategy that turns out to be defective or inappropriate, or lack of proper responses to the competitors.

ii) Controls

In response to significant events related to reputation and strategy risk, Cathay Securities and its subsidiaries establish internal regulations to mitigate the risk of losses when significant events occur.

Risk management policies and principles are established based on the above-mentioned risks and management mechanisms from each risk source are set out specifically. Cathay Securities and its subsidiaries also establish the constraints for each risk and review the appropriateness of each constraint regularly. Moreover, the risk management implementation reports are reported to the risk management committee, board of directors, and risk management office of Cathay Securities and its subsidiaries every half year to assess risk tolerance and the appropriateness of the current risk management scheme.

e) Hedging and mitigation of risk strategies

The hedging and mitigation risk strategies for Cathay Securities and its subsidiaries refer to the implementation of dynamic hedging through the purchase and sale of target investment products to duplicate the same cash flows when derivatives mature. The hedging for outstanding stock warrants and structured products is based on the principle of Delta Neutral. If the prices of those investment positions fluctuate significantly in the financial markets, when the regulations for hedging operations are breached due to the impact from significant events, or when the risk personnel's implementation of hedging strategies are in violation of the regulations of hedging operations, the business department is required to explain in writing, report to the risk management department and be approved by general manager.

Cathay Securities and its subsidiaries establish the approval limit and stop-loss mechanism based on the attributes of each product. When the position meets the stop-loss point, the risk management department will inform the supervisor or position administrator in time and monitor the change in the position. In addition, the business department should operate in accordance with the approval limits. If the stop-loss point is met, the investment should be sold or the business department is required to provide an exception report detailing the reason and specific response measures.

2) Market risk analysis

Cathay Securities and its subsidiaries assess, monitor, and manage market risks completely and effectively by applying market risk management tools such as sensitivity analysis, Value at Risk ("VaR") and stress testing continuously.

a) Sensitivity analysis

Sensitivity analysis is used to measure the degree of impact on each product and investment portfolio due to fluctuations in specific market factors. The relevant monitoring and control regulations are set based on the differences in the types of risk and business attributes of Cathay Securities and its subsidiaries. The degree of risk exposure is monitored and measured by the following sensitivities:

i. Measurement based on interest factors

Price value of basis point (PVBP): Denoting the change in the value of a position given a 1 basis point change in the yield curve.

ii. Measurement based on commodity factors

- i) Delta: Measuring the change in the value of a position given a 1% price change of a certain underlying asset.
- ii) Gamma: Measuring the dollar amount of change in Delta of a position given a 1% price change of a certain underlying asset.
- iii) Vega: Denoting the change in the value of a position given a 1% price volatility change of a certain underlying asset.

b) VaR

VaR is used to measure the risk of the largest potential loss of the investment portfolio arising from movements in market risk factors over a specific time frame and at a certain confidence level. Cathay Securities and its subsidiaries currently measure the VaR of an investment portfolio for the next day at a 99% confidence level. Also, back testing of the VaR model is performed each year to ensure the accuracy of this model.

VaR on one single trading day within the 99% confidence level

	For the Year Ended December 31, 2021			
	Average	Highest	Lowest	End of Period
VaR	\$ 35,508	\$ 79,243	\$ 20,425	\$ 26,051

	For the Year Ended December 31, 2020			
	Average	Highest	Lowest	End of Period
VaR	\$ 36,718	\$ 89,675	\$ 11,733	\$ 62,027

c) Stress testing

Cathay Securities and its subsidiaries perform stress testing on a monthly basis to assess the degree of impact on the asset portfolio arising from foreign and domestic significant events, find the risk factors which exert greater significant influence on the asset portfolio, follow up review and report such factors according to the market conditions and customized or extreme scenarios which are performed periodically by taking rapid changes in foreign and domestic financial environments into consideration, and the maximum losses arising from these scenarios are measured to ensure that Cathay Securities and its subsidiaries manage the risk from each potential scenario effectively.

Stress testing scenarios, which include the historical scenario and hypothesis scenario, are described as follows:

i. Historical Scenario

Cathay Securities and its subsidiaries assess the dollar amount of losses for the investment portfolio by choosing a specific time frame of historical events and taking the fluctuations of risk factors into the consideration such as the immediate, significant, and comprehensive impact on financial markets from the bankruptcy of Lehman Brothers in 2008 and the Great East Japan earthquake in 2011.

ii. Hypothesis Scenario

Cathay Securities and its subsidiaries make reasonable expected hypotheses on possible future extreme market fluctuations, include movements of the related risk factors in the current investment portfolio, and measure the loss amount generated from such events on the investment position, including the 10% drop in the total stock market value arising from the breakdown of the global system.

**For the Year Ended December 31, 2021
Stress Test Table**

(In Thousands of New Taiwan Dollars, %)

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (343,325)
Interest rate risk (yield curve)	+100bps	(79,324)
Exchange rate risk (exchange rate)	3%	(69,224)
Product risk (price)	-10%	-

**For the Year Ended December 31, 2020
Stress Test Table**

(In Thousands of New Taiwan Dollars, %)

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ 75,660
Interest rate risk (yield curve)	+100bps	56,647
Exchange rate risk (exchange rate)	3%	5,865
Product risk (price)	-10%	16,775

3) Credit risk

a) Source of credit risk

Credit risk refers to the credit risk that Cathay Securities and its subsidiaries may encounter due to engagement in financial transactions which include the credit risks from issuers, counterparties, and underlying assets:

- i. Issuer credit risk refers to the risk of financial loss that Cathay Securities and its subsidiaries may incur as a result of issuers, guarantors or banks not fulfilling their payment obligations due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk of financial loss that Cathay Securities and its subsidiaries may incur when a counterparty does not fulfill its settlement or payment obligations on the designated date.
- iii. Underlying asset credit risk refers to the risk of loss that Cathay Securities and its subsidiaries may encounter when the credit quality of the target financial instrument turns weak, credit charges increase, credit rating reduces or when the terms of the contracts are violated.

Financial assets that expose Cathay Securities and its subsidiaries to credit risk include bank accounts, debt securities, trading of over-the-counter derivatives, repurchase and resale of debts, trading from the securities lending, refundable deposits, futures deposits in banks, other refundable deposits and accounts receivable etc.

- b) Determinants for whether the credit risk has increased significantly since initial recognition
 - i. Cathay Securities and its subsidiaries assess, at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, Cathay Securities and its subsidiaries consider reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.
 - ii. Low credit risk: If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.

- c) Definitions of a default occurring on a financial asset and a credit-impaired financial asset

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

- i. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
 - i) The issuers, guarantee institutions or counterparties have entered bankruptcy or are probable to close, undergo financial reorganization, file bankruptcy, dissolve or have a significant impact on the entity's ability to continue.
 - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
 - ii. The abovementioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by Cathay Securities and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to the related impairment assessment model.
- d) Measurement of expected credit losses
 - i. Methods and assumptions adopted

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

To measure expected credit losses, Cathay Securities and its subsidiaries multiply exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. Cathay Securities and its subsidiaries also consider the effect of the time value of money when calculating the 12-month expected credit losses and the lifetime expected credit losses.

Probability of default is the rate that an issuer, guarantee agency and a borrower defaults. Loss given default is the loss rate that results from the default of issuers, guarantee agencies and borrowers. Loss given default used by Cathay Securities and its subsidiaries in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (i.e., gross domestic product and economic growth rate) after adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

Cathay Securities and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets.

e) Loss allowance of accounts receivable

The movements of the loss allowance of accounts receivable were as follows:

	Debt Instrument Investments	Receivables	Other Receivables	Overdue Receivables	Securities Financing Receivables	Security Lending Receivables	Futures Trading Margin Receivables	Total
Balance at								
January 1, 2021	\$ 1,932	\$ 270	\$ 26	\$ 92,222	\$ 305	\$ 28	\$ 74	\$ 94,857
Increase (decrease)	(1,590)	108	(8)	2,520	341	53	-	1,424
Written off	-	-	-	(90,995)	-	-	-	(90,995)
Balance at								
December 31, 2021	<u>\$ 342</u>	<u>\$ 378</u>	<u>\$ 18</u>	<u>\$ 3,747</u>	<u>\$ 646</u>	<u>\$ 81</u>	<u>\$ 74</u>	<u>\$ 5,286</u>
Balance at								
January 1, 2020	\$ 852	\$ 96	\$ 17	\$ 94,993	\$ 166	\$ 16	\$ -	\$ 96,140
Increase (decrease)	<u>1,080</u>	<u>174</u>	<u>9</u>	<u>(2,771)</u>	<u>139</u>	<u>12</u>	<u>74</u>	<u>(1,283)</u>
Balance at								
December 31, 2020	<u>\$ 1,932</u>	<u>\$ 270</u>	<u>\$ 26</u>	<u>\$ 92,222</u>	<u>\$ 305</u>	<u>\$ 28</u>	<u>\$ 74</u>	<u>\$ 94,857</u>

4) Capital liquidity risk analysis:

Bank loans are important liquidity resource for Cathay Securities and its subsidiaries. As of December 31, 2021 and 2020, the unused credits of short-term bank loans of Cathay Securities and its subsidiaries amounted to \$8,918,105 thousand and \$6,610,559 thousand, respectively.

a) Cash flow analysis

Capital liquidity risk is the risk that Cathay Securities and its subsidiaries are unable to acquire sufficient capital at a reasonable cost within a reasonable time frame and which results in a cash flow gap, or the risk that Cathay Securities and its subsidiaries sell assets at a loss to meet the cash flow requirements.

December 31, 2021

Cash Flows Analysis of Financial Liabilities

	Payment Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial liabilities</u>					
Short-term borrowings	\$ 1,670,185	\$ -	\$ -	\$ -	\$ 1,670,185
Commercial paper payable	4,959,166	-	-	-	4,959,166
Financial liabilities at FVTPL	1,613,814	-	-	-	1,613,814
Liabilities for bonds with repurchase agreements	2,666,221	-	-	-	2,666,221
Short sale margins and payables for short sale collateral received	162,394	324,788	487,182	1,948,735	2,923,099
Securities lending margin - deposit received	339	678	1,017	4,061	6,095
Futures trader's equity	10,909,517	-	-	-	10,909,517
Accounts payable	19,716,152	-	241,094	498,732	20,455,978
Other financial liabilities	101,229	-	-	-	101,229
Lease liabilities	6,455	12,929	19,034	38,323	76,741
Others	11,200,936	-	-	-	11,200,936
Total	<u>\$ 53,006,408</u>	<u>\$ 338,395</u>	<u>\$ 748,327</u>	<u>\$ 2,489,851</u>	<u>\$ 56,582,981</u>
% to the total	<u>93.68%</u>	<u>0.60%</u>	<u>1.32%</u>	<u>4.40%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

December 31, 2021

Cash Flow Gap

	Fund Receipt Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial assets</u>					
Cash and cash equivalents	\$ 4,711,990	\$ -	\$ -	\$ -	\$ 4,711,990
Financial assets at FVTPL					
Operation securities	3,702,238	-	-	-	3,702,238
Open-end funds and beneficiary certificates	50,146	-	-	-	50,146
Futures trading margin	205,263	-	-	-	205,263
Structured products	303	-	-	-	303
Financial assets at FVTOCI - current	2,654,273	-	-	-	2,654,273
Securities financing receivables	606,280	1,199,506	1,799,259	7,197,032	10,802,077
Refinancing margin and refinancing deposits receivable	1,933	3,866	5,799	23,187	34,785
Security lending receivable	136,191	272,382	408,574	-	817,147
Customer's margin accounts	10,914,357	-	-	-	10,914,357
Security lending deposits price and security lending margin deposits paid	66,704	133,408	200,112	800,452	1,200,676
Receivables	18,262,075	-	-	12,035	18,274,110
Others	11,915,461	265	397	1,600,000	13,516,123
	<u>53,227,214</u>	<u>1,609,427</u>	<u>2,414,141</u>	<u>9,632,706</u>	<u>66,883,488</u>
Residual cash	<u>\$ 220,806</u>	<u>\$ 1,271,032</u>	<u>\$ 1,665,814</u>	<u>\$ 7,142,855</u>	<u>\$ 10,300,507</u>

December 31, 2020

Cash Flows Analysis of Financial Liabilities

	Payment Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<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	1,335,561	-	-	-	1,335,561
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				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<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	2,094,005	1,914	2,870	1,200,000	3,298,789
	<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	<u>\$ (854,099)</u>	<u>\$ 730,457</u>	<u>\$ 1,549,513</u>	<u>\$ 7,674,506</u>	<u>\$ 9,100,377</u>

b) Capital liquidity risk stress testing

Cathay Securities and its subsidiaries perform stress testing regularly to measure and evaluate the changes of capital liquidity under extreme and abnormal events to ensure that Cathay Securities and its subsidiaries maintain capital liquidity. Stress scenarios include significant fluctuations in the financial markets, the occurrence of various credit events, the unexpected tightening of capital liquidity in the financial markets and other assumptions that may cause financial liquidity stress, and are used to measure Cathay Securities and its subsidiaries' abilities to meet the demand for cash and the changes in cash flow gap.

If the cash flow gap arises under the specific stress scenario, the following procedures are performed to prevent the occurrence of the stress events:

- i. Cathay Securities and its subsidiaries make fund raising and balance sheet adjustments in accordance with the Crisis Management Principles and Regulations of Emergency Management.
- ii. Financing: (i) short-term loan credit line (ii) collateralized time deposits (iii) issuance of commercial paper
- iii. Balance sheet adjustments: (i) sale of securities (ii) recovery of short-term capital invested in the currency market.

i. Structured entities

1) Consolidated structured entities

The consolidated structured entities in Cathay Life and its subsidiaries' consolidated financial statements are the real estate investments and management organizations. As of December 31, 2021 and 2020, Cathay Life and its subsidiaries provided loans amounting to GBP331,300 thousand and GBP345,000 thousand, respectively, as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

- a) Cathay Life and its subsidiaries hold interests in structured entities which are not consolidated in Cathay Life and its subsidiaries' consolidated financial statements and Cathay Life and its subsidiaries do not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by Cathay Life and its subsidiaries. The information of these unconsolidated structured entities is disclosed as follows:

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

- b) As of December 31, 2021 and 2020, the carrying amounts of Cathay Life and its subsidiaries' assets related to its interests in unconsolidated structured entities are disclosed as follows:

	December 31, 2021	
	Private Equity Funds	Asset-backed Securities
Financial assets at FVTPL	\$ 185,461,478	\$ 34,862,085
Financial assets at FVTOCI	-	41,608,066
Debt instruments at amortized cost	-	107,111,263
	<u>\$ 185,461,478</u>	<u>\$ 183,581,414</u>

	December 31, 2020	
	Private Equity Funds	Asset-backed Securities
Financial assets at FVTPL	\$ 119,715,465	\$ 40,232,961
Financial assets at FVTOCI	-	66,528,618
Debt instruments at amortized cost	-	119,025,227
	<u>\$ 119,715,465</u>	<u>\$ 225,786,806</u>

- c) Cathay United Bank and its subsidiaries do not provide financial support or other support to the unconsolidated structured entities. Cathay United Bank's maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets Cathay United Bank recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entity

As of December 31, 2021 and 2020, the carrying amounts of assets recognized by Cathay United Bank and its subsidiaries' asset relating to its interests in unconsolidated structured entities are disclosed as follows:

	December 31	
	2021	2020
Financial assets at FVTOCI	\$ 10,163,330	\$ 14,299,523
Debt instruments measured at amortized cost	<u>40,400,178</u>	<u>32,294,807</u>
	<u>\$ 50,563,508</u>	<u>\$ 46,594,330</u>

- d) Cathay Century and its subsidiaries' does not provide financial support or other support to the unconsolidated structured entities. Cathay Century's maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets recognized by Cathay Century. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entity

As of December 31, 2021 and 2020, the carrying amounts of assets recognized by Cathay Century relating to its interests in unconsolidated structured entities are disclosed as follows:

	December 31	
	2021	2020
Financial assets at FVTPL	\$ 254,142	\$ 33,637
Debt instruments measured at amortized cost	<u>318,445</u>	<u>459,934</u>
	<u>\$ 572,587</u>	<u>\$ 493,571</u>

37. CAPITAL MANAGEMENT

The Group's capital adequacy ratios meet the statutory requirements currently. Under the pretext that the Group meets the statutory capital adequacy requirements, dynamic capital management mechanism is utilized to increase the capital efficiency of the subsidiaries. After reallocation of capital, the subsidiaries' capabilities of risk-taking are not affected due to lower level of retained core capital. Accordingly, the Company conducts overall planning based on the status of the subsidiaries' capital in order to improve the capital efficiency of the Group.

a. Capital adequacy ratio of the Group

Item	Shareholding Proportion of the Company	December 31, 2021	
		Eligible Capital	Statutory Capital Requirements
The Company	100%	\$ 902,002,542	\$ 1,020,001,301
Cathay United Bank	100%	277,727,052	179,465,475
Cathay Securities	100%	10,246,873	3,178,027
Cathay Life	100%	743,211,554	400,952,592
Cathay Century	100%	13,684,508	9,622,434
Cathay Venture	75%	4,818,428	2,428,909
Cathay Securities Investment Trust	100%	3,551,968	2,270,053
Less: Deduction items		<u>(1,059,872,748)</u>	<u>(1,018,115,958)</u>
		<u>\$ 895,370,177</u>	<u>\$ 599,802,833</u>
Capital adequacy ratio of the Group			149.28%

December 31, 2020			
Item	Shareholding Proportion of the Company	Eligible Capital	Statutory Capital Requirements
The Company	100.00%	\$ 893,035,819	\$ 997,712,189
Cathay United Bank	100.00%	276,800,810	171,889,293
Cathay Securities	100.00%	8,712,584	4,015,849
Cathay Life	100.00%	621,219,356	344,994,185
Cathay Century	100.00%	12,179,533	7,536,668
Cathay Venture	75.00%	4,491,451	2,261,794
Cathay Securities Investment Trust	100.00%	2,924,161	1,874,420
Less: Deduction items		<u>(1,033,871,816)</u>	<u>(989,505,379)</u>
		<u>\$ 785,491,898</u>	<u>\$ 540,779,019</u>

Capital adequacy ratio of the Group 145.25%

b. Eligible capital

Item	December 31, 2021 Amount
Ordinary shares	\$ 131,692,102
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates - qualifying as bank-level Tier I Capital	15,333,000
Other preferred stock and subordinated financial debentures	-
Capital received in advance	-
Capital surplus	177,244,388
Legal reserve	59,471,895
Special reserve	150,716,023
Retained earnings	267,799,001
Equity adjustments	99,781,737
Less: Goodwill	-
Less: Deferred assets	(35,604)
Less: Treasury stock	<u>-</u>
Total eligible capital	<u>\$ 902,002,542</u>

Item	December 31, 2020 <u>Amount</u>
Ordinary shares	\$ 131,692,102
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates - qualifying as bank-level Tier I Capital	15,333,000
Other preferred stock and subordinated financial debentures	-
Capital received in advance	-
Capital surplus	177,256,053
Legal reserve	51,967,688
Special reserve	149,894,910
Retained earnings	169,606,342
Equity adjustments	197,311,121
Less: Goodwill	-
Less: Deferred assets	(25,397)
Less: Treasury stock	<u>-</u>
Total eligible capital	<u>\$ 893,035,819</u>

38. BUSINESS COMBINATIONS-SUBSIDIARIES ACQUIRED

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Global Evolution Holding ApS	Asset Management Services	June 25, 2020	53	<u>\$ 781,317</u>

On June 25, 2020, CHL acquired a further 8% ownership interest in Global Evolution Holding ApS, the ownership interest increased from 45% to 53%, and CHL obtained the control.

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

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

c. Non-controlling interests

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

d. Goodwill recognized on acquisitions

	Global Evolution Holding ApS
Consideration transferred for 8% shares	\$ 781,317
Plus: Non-controlling interests (47% ownership interest in Global Evolution Holding ApS)	1,415,021
Plus: Fair value of 45% shares owned before acquisition	<u>4,394,897</u>
	6,591,235
Less: Fair value of identifiable net assets acquired	<u>(3,127,879)</u>
Goodwill recognized on acquisitions	<u>\$ 3,463,356</u>

e. Net cash outflow on the acquisition of subsidiaries

	Global Evolution Holding ApS and Its Subsidiaries
Consideration paid in cash	\$ 781,317
Less: Cash and cash equivalent balances acquired	<u>(628,816)</u>
	<u>\$ 152,501</u>

39. OTHERS

a. Impact of COVID-19

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

b. Impact of the Russo-Ukrainian War

As of December 31, 2021 and February 28, 2022, Russian bonds held by Cathay Life at December 31, 2021 and February 28, 2022 included financial assets at fair value through other comprehensive income of \$9,328,323 thousand and \$2,948,160 thousand and financial assets at amortized cost \$17,687,512 thousand and \$17,176,719 thousand, respectively. As the Russo-Ukrainian War broke out on February 24, 2022, international economic sanctions were imposed on Russia and its credit ratings were largely downgraded, which was identified as objective credit - impaired evidence; therefore, Cathay Life transferred the Russian bonds from 12-month expected credit losses to lifetime expected credit losses in February 2022. This condition is a non-adjusting event that happened in the subsequent period and Cathay Life continues assessment and recognizes the expected credit losses on those bonds.

c. Significant assets and liabilities denominated in foreign currencies

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

	December 31, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 155,093,655	27.6900	\$ 4,294,543,307
CNY	35,065,355	4.3467	152,418,579
AUD	7,090,617	20.0919	142,463,968
Non-monetary items			
USD	13,627,933	27.6900	377,357,465
<u>Financial liabilities</u>			
Monetary items			
USD	20,243,778	27.6900	560,550,213

	December 31, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 136,841,984	28.5080	\$ 3,901,091,280
CNY	42,150,730	4.3813	184,674,993
AUD	6,327,462	21.9725	139,030,159
Non-monetary items			
USD	11,673,378	28.5080	332,784,660
<u>Financial liabilities</u>			
Monetary items			
USD	17,999,522	28.5080	513,130,373

It is not possible to disclose foreign exchange gains (losses) of monetary financial instruments by each significant foreign currency due to the variety of the foreign currencies of the Group. The foreign currency exchange losses for the year ended December 31, 2021 and 2020 were \$74,946,785 thousand and \$126,717,214 thousand, respectively.

d. Information on discretionary investments

1) Cathay Life and its subsidiaries

- a) As of December 31, 2021 and 2020, Cathay Life entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

	December 31	
	2021	2020
Domestic shares	\$ 194,785,199	\$ 165,441,030
Overseas shares	63,875,230	73,520,629
Notes and bonds purchased under resale agreements	22,665,650	20,066,000
Cash in banks	61,954,809	51,308,069
Beneficiary certificates	240,069	1,997,792
Futures and options	<u>216,823</u>	<u>501,910</u>
	<u>\$ 343,737,780</u>	<u>\$ 312,835,430</u>

The carrying amounts of the financial assets held under discretionary securities investment trust enterprises are equal to their fair values.

- b) As of December 31, 2021 and 2020, the discretionary investments limits are as follows (in thousands):

	December 31	
	2021	2020
NTD	\$ 99,779,839	\$ 84,358,163
USD	1,002,600	1,462,200
HKD	2,084	74,084

2) Cathay Century and its subsidiaries

Cathay Century enters into contracts with securities investment trust companies or consulting companies for discretionary investment management. The investment details are disclosed as follows:

	December 31	
	2021	2020
Domestic shares	\$ 2,303,141	\$ 1,588,344
Short-term notes	-	200,009
Cash in banks	488,817	414,548
Future margins	<u>2,012</u>	<u>2,011</u>
	<u>\$ 2,793,970</u>	<u>\$ 2,204,912</u>

The fair values of Cathay Century and its subsidiaries' financial assets under discretionary account management contracts are as the same as their carrying amounts.

As of December 31, 2021 and 2020, Cathay Century and its subsidiaries entered into discretionary management contracts with investment limits of \$1,200,000 thousand.

e. Disclosure information as required by Article 16 of Regulations Governing the Preparation of Financial Reports by Public Banks

1) Asset quality - loans

(In Thousands of New Taiwan Dollars, %)

Period		December 31, 2021					December 31, 2020					
		Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	
Corporate banking	Secured	\$ 268,035	\$ 308,097,214	0.09%	\$ 1,578,217	588.81%	\$ 840,401	\$ 265,981,571	0.32%	\$ 3,283,451	390.70%	
	Unsecured	195,016	305,333,308	0.06%	8,292,953	4252.44%	203,533	312,112,388	0.07%	7,296,192	3584.78%	
Consumer banking	Housing mortgage (Note 4)		223,762	473,052,647	0.05%	7,393,776	3304.31%	363,263	429,232,267	0.08%	6,791,891	1869.69%
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		198,632	117,528,033	0.17%	4,645,483	2338.74%	248,450	100,603,115	0.25%	3,614,217	1454.71%
	Other (Note 6)	Secured	643,569	536,764,676	0.12%	5,862,853	910.99%	603,718	489,779,625	0.12%	5,539,927	917.64%
Unsecured		49,119	20,748,561	0.24%	291,005	592.45%	14,922	22,885,286	0.07%	320,255	2146.14%	
Total loan		1,578,133	1,761,524,439	0.09%	28,064,287	1778.32%	2,274,287	1,620,594,252	0.14%	26,845,933	1180.41%	
		Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	
Credit cards		\$ 72,266	\$ 88,553,074	0.08%	\$ 2,019,742	2794.88%	\$ 99,834	\$ 87,092,880	0.11%	\$ 1,955,685	1958.94%	
Accounts receivable factored without recourse (Note 7)		-	4,081,459	-	108,365	-	-	4,924,287	-	77,506	-	

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrual Loans.” Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Not reported as nonperforming loans or nonperforming receivables

Type	Items	December 31, 2021		December 31, 2020	
		Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
	Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$ 1,012	\$ 35,320	\$ 1,428	\$ 50,506
	Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	101,553	1,167,911	68,601	1,194,283
	Total	\$ 102,565	\$ 1,203,231	\$ 70,029	\$ 1,244,789

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 and September 20, 2016 (Ref. No. 09700318940 and No. 10500134790).

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2021			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service industry	\$ 27,991,470	11.36
2	Group B - packaging and testing of semi-conductors	12,966,546	5.26
3	Group C - other financial intermediation	8,818,556	3.58
4	Group D - wired telecommunications activities	6,299,901	2.56
5	Group E - real estate lease activities	6,260,000	2.54
6	Group F - real estate development activities	6,094,000	2.47
7	Group G - manufacture of computers	5,616,480	2.28
8	Group H - other financial intermediation	4,763,286	1.93
9	Group I - manufacture of computers	4,634,914	1.88
10	Group J - air transportation	4,611,204	1.87

December 31, 2020			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service industry	\$ 25,080,432	10.35
2	Group B - packaging and testing of semi-conductors	7,803,739	3.22
3	Group C - ocean transportation	7,420,326	3.06
4	Group D - other financial intermediation	6,905,632	2.85
5	Group E - wired telecommunications activities	6,871,093	2.84
6	Group F - real estate lease activities	6,200,000	2.56
7	Group G - real estate development activities	5,708,000	2.36
8	Group H - manufacture of computers	5,288,900	2.18
9	Group I - other financial intermediation	4,793,419	1.98
10	Group J - other financial intermediation	4,247,054	1.75

3) Information on interest rate sensitivity

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2021

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,106,348,492	\$ 43,534,222	\$ 165,165,142	\$ 156,555,266	\$ 2,471,603,122
Interest rate-sensitive liabilities	176,546,916	1,774,005,716	246,309,742	75,921,503	2,272,783,877
Interest rate-sensitive gap	1,929,801,576	(1,730,471,494)	(81,144,600)	80,633,763	198,819,245
Net worth					246,351,112
Ratio of interest rate-sensitive assets to liabilities					108.75%
Ratio of interest rate sensitivity gap to net worth					80.71%

December 31, 2020

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,934,222,537	\$ 51,442,037	\$ 137,064,969	\$ 156,791,393	\$ 2,279,520,936
Interest rate-sensitive liabilities	190,095,447	1,531,047,126	239,236,301	86,479,337	2,046,858,211
Interest rate-sensitive gap	1,744,127,090	(1,479,605,089)	(102,171,332)	70,312,056	232,662,725
Net worth					242,296,872
Ratio of interest rate-sensitive assets to liabilities					111.37%
Ratio of interest rate sensitivity gap to net worth					96.02%

Note 1: The above amounts included only New Taiwan dollar amounts held by Cathay United Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

**Interest Rate Sensitivity (U.S. Dollars)
December 31, 2021**

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 8,469,121	\$ 1,604,475	\$ 973,595	\$ 7,657,361	\$ 18,704,552
Interest rate-sensitive liabilities	12,155,884	4,205,611	4,229,253	4,736,029	25,326,777
Interest rate-sensitive gap	(3,686,763)	(2,601,136)	(3,255,658)	2,921,332	(6,622,225)
Net worth					8,896,754
Ratio of interest rate-sensitive assets to liabilities					73.85%
Ratio of interest rate sensitivity gap to net worth					(74.43%)

December 31, 2020

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 8,399,860	\$ 479,765	\$ 1,112,911	\$ 6,214,503	\$ 16,207,039
Interest rate-sensitive liabilities	10,799,718	3,480,300	4,038,117	4,695,480	23,013,615
Interest rate-sensitive gap	(2,399,858)	(3,000,535)	(2,925,206)	1,519,023	(6,806,576)
Net worth					8,499,259
Ratio of interest rate-sensitive assets to liabilities					70.42%
Ratio of interest rate sensitivity gap to net worth					(80.08%)

Note 1: The above amounts included only U.S. dollar amounts held by Cathay United Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars)

4) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollar)
December 31, 2021

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,168,420,293	\$ 447,042,860	\$ 378,750,327	\$ 223,478,939	\$ 300,577,646	\$ 506,051,944	\$ 1,312,518,577
Main capital outflow on maturity	3,792,365,240	136,412,917	210,418,455	502,760,177	570,067,990	774,624,206	1,598,081,495
Gap	(623,944,947)	310,629,943	168,331,872	(279,281,238)	(269,490,344)	(268,572,262)	(285,562,918)

December 31, 2020

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,991,459,888	\$ 421,163,180	\$ 373,637,362	\$ 326,027,600	\$ 279,941,783	\$ 411,108,777	\$ 1,179,581,186
Main capital outflow on maturity	3,564,991,200	157,675,947	286,412,129	530,879,508	534,669,495	681,943,098	1,373,411,023
Gap	(573,531,312)	263,487,233	87,225,233	(204,851,908)	(254,727,712)	(270,834,321)	(193,829,837)

Note: The above amounts included only New Taiwan dollar amounts held by Cathay United Bank (i.e. excluding foreign currency).

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2021

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 72,349,452	\$ 20,242,005	\$ 10,985,627	\$ 6,497,567	\$ 5,885,072	\$ 28,739,181
Main capital outflow on maturity	76,699,701	21,144,206	16,044,704	12,798,460	15,808,072	10,904,259
Gap	(4,350,249)	(902,201)	(5,059,077)	(6,300,893)	(9,923,000)	17,834,922

December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 65,536,230	\$ 21,926,788	\$ 15,635,019	\$ 8,800,757	\$ 9,094,993	\$ 10,078,673
Main capital outflow on maturity	70,572,687	20,713,751	18,347,814	10,820,543	11,798,356	8,892,223
Gap	(5,036,457)	1,213,037	(2,712,795)	(2,019,786)	(2,703,363)	1,186,450

Note: The above amounts included only U.S. dollar amounts held by the Bank and excluded contingent assets and contingent liabilities.

e. Disclosures according to Article 46 of the Financial Holding Company Act

Ending balances of the transaction mentioned in Paragraph 2 of Article 46 of the Financial Holding Company Act, between all subsidiaries of a financial holding company and the same counterparties mentioned in Paragraph 1 of the same article.

December 31, 2021

Expressed in Thousands of New Taiwan Dollars; %

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
1) Same person		
Central Bank of the Republic of China (Taiwan)	\$ 487,964,139	54.10
Treasury Bond/Treasury Bills	136,595,419	15.14
Taiwan Semiconductor Manufacturing Company Limited	82,439,977	9.14
CTBC Securities Co., Ltd.	70,284,538	7.79
FANNIE MAE	65,683,356	7.28
Macquarie Investment Management Advisers	65,416,578	7.25
Yuanta Securities Investment Trust Co., Ltd.	64,595,152	7.16
FREDDIE MAC	63,260,313	7.01
China Development Bank Corp	57,397,923	6.36
Fubon Asset Management Co., Ltd.	57,063,442	6.33
Fidelity Worldwide Investment	54,232,634	6.01
Indonesia Government International Bond	48,833,339	5.41
Capital Investment Trust Corporation	48,677,124	5.40
Israel Government International Bond	47,198,954	5.23
KGI Securities Investment Trust Co., Ltd.	46,494,958	5.15
Barclays PLC	43,971,052	4.87
Qatar Government International Bond	43,373,399	4.81
BNP Paribas	41,623,222	4.61
Mexico Government International Bond	39,362,527	4.36
Chunghwa Telecom Co., Ltd.	37,991,795	4.21
China Government Bond	34,523,713	3.83
AT&T Inc	33,814,630	3.75
Wells Fargo & Co	32,711,352	3.63
United States Treasury Note/Bond	31,472,374	3.49
Goldman Sachs Group Inc	30,088,314	3.34
Russian Foreign Bond - Eurobond	28,429,993	3.15
JPMorgan Chase & Co	26,055,961	2.89
BANK OF AMERICA, N.A.	25,530,535	2.83
Taiwan Mobile Co., Ltd.	25,069,067	2.78
Bank of China Ltd	25,045,408	2.78
Commonwealth Bank of Australia	23,608,915	2.62
Panama Government International Bond	23,470,115	2.60
Verizon Communications Inc	22,913,136	2.54
Citigroup Inc	22,114,868	2.45
Sinopec Group Overseas Development Ltd	22,042,598	2.44
Goldman Sachs Finance Corp International Ltd	21,452,861	2.38

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Citigroup Global Markets Holdings Inc	\$ 21,412,922	2.37
Fubon Financial Holding Co., Ltd.	20,615,519	2.29
Far EasTone Telecommunications Co., Ltd.	19,856,619	2.20
Uni-President Enterprises Corporation	19,752,820	2.19
SG Issuer	19,205,528	2.13
Credit Agricole SA	19,127,631	2.12
Tencent Holdings Ltd	18,993,527	2.11
Saudi Government International Bond	18,809,911	2.09
Petronas Capital Ltd	18,734,922	2.08
Vietnam Government Bond	18,632,031	2.07
Finance Bureau, Kaohsiung City Government	18,630,632	2.07
PT Perusahaan Listrik Negara (Persero)	18,568,563	2.06
UBS AG	18,458,922	2.05
E.Sun Commercial Bank, Ltd.	18,435,952	2.04
Mega Financial Holding Co., Ltd.	18,411,576	2.04
Anthem Inc	17,814,221	1.97
Shin Kong Investment Trust Co., Ltd.	17,612,145	1.95
Industrial & Commercial Bank of China	17,589,062	1.95
Agricultural Development Bank of China	17,505,798	1.94
MERRILL LYNCH B.V.	17,189,476	1.91
Alibaba Group Holding Ltd	16,528,646	1.83
BlackRock Inc	16,435,538	1.82
Societe Generale	16,279,078	1.80
BANK OF MONTREAL	16,155,590	1.79
Republic of Korea	16,090,496	1.78
State of California	16,022,086	1.78
PERTAMINA PT	15,924,359	1.77
Comcast Corp	15,862,106	1.76
Saudi Arabian Oil Co	15,707,725	1.74
Fuh Hwa Securities Investment Trust Co., Ltd.	15,523,969	1.72
QNB Finance Ltd	15,482,520	1.72
Land Bank of Taiwan Co., Ltd.	15,054,927	1.67
Standard Chartered Bank	14,982,014	1.66
Anheuser-Busch InBev Worldwide Inc	14,577,430	1.62
China Bills Finance Corporation	14,522,770	1.61
European Investment Bank	14,489,331	1.61
Colombia Government International Bond	14,437,435	1.60
Qatar Petroleum	14,170,998	1.57
UnitedHealth Group Inc	14,116,051	1.56
CIGNA CORP	14,098,797	1.56
Australia And New Zealand Banking Group Ltd	13,786,473	1.53
MDC-GMTN B.V.	13,651,348	1.51
REPUBLICA ORIENT URUGUAY	13,503,839	1.50
Westpac Banking Corp	13,397,827	1.49
Government National Mortgage Association	13,177,229	1.46

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
CNOOC Ltd	\$ 13,152,667	1.46
CVS Health Corp	13,103,593	1.45
Mega Financial Holding Co., Ltd.	12,930,727	1.43
Fomento Economico Mexicano SAB de CV	12,908,257	1.43
AbbVie Inc	12,845,772	1.42
Bank of Taiwan	12,839,853	1.42
CNOOC PETROLEUM NA ULC	12,523,353	1.39
Abu Dhabi Government International Bond	12,480,526	1.38
Hamilton Lane Advisors, L.L.C	12,304,869	1.36
NATIONAL BANK OF CANADA	12,232,828	1.36
Amgen Inc	12,212,550	1.35
Quanta Computer Inc.	12,118,972	1.34
America Movil SAB de CV	12,017,856	1.33
Raytheon Technologies Corp	11,991,799	1.33
MediaTek Inc.	11,960,439	1.33
Credit Suisse AG	11,859,363	1.31
Hon Hai Precision Industry Co., Ltd.	11,816,878	1.31
Ginnie Mae II pool	11,801,537	1.31
Lloyds Bank PLC	11,727,068	1.30
CTBC Financial Holding Co., Ltd.	11,696,125	1.30
CITIC LIMITED	11,677,471	1.29
Bristol-Myers Squibb Co	11,653,269	1.29
BPCE SA	11,551,237	1.28
IBM CORP	11,405,463	1.26
CTBC Bank Co., Ltd.	11,403,903	1.26
Sinopec Group Overseas Development 2018 Ltd	11,403,370	1.26
AIA Group Ltd	11,019,571	1.22
Amazon.com Inc	10,848,573	1.20
Peruvian Government International Bond	10,818,005	1.20
Vodafone Group PLC	10,736,918	1.19
Takeda Pharmaceutical Co Ltd	10,671,391	1.18
Oracle Corp	10,630,459	1.18
Sumitomo Mitsui DS Asset Management Company	10,588,269	1.17
Export-Import Bank of China	10,479,639	1.16
Telefonica Emisiones SAU	10,472,981	1.16
Intercontinental Exchange Inc	10,128,444	1.12
Morgan Stanley	10,027,936	1.11
Postal Savings Bank of China Co Ltd	9,975,710	1.11
Taikang Asset Management Co Lt	9,870,816	1.09
Taipei Fubon Commercial Bank Co., Ltd.	9,850,990	1.09
Southern Copper Corp	9,831,279	1.09
TransCanada PipeLines Ltd	9,800,232	1.09
LONDON CLEARING HOUSE	9,687,808	1.07
Cooperatieve Centrale Raiffeisen-Boerenleenbank BA/Netherlands	9,650,297	1.07
Gilead Sciences Inc	9,650,139	1.07
Berkshire Hathaway Energy Co	9,604,514	1.06

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Nationwide Building Society	\$ 9,503,937	1.05
Chile Government International Bond	9,475,927	1.05
Baillie Gifford Overseas Limited	9,409,906	1.04
China Construction Bank Corp	9,308,127	1.03
T-MOBILE USA INC	9,271,120	1.03
Shinhan Bank	9,261,771	1.03
Grand Bills Finance Corporation	9,237,933	1.02
President Chain Store Corporation	9,229,362	1.02
BP Capital Markets America Inc	9,228,780	1.02
Union Pacific Corp	9,042,824	1.00
Phillips 66	9,004,584	1.00
Prudential Financial Inc	8,995,999	1.00
Lexington Partners L.P.	8,909,038	0.99
Microsoft Corp	8,894,402	0.99
UniCredit SpA	8,871,184	0.98
Credit Suisse Group AG	8,816,967	0.98
Walt Disney Co/The	8,762,462	0.97
Taiwan Cooperative Bank Co., Ltd.	8,705,722	0.97
Taiwan Cement Corp.	8,699,649	0.96
Enterprise Products Operating LLC	8,658,513	0.96
Apple Inc	8,638,719	0.96
Shell International Finance BV	8,503,424	0.94
Kazakhstan Government International Bond	8,220,576	0.91
Taishin International Bank Co., Ltd.	8,157,743	0.90
Enbridge Inc	8,107,271	0.90
Nan Ya Plastics Corporation	8,015,105	0.89
Deutsche Telekom AG	8,005,670	0.89
HSBC Investment Funds Limited	7,991,844	0.89
Advanced Semiconductor Engineering, Inc.	7,991,334	0.89
Taiwan High Speed Rail Corporation	7,957,449	0.88
ASE Technology Holding Co., Ltd.	7,893,076	0.88
Intel Corp	7,842,893	0.87
BBVA Bancomer SA	7,732,007	0.86
Insight Venture Management, LLC	7,731,798	0.86
Sumitomo Mitsui Financial Group Inc	7,702,356	0.85
Abbott Laboratories	7,676,161	0.85
Enel Finance International NV	7,660,250	0.85
Far East Horizon Limited	7,616,188	0.84
BlackRock Global Funds	7,610,831	0.84
Coatue Management, L.L.C.	7,599,031	0.84
Comision Federal de Electricidad	7,510,035	0.83
First Financial Holding Co., Ltd.	7,501,692	0.83
Consolidated Edison Co of New York Inc	7,452,306	0.83
Taishin Financial Holding Co., Ltd.	7,412,972	0.82

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Allianz Global Investors GmbH	\$ 7,348,789	0.81
HSBC Bank (Taiwan) Limited	7,290,232	0.81
Taiwan Business Bank Co., Ltd.	7,172,700	0.80
Dow Chemical Co	7,103,621	0.79
Ecopetrol SA	7,103,490	0.79
Banco Santander SA	7,097,352	0.79
HKT Capital No 1 Ltd	7,000,570	0.78
ConocoPhillips	6,975,362	0.77
Altria Group Inc	6,791,549	0.75
NVIDIA Corp	6,678,264	0.74
Abu Dhabi National Energy Co	6,660,400	0.74
EQT Fund Management S.à r.l.	6,646,817	0.74
Prosus NV	6,625,522	0.73
Philippine Government International Bond	6,585,747	0.73
State Grid Overseas Investment Ltd	6,491,498	0.72
ING Groep NV	6,486,320	0.72
Dragon Steel Corporation	6,467,451	0.72
SRISAWAD CORPORATION PUBLIC COMPANY LIMITED	6,445,210	0.71
Standard Chartered Bank Taiwan	6,436,667	0.71
Hungary Government International Bond	6,413,214	0.71
Bell Canada	6,375,732	0.71
The Commercial Bank (P.S.Q.C.)	6,357,406	0.70
Grupo Televisa SA	6,303,818	0.70
CSX CORP	6,287,380	0.70
SOUTHERN CO	6,274,529	0.70
Malayan Banking Bhd	6,273,669	0.70
Yuanta Financial Holding Co., Ltd.	6,270,729	0.70
E INK HOLDINGS INC.	6,265,952	0.69
Visa Inc	6,191,738	0.69
Kinder Morgan Inc/DE	6,186,527	0.69
Kroger Co	6,121,012	0.68
Landesbank Baden-Wuerttemberg	6,110,325	0.68
National Australia Bank Ltd	6,106,519	0.68
DowDuPont Inc	6,102,137	0.68
Fu Yu Construction Co., Ltd.	6,094,000	0.68
China Steel Corporation	6,082,054	0.67
Humana Inc	6,022,122	0.67
Fubon Life Insurance Co., Ltd.	6,020,081	0.67
Morgan Stanley Finance LLC	6,019,200	0.67
China Overseas Land & Investment Ltd	5,983,647	0.66
Compal Electronics, Inc.	5,977,938	0.66
Chailease Finance Co., Ltd.	5,950,898	0.66
Blackstone Real Estate Advisors L.P.	5,945,069	0.66
Bay Area Toll Authority	5,898,631	0.65
International Bills Finance Corporation	5,852,638	0.65

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Charter Communications Operating LLC	\$ 5,848,814	0.65
SinoPac Securities Corporation	5,764,086	0.64
OMAN GOV INTERNTL BOND	5,759,109	0.64
Deutsche Bank AG	5,699,499	0.63
Formosa Plastics Corporation	5,690,595	0.63
Santander International Products PLC	5,687,031	0.63
Taishin Securities Co., Ltd.	5,676,888	0.63
PIMCO Funds: Global Investors Series plc	5,667,952	0.63
United Microelectronics Corporation	5,626,883	0.62
Hua Nan Financial Holdings Co., Ltd.	5,621,709	0.62
Macquarie Bank Ltd	5,619,838	0.62
Natwest Group PLC	5,586,155	0.62
China Development Financial Holding Corp.	5,577,188	0.62
Strategic Partners Fund Solutions Advisors L.P	5,561,901	0.62
HSBC Holdings PLC	5,510,870	0.61
Pfizer Inc	5,509,585	0.61
Agricultural Bank of Taiwan Co., Ltd.	5,508,612	0.61
Dr Pepper Snapple Group Inc	5,499,749	0.61
BBVA Global Markets BV	5,496,606	0.61
Largan Precision Co., Ltd.	5,438,121	0.60
Petroleos Mexicanos	5,431,276	0.60
PepsiCo Inc	5,391,729	0.60
JAPAN GOVERNMENT	5,387,109	0.60
ViacomCBS Inc	5,382,779	0.60
Vivo Capital LLC	5,376,115	0.60
Alexandria Real Estate Equities Inc	5,331,586	0.59
Abrdn Plc	5,318,175	0.59
Bangkok Bank Public Company Limited.	5,268,120	0.58
Broadcom Inc	5,254,497	0.58
American Tower Corp	5,247,227	0.58
Total Capital International SA	5,192,307	0.58
Neuberger Berman Investment Funds plc.	5,176,870	0.57
Banco de Credito del Peru	5,162,701	0.57
Formosa Chemicals & Fibre Corporation	5,154,657	0.57
BAT CAPITAL CORP	5,145,196	0.57
Berkshire Hathaway Finance Corp	5,134,827	0.57
Nuveen Asset Management	5,124,590	0.57
KAZMUNAYGAS NATIONAL	5,112,116	0.57
WISTRON CORPORATION	5,104,527	0.57
CROWN CASTLE INTL CORP	5,091,745	0.56
JPMorgan Chase Bank, N.A.	5,080,710	0.56
Mercury Taiwan Holdings Co., Ltd.	5,065,149	0.56
Hua Nan Commercial Bank Co., Ltd.	5,059,881	0.56
UNIMICRON TECHNOLOGY CORP.	5,055,702	0.56

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Exxon Mobil Corp	\$ 5,030,836	0.56
BOC Aviation Limited	5,030,258	0.56
Kasikornbank PCL/Hong Kong	5,028,407	0.56
SinoPac Financial Holdings Co., Ltd.	4,932,549	0.55
AXA Funds Management SA	4,871,251	0.54
Regents of the University of California Medical Center Pooled Revenue	4,857,056	0.54
DELTA ELECTRONICS, INC.	4,846,467	0.54
PTT Treasury Center Co Ltd	4,842,121	0.54
ELECTRICITE DE FRANCE	4,787,518	0.53
Blackstone Management Partners L.L.C.	4,762,442	0.53
Fidelity Funds/Luxembourg	4,732,623	0.52
Banco de Credito e Inversiones	4,709,964	0.52
Merck & Co Inc	4,669,803	0.52
CHINATRUST COMMERCIAL BANK, SINGAPORE	4,652,921	0.52
Corp Nacional del Cobre de Chile	4,634,920	0.51
NORFOLK SOUTHERN CORP	4,629,879	0.51
CAPITAL SECURITIES CORP.	4,621,270	0.51
ITALY GOVT INT BOND	4,611,107	0.51
Vanguard Fixed Income Securities Funds	4,606,686	0.51
Lombard Odier Funds	4,601,366	0.51
Homeplus Digital Co., Ltd.	4,588,825	0.51
ROYAL BANK OF CANADA	4,579,803	0.51
Intesa Sanpaolo SpA	4,549,036	0.50
Oaktree Capital Management, L.P.	4,525,664	0.50
Woori Bank	4,498,605	0.50
First Abu Dhabi Bank PJSC	4,472,294	0.50
IBF securities Investment consulting Co., Ltd.	4,466,703	0.50
Port Authority of New York & New Jersey	4,465,306	0.50
National Retail Properties Inc	4,458,666	0.49
Far Eastern New Century Corporation	4,451,363	0.49
SHERWIN-WILLIAMS CO	4,407,466	0.49
HOTAI FINANCE CO., LTD.	4,397,131	0.49
Halliburton Co	4,342,062	0.48
TYSON FOODS INC	4,327,484	0.48
Kohlberg Kravis Roberts & Co. L.P.	4,326,862	0.48
Industrias Penoles SAB de CV	4,275,980	0.47
Vale Overseas Ltd	4,273,545	0.47
UAE INTERNATIONAL GOVERNMENT BOND	4,252,633	0.47
Coca-Cola Co	4,240,867	0.47
Orsted Wind Power TW Holding A/S	4,216,721	0.47
China Cinda Asset Management Co Ltd	4,214,280	0.47
First Securities Inc.	4,190,199	0.46
Suncor Energy Inc	4,168,252	0.46
Hartford Financial Services Group Inc	4,166,331	0.46

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
GRAND CENTRAL LIMITED	\$ 4,153,500	0.46
CYBER COMPANY INC	4,153,500	0.46
BlackRock Fund Advisors	4,133,398	0.46
Deutsche Telekom International Finance BV	4,111,908	0.46
JPMorgan Asset Management (Europe) S.a.r.l.	4,104,982	0.46
Macquarie Group Ltd	4,096,380	0.45
Capital Futures Corp.	4,086,700	0.45
Blackrock Global Funds - Asian High Yield Bond Fund	4,062,089	0.45
GAM STAR FUND	4,058,684	0.45
Hotai Leasing Corporation	4,047,068	0.45
ABN AMRO Bank	4,042,771	0.45
Treasury Corporation of Victoria	4,036,050	0.45
Yuanta Futures Co., Ltd.	4,019,732	0.45
Boeing Co	4,018,060	0.45
Bayer US Finance LLC	4,017,695	0.45
Thoma Bravo, LLC	3,995,970	0.44
Molson Coors Brewing Co	3,990,692	0.44
MasterLink Securities Corp.	3,964,398	0.44
Burlington Northern Santa Fe LLC	3,956,632	0.44
Minera Mexico SA de CV	3,941,562	0.44
Adata Technology Co., Ltd	3,936,593	0.44
Indofood CBP Sukses Makmur Tbk PT	3,933,819	0.44
ICICI Bank Ltd	3,921,340	0.43
MetLife Inc	3,919,832	0.43
CPC Corporation, Taiwan	3,916,058	0.43
Tesla Motors Inc	3,875,354	0.43
AstraZeneca PLC	3,869,266	0.43
Mitsubishi UFJ Financial Group Inc	3,864,791	0.43
Cheng Loong Corporation	3,843,586	0.43
Mastercard Inc	3,838,604	0.43
Banco de Chile	3,838,122	0.43
PCCW Capital No 5 Ltd	3,823,226	0.42
Australia Government Bond	3,807,737	0.42
UBS Group AG	3,796,618	0.42
General Motors Co	3,796,045	0.42
NEW SOUTH WALES TREASURY CORP	3,794,688	0.42
NATWEST MARKETS PLC	3,776,360	0.42
Anheuser-Busch InBev Finance Inc	3,768,006	0.42
ENI SpA	3,749,109	0.42
Hon Han Investment Co., Ltd.	3,745,382	0.42
Freeport-McMoRan Copper & Gold Inc	3,744,858	0.42
Realtek Semiconductor Corp.	3,741,940	0.41
Aquiline Holdings LLC	3,730,354	0.41
Discovery Communications LLC	3,714,324	0.41

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
China Cinda 2020 I Management Ltd	\$ 3,679,531	0.41
PTTEP Canada International Finance Ltd	3,671,755	0.41
NEA Management Company, LLC	3,670,790	0.41
INVENTEC CORPORATION	3,664,589	0.41
Mega Bills Finance Co., Ltd.	3,640,708	0.40
Kookmin Bank	3,613,709	0.40
Indian Railway Finance Corp Ltd	3,607,176	0.40
Cenovus Energy Inc	3,598,479	0.40
Canadian Natural Resources Ltd	3,579,868	0.40
Silver Lake Management Company V, L.L.C.	3,575,127	0.40
Nisource Finance Corp	3,536,459	0.39
Credit Agricole Corporate & Investment Bank SA	3,525,461	0.39
UBS Fund Management Luxembourg	3,518,084	0.39
Brookfield Asset Management Inc	3,513,875	0.39
Corp Andina de Fomento	3,509,243	0.39
Global Investors Series plc	3,483,520	0.39
Yunneng Wind Power Co., Ltd.	3,468,387	0.38
Infraestructura Energetica Nova SAB de CV	3,461,067	0.38
Asia Alternatives Management LLC	3,439,604	0.38
Pitango Venture Partners 2004 Ltd.	3,431,127	0.38
Jih Sun Securities Co., Ltd.	3,427,815	0.38
CIC	3,427,707	0.38
First Commercial Bank Co., Ltd.	3,406,616	0.38
Grupo Bimbo SAB de CV	3,404,327	0.38
Aercap Ireland Capital Ltd	3,362,683	0.37
Barrick North America Finance LLC	3,359,358	0.37
EVA Airways Corporation	3,357,144	0.37
Equinor ASA	3,351,907	0.37
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	3,343,944	0.37
Zurich Finance Ireland Designated Activity Co	3,327,406	0.37
Global Infrastructure Management	3,325,440	0.37
BAIDU INC	3,321,163	0.37
Dominion Energy Inc	3,320,325	0.37
UBAM	3,305,277	0.37
BP Capital Markets PLC	3,289,980	0.36
Qtel International Finance Ltd	3,199,735	0.35
Yubao Industrial Co., Ltd	3,182,000	0.35
Marsh & McLennan Cos Inc	3,174,242	0.35
Marathon Petroleum Corp	3,172,990	0.35
Queensland Treasury Corp	3,160,667	0.35
Mega Securities Co., Ltd.	3,160,530	0.35
Platinum Equity Advisors, LLC	3,159,237	0.35
Allstate Corp	3,157,492	0.35

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Grand Parkway Transportation Corp	\$ 3,132,622	0.35
Foresite Capital Management, LLC	3,125,192	0.35
Kindom Development Co., Ltd.	3,105,220	0.34
BECTON DICKINSON AND CO	3,103,413	0.34
CK Hutchison International 20 Ltd	3,103,033	0.34
Taipei City Government Bonds	3,100,000	0.34
American International Group Inc	3,093,573	0.34
Yuanta Commercial Bank Co., Ltd.	3,085,187	0.34
YAGEO Corp.	3,075,540	0.34
NongHyup Bank	3,069,132	0.34
Mondelez International Inc	3,068,128	0.34
Home Depot Inc	3,039,231	0.34
Macquarie Infrastructure Management (Asia) Pty Limited, Singapore Branch	3,036,551	0.34
Valero Energy Corp	3,024,133	0.34
Formosa Petrochemical Corporation	3,022,825	0.34
2) Enterprises where the same natural person and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge		
Enterprises where Dong and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	8,109,095	0.90
Enterprises where Lee and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	6,196,810	0.69
Enterprises where Lee and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	5,905,920	0.65
Enterprises where Dai and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	5,724,688	0.63
Enterprises where Yang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	5,226,343	0.58
Enterprises where Yu and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	5,167,527	0.57
Enterprises where Ko and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	4,718,803	0.52
Enterprises where Cheng and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	4,615,146	0.51
Enterprises where Huang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,707,610	0.41

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Enterprises where Laio and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	\$ 3,359,252	0.37
Enterprises where Chen and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,349,146	0.37
Enterprises where Ruan and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,019,993	0.33
3) Affiliates with same juridical person		
Government of the Republic of China and its supervisory agency	648,023,924	71.84
Government of the USA and its supervisory agency	201,748,476	22.37
Fubon Group	124,405,566	13.79
Group of CTBC Financial Holdings	100,086,295	11.10
TSMC Group	87,860,867	9.74
Group of Yuanta Financial Holdings	86,999,738	9.64
Macquarie Group Ltd and its related parties	81,763,221	9.06
Fidelity and its related parties	58,965,866	6.54
China Development Bank and its related parties	58,224,153	6.45
China Development Group	57,590,100	6.38
Capital Financial Group	57,385,094	6.36
Goldman Sachs Group Inc and its related parties	52,364,819	5.81
Republic of Indonesia and its supervisory agency	49,196,656	5.45
Citigroup Inc and its related parties	44,990,370	4.99
Barclays Plc and its related parties	44,194,688	4.90
Bnp Paribas Sa and its related parties	44,087,316	4.89
Uni-President Group	43,779,791	4.85
Bank of America Corp and its related parties	43,749,821	4.85
Jpmorgan Chase & Co and its related parties	43,180,635	4.79
United Mexican States and its supervisory agency	41,644,504	4.62
Group of Mega Financial Holdings	41,072,600	4.55
CHT Group	38,474,714	4.27
The Far Eastern Group	36,411,224	4.04
China Petrochemical Corp and its related parties	35,894,831	3.98
Societe Generale Sa and its related parties	35,607,393	3.95
At&T Inc and its related parties	33,829,533	3.75
Blackrock Inc and its related parties	32,798,459	3.64
Bank of China Group	31,494,176	3.49
Russian Federation and its supervisory agency	28,528,267	3.16
Ubs Group Ag and its related parties	28,522,133	3.16
Hon Tai Group	28,098,239	3.11
Hsbc Holdings Plc and its related parties	27,186,101	3.01
China National Offshore Oil Corp and its related parties	25,936,848	2.88
Group of Taishin Financial Holdings	25,250,105	2.80

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Credit Suisse Group Ag and its related parties	\$ 24,435,848	2.71
Credit Agricole Group and its related parties	24,068,525	2.67
Group of Shin Kong Financial Holdings	23,715,863	2.63
Berkshire Hathaway Inc and its related parties	22,446,703	2.49
Foxconn Technology Group	22,421,333	2.49
Standard Chartered Plc and its related parties	22,295,934	2.47
Yuen Foong Yu Group	22,285,250	2.47
Sumitomo Group and its related parties	21,462,954	2.38
Group of E.Sun Financial Holdings	20,965,151	2.32
Anheuser-Busch Inbev Sa/Nv and its related parties	20,647,823	2.29
Industrial & Commercial BOC and its related parties	20,273,373	2.25
Tencent Holdings Ltd and its related parties	19,268,545	2.14
Kingdom of Saudi Arabia and its supervisory agency	18,978,885	2.10
Petroliam Nasional Bhd and its related parties	18,876,502	2.09
Group of First Financial Holdings	18,348,350	2.03
Pertamina Persero Pt and its related parties	18,284,067	2.03
ASE Technology Holding Group	18,269,331	2.03
Banco Santander Sa and its related parties	17,734,932	1.97
Australia and its supervisory agency	17,049,617	1.89
Morgan Stanley and its related parties	16,955,406	1.88
Land Bank of Taiwan Group	16,898,260	1.87
Republic of Korea and its supervisory agency	16,147,554	1.79
Mubadala Investment Co and its related parties	15,790,149	1.75
TACB Group	15,408,931	1.71
O-Bank Group	15,123,536	1.68
Qatar Petroleum and its related parties	14,790,127	1.64
Blackstone Group Inc and its related parties	14,789,359	1.64
Australia & New Zealand Banking Group Ltd and its related parties	14,774,082	1.64
Fomento Economico Mexicano Sab De Cv and its related parties	14,314,547	1.59
China Steel Group	14,179,761	1.57
Grupo Mexico Sab De Cv and its related parties	13,773,403	1.53
Dowdupont Inc and its related parties	13,620,588	1.51
Bp Plc and its related parties	13,517,216	1.50
Royal Bank of Scotland Group Plc and its related parties	13,481,326	1.49
Group of Hua Nan Financial Holdings	13,467,743	1.49
Westpac Banking Corp and its related parties	13,462,322	1.49
Allianz Se and its related parties	13,425,746	1.49
Groupe Bpce and its related parties	13,099,593	1.45
CITIC Group	13,049,751	1.45
UMC Group	12,872,187	1.43
Emirate of Abu Dhabi United Arab Emirates and its related parties	12,498,667	1.39
Deutsche Telekom Ag and its related parties	12,117,578	1.34

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Ptt Pcl and its related parties	\$ 12,106,418	1.34
London Stock Exchange Group Plc and its related parties	12,050,777	1.34
Nan Ya Plastics Group	11,980,748	1.33
Lloyds Banking Group Plc and its related parties	11,768,575	1.30
IBF Group	11,639,314	1.29
China Construction Bank Corp and its related parties	11,364,129	1.26
Chailease Holding Group	11,158,130	1.24
Pccw Ltd and its related parties	10,823,796	1.20
Shinhan Financial Group Co Ltd and its related parties	10,668,004	1.18
Axa Sa and its related parties	10,632,791	1.18
Export-Import Bank of China and its related parties	10,515,415	1.17
Baillie Gifford and its related parties	10,288,844	1.14
Enel Spa and its related parties	9,970,271	1.11
Transcanada Corp and its related parties	9,822,852	1.09
TCC Group	9,674,992	1.07
Republic of Chile and its supervisory agency	9,484,133	1.05
T-Mobile Us Inc and its related parties	9,286,606	1.03
Ing Groep Nv and its related parties	9,085,452	1.01
Hotai Motor Group	8,842,813	0.98
China Cinda Asset Management Co Ltd and its related parties	8,779,804	0.97
Southern Company Gas and its related parties	8,741,579	0.97
Charter Communications Inc and its related parties	8,640,036	0.96
Royal Dutch Shell Plc and its related parties	8,529,542	0.95
Banco Bilbao Vizcaya Argentaria Sa and its related parties	8,368,277	0.93
Ck Hutchison Holdings Ltd and its related parties	7,799,528	0.86
Kinpo Group	7,740,700	0.86
Consolidated Edison Inc and its related parties	7,460,188	0.83
Yulon Group	7,346,749	0.81
State Grid Corp of China and its related parties	7,164,293	0.79
Conocophillips and its related parties	7,128,225	0.79
WISTRON GROUP	7,081,694	0.79
Intesa Sanpaolo Spa and its related parties	7,040,112	0.78
Abrdn Plc and its related parties	6,799,030	0.75
Triumph Transcend Group	6,734,815	0.75
Eqst Partners and its related parties	6,662,807	0.74
Deutsche Bank Ag and its related parties	6,654,822	0.74
Naspers Ltd and its related parties	6,643,651	0.74
National Australia Bank Ltd and its related parties	6,629,524	0.73
Evergreen Group	6,604,825	0.73
China State Construction Engineering and its related parties	6,550,992	0.73
China Network Group	6,543,677	0.73
Bangkok Bank Pcl and its related parties	6,507,438	0.72
Formosa Petrochemical Group	6,496,385	0.72
Gam Holding Ag and its related parties	6,462,439	0.72
Bce Inc and its related parties	6,379,707	0.71

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Barrick Gold Corp and its related parties	\$ 6,370,023	0.71
Malayan Banking Bhd and its related parties	6,286,449	0.70
British American Tobacco Plc and its related parties	6,141,836	0.68
Japan government and its supervisory agency	6,013,653	0.67
Zurich Insurance Group Ag and its related parties	5,956,027	0.66
Pimco and its related parties	5,900,457	0.65
American Electric Power Co Inc and its related parties	5,894,568	0.65
Woori Bank and its related parties	5,884,301	0.65
Formosa Chemicals and Fibre Group	5,797,173	0.64
Sultanate of Oman and its related parties	5,778,616	0.64
Pfizer Inc and its related parties	5,772,756	0.64
Industrias Penoles Sab De Cv and its related parties	5,730,438	0.64
Formosa Plastic Group	5,705,095	0.63
Vanguard Group Inc and its related parties	5,646,427	0.63
Shanghai Commercial & Savings Bank Ltd and its related parties	5,624,113	0.62
Credicorp Ltd and its related parties	5,576,268	0.62
Oneok Inc and its related parties	5,475,664	0.61
Total Sa and its related parties	5,447,335	0.60
Invesco Ltd and its related parties	5,434,602	0.60
Bayer Ag and its related parties	5,379,399	0.60
Bank of Communications Co Ltd and its related parties	5,339,938	0.59
DBS Group Holdings Ltd and its related parties	5,136,510	0.57
DELTA ELECTRONICS Group	5,075,953	0.56
Brookfield Asset Management Inc and its related parties	5,071,748	0.56
Kasikornbank Plc and its related parties	5,028,843	0.56
Vale Sa and its related parties	4,984,958	0.55
Sino-American Crystal Group	4,964,353	0.55
AerCap Group	4,912,942	0.54
Credit Mutuel-Cm11 Group and its related parties	4,877,388	0.54
Duke Energy Corp and its related parties	4,855,922	0.54
CT&D Group	4,763,286	0.53
Republic of Italy and its supervisory agency	4,715,655	0.52
Merck & Co Inc and its related parties	4,670,569	0.52
Royal Bank of Canada and its related parties	4,620,571	0.51
Walsin Lihwa Group	4,586,484	0.51
YAGEO Group	4,556,020	0.51
Mitsubishi Corporation Group	4,542,130	0.50
Grupo Bimbo Sab De Cv and its related parties	4,464,575	0.49
Kb Financial Group Inc and its related parties	4,464,570	0.49
Power Corp of Canada and its related parties	4,350,355	0.48
Ping An Insurance (Group) Company of China	4,270,992	0.47
Cheng Loong Group	4,158,045	0.46
JUT Group	4,149,057	0.46

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Nisource Inc and its related parties	\$ 4,093,600	0.45
ELITE MATERIAL Group	4,051,126	0.45
Discovery Inc and its related parties	4,035,982	0.45
Dominion Energy Inc and its related parties	4,005,655	0.44
Ooredoo Qpsc and its related parties	4,002,058	0.44
Pitango Venture Partners and its related parties	3,985,146	0.44
Ruentex Group	3,922,140	0.43
Jih Sun Group	3,866,886	0.43
Ares Capital Co and its related parties	3,853,859	0.43
Taiwan Broadband Communications Group	3,823,677	0.42
Realtek Semiconducto Group	3,821,875	0.42
Beijing Enterprises Group Co Ltd and its related parties	3,781,010	0.42
Nextera Energy Inc and its related parties	3,705,071	0.41
Temasek Holdings Pte Ltd and its related parties	3,666,542	0.41
Williams Cos Inc and its related parties	3,630,554	0.40
WPG Group	3,585,159	0.40
TCC Group	3,534,811	0.39
Capitaland Ltd and its related parties	3,525,449	0.39
LITE-ON Technology Group	3,515,694	0.39
Sempra Energy and its related parties	3,475,050	0.39
Aon Plc and its related parties	3,449,479	0.38
Fudu New Group	3,442,100	0.38
Chow Tai Fook Group	3,438,458	0.38
State Street Corp and its related parties	3,312,641	0.37
Hitachi Ltd and its related parties	3,284,164	0.36
San Miguel Group	3,220,780	0.36
Oil India Ltd and its related parties	3,187,616	0.35
Kindom Group	3,166,770	0.35
Vingroup Group	3,166,571	0.35
HUI TENG Group	3,123,000	0.35
Nxp Semiconductors Nv and its related parties	3,050,943	0.34
United Overseas Bank Ltd and its related parties	3,045,700	0.34
County of Miami-Dade Fl Aviation and its related parties	3,029,877	0.34
Newmont Mining Corp and its related parties	3,021,850	0.34

(Concluded)

40. SUPPLEMENTAL DISCLOSURES

a. Information about significant transactions:

Code	Description	Explanation
1	Accumulated purchases and sales balance of specific investee's marketable securities over \$300 million or 10% of the paid-in capital	None
2	Acquisition or disposal of individual real estate at prices over \$300 million or 10% of the paid-in capital	None
3	Discount on processing fee the transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by subsidiaries	Table 2
6	Related information of financial assets securitization or real estate securitization by subsidiaries	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None

b. Information on investees

Code	Description	Explanation
1	Information regarding investee companies and percentage of ownership	Table 5
2	Acquisition and disposal of real estate at prices over \$300 million or 10% of the paid-in capital	Table 6
3	Discount on processing fee for transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by investees	None
6	Related information of financial assets securitization or real estate securitization by investees	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None
8	Financing provided to others	Note
9	Endorsements/guarantees provided	None
10	Marketable securities held as of December 31, 2021	Table 3 (Note)
11	Marketable securities acquired or disposed of at costs or prices over \$300 million or 10% of the paid-in capital	Table 4
12	Derivative transactions	Note 8

Note: Disclosure is not required for subsidiaries belonging to the financial services, insurance and securities industries, and whose principal business activities include financing provided to others, endorsements/guarantees provided, and trading of marketable securities.

- c. Investments in mainland China: Name of companies, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in investees in the mainland China area are disclosed in Table 7.
- d. The significant intercompany transactions among the Group are disclosed in Note 28 and Table 8
- e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9).

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$300 MILLION OR 10% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Cathay Financial Holding Co., Ltd.	Cathay United Bank Co., Ltd	Subsidiary	\$ 513,935 (Note 1)	-	\$ -	-	\$ -	\$ -
	Cathay Securities Corporation	Subsidiary	373,017 (Note 1)	-	-	-	-	-
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	Parent company	5,253,915 (Note 1)	-	-	-	-	-
Conning Holdings Limited	Cathay Life Insurance Co., Ltd.	Parent company	327,992 (Note 2)	-	-	-	327,992	-

Note 1: The ending balance mainly comprises refundable tax under the integrated income tax system.

Note 2: The ending balance is mainly comprised of service fee receivable.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**SALE OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

1. Summary statement:

Trade Date	Counterparty	Loans Composition	Carrying Amount (Note)	Selling Price	Gain (or Loss) on Disposal	Terms	Relationship
<u>Cathay United Bank</u> August 31, 2021	FitzWalter Capital Partners (Master HoldCo) Limited	Corporate loans	\$ 340,424	\$ 527,452	\$ 187,028	None	None
November 18, 2021	FETHARD LLC	Corporate loans	124,514	232,218	107,704	None	None
November 22, 2021	FETHARD LLC	Corporate loans	163,425	303,313	139,888	None	None
December 23, 2021	Moneygall LLC	Corporate loans	181,216	295,822	114,606	None	None
<u>Indovina Bank</u> December 8, 2021	Viet Nam Debt and Asset Trading Corporation	Corporate loans	5,405	51,391	45,986	None	None

Note: The carrying amount is the amount of debt less the allowance for doubtful accounts.

2. Sale of nonperforming loans single batch amount over \$1 billion (excluding sales to related parties): None.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

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

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Cathay Venture Inc.	<u>Corporate bonds</u> SmartGames CB	N/A	Financial assets at fair value through profit or loss	-	\$ 8	-	\$ 8	
	A2G CB	"	"	-	1,250	-	1,250	
	Yonggu I	"	"	342	30,951	-	30,951	
	Validus CB	"	"	-	12,510	-	12,510	
	<u>Beneficiary certificates</u> Mega Diamond Money Market Fund	"	"	29,162	369,701	-	369,701	
	Taishin 1699 Money Market Fund	"	"	27,612	377,693	-	377,693	
	Cathay Taiwan Money Market Fund	"	"	24,644	343,455	-	343,455	
	<u>Shares</u> Tien-Tai Management Consulting Co., Ltd.	Investee accounted for using the equity method	Investments accounted for using the equity method	141	5,818	28.20	5,818	
	Tiantai II Optoelectronics Co., Ltd.	"	"	9,780	133,369	32.28	133,369	
	Tien-Tai Optronics Corporation	"	"	10,125	137,144	33.64	137,144	
	Fulgent Sun International (Holding) Co., Ltd.	N/A	Financial assets at fair value through profit or loss	626	60,634	-	60,634	
	Hiroca Holdings Ltd.	"	"	439	24,809	-	24,809	
	Man Zai Industrial Co., Ltd.	"	"	334	6,430	-	6,430	
	Senhwa Biosciences, Inc.	"	"	635	66,040	-	66,040	
	Tanvex BioPharma, Inc.	"	"	1,250	72,625	-	72,625	
	Global Tek Fabrication Co., Ltd.	"	"	24	1,214	-	1,214	
	Cathay Superior Venture Capital Limited Partnership	"	"	-	200	100.00	200	
	Shane Global Holdings Inc.	"	"	3,700	272,668	3.35	272,668	
	Brighton-Best International (Taiwan) Inc.	"	"	3,055	117,770	-	117,770	
	Nan Pao Resins Chemical Co., Ltd.	"	"	323	45,910	-	45,910	
	Compal Broadband Networks, Inc.	"	"	3	94	-	94	
	Ching Chan Optical Technology Co., Ltd.	"	"	430	16,168	1.20	16,168	
	Fusheng Precision Co., Ltd.	"	"	800	155,200	-	155,200	
	Tot Biopharm Co., Ltd	"	"	6,909	104,707	1.15	104,707	
	WW Holding Inc.	"	"	1,413	61,607	2.36	61,607	
	Airmate (Cayman) International Co Limited	"	"	746	16,981	-	16,981	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	World Known MFG (Cayman)	N/A	Financial assets at fair value through profit or loss	1,478	\$ 52,173	4.36	\$ 52,173	
	Yonggu Group Inc.	"	"	34	1,982	-	1,982	
	Easywell Biomedicals Inc.	"	"	2,025	32,198	1.24	32,198	
	Ta Chen Stainless Pipe Co., Ltd.	"	"	1,471	68,034	-	68,034	
	Trusval Technology Co., Ltd.	"	"	320	30,720	-	30,720	
	Smartdisplayer Technology Co., Ltd.	"	"	1,000	26,910	4.01	26,910	
	Sincere Group	"	"	204	12,187	1.02	12,187	
	BioGend Therapeutics Co., Ltd.	"	"	2,000	53,500	1.94	53,500	
	Winway Technology Co., Ltd.	"	"	522	226,338	1.54	226,338	
	Tigerair Taiwan Co., Ltd.	"	"	1,588	25,614	-	25,614	
	Wendell Industrial Co., Ltd.	"	"	540	81,810	2.26	81,810	
	Evergreen Steel Corp.	"	"	1,500	82,500	-	82,500	
	Weblink International Inc.	"	"	1,638	71,417	2.01	71,417	
	EasyCard Investment Holdings Co., Ltd.	"	"	1,430	8,567	1.37	8,567	
	Lan An Co., Ltd.	"	"	125	1,181	5.00	1,181	
	Koatech Technology Corp.	"	"	101	1,753	-	1,753	
	Mega Union Technology Incorporated.	"	"	3,281	119,048	9.12	119,048	
	Cathay Healthcare Management Co., Ltd.	"	"	8,250	106,920	15.00	106,920	
	Fashionguide Co., Ltd.	"	"	714	16,431	4.26	16,431	
	Sunmile Group Holding Co., Limited	"	"	528	-	1.85	-	
	NARUKO Beauty Essentials Limited	"	"	43,252	43,684	4.02	43,684	
	Shengzhuang Holdings	"	"	122	-	1.09	-	
	Bioengine Capital Inc.	"	"	18,576	198,577	3.16	198,577	
	Bravo Ideas Digital Co., Ltd.	"	"	3,386	9,852	6.03	9,852	
	Episonica Holding Ltd	"	"	2,708	60,947	11.67	60,947	
	Andros Pharmaceuticals Co., Ltd.	"	"	1,050	12,107	3.98	12,107	
	Transound Electronics Co., Ltd.	"	"	1,200	7,848	3.30	7,848	
	Hyper Crystal Inc.	"	"	2,000	-	13.80	-	
	Amaryllo International B.V.	"	"	1,000	4,760	5.00	4,760	
	Roaring Success Ltd.	"	"	317	18,308	-	18,308	
	Kuang Ming Shipping Corp.	"	"	39	-	-	-	
	Grandsys, Inc.	"	"	1,860	26,040	7.77	26,040	
	Digital Treasury Corporation, Samoa	"	"	325	1,414	2.94	1,414	
	Tennrich International Corp.	"	"	1,938	1,201	3.19	1,201	
	KKDAY	"	"	5,668	18,365	-	18,365	
	Smart Games Ltd.	"	"	164	1,569	1.35	1,569	
	PSS Co., Ltd.	"	"	330	14,038	-	14,038	
	Altek Semiconductor (Cayman) Co., Ltd.	"	"	800	38,792	2.00	38,792	
	Anywhere 2 Go Co., Ltd	"	"	2	926	8.99	926	
	Yikon Genomics	"	"	1,340	48,655	3.14	48,655	
	Rani Therapeutics, LLC	"	"	72	32,441	-	32,441	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Mimetas B.V.	N/A	Financial assets at fair value through profit or loss	8	\$ 9,486	2.81	\$ 9,486	
	Xiongchuang (Samoa)	"	"	19	23,053	4.50	23,053	
	91APP, Inc.	"	"	742	195,976	-	195,976	
	Acepodia Inc.	"	"	2,454	77,183	2.02	77,183	
	Greenway Environmental Technology Co., Ltd.	"	"	4,375	51,494	11.22	51,494	
	CHU CHIEN TECHNOLOGY LIMITED	"	"	2,302	88,521	1.13	88,521	
	Pacific 8 Venture	"	"	-	141,660	15.00	141,660	
	Monk's hill Venture Fund	"	"	-	79,028	2.50	79,028	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	"	"	800	19,640	1.34	19,640	
	OneDegree	"	"	350,926	52,639	2.40	52,639	
	Validus Investment Holdings	"	"	145	50,444	2.18	50,444	
	VIZIONFOCUS INC.	"	"	1,700	70,159	3.27	70,159	
	Finaxar Pte. Ltd.	"	"	87	19,131	4.72	19,131	
	aetherHolding Co., Ltd.	"	"	582	29,816	11.72	29,816	
	Intudo Venture II, LP	"	"	-	63,115	3.76	63,115	
	King Point Enterprise Co., Ltd.	"	"	1,000	17,630	2.53	17,630	
	Cowealth Medical Holding Co., Ltd.	"	"	3,750	38,475	1.26	38,475	
	INNOPACK VIETNAM CO., LTD.	"	"	1,350	26,919	9.00	26,919	
	Pharmosa Biopharma Inc.	"	"	4,700	66,223	4.80	66,223	
	Transcene Corp.	"	"	3,000	18,870	9.94	18,870	
	Cirocomm Technology Corporation	"	"	2,000	9,840	6.85	9,840	
	Ampak Technology Inc.	"	"	1,178	76,947	1.96	76,947	
	New Garden Co., Ltd.	"	"	5,000	53,600	10.00	53,600	
	Well Tech Energy Inc.	"	"	2,144	26,521	5.53	26,521	
	TMY Technology Inc.	"	"	1,071	22,393	3.00	22,393	
	Great Giant Fiber Garment Co., Ltd.	"	"	353	33,847	-	33,847	
	Yuen Foong Yu Consumer Products Co., Ltd.	"	"	1,025	51,455	-	51,455	
	Handa Pharmaceuticals, Inc.	"	"	1,465	28,235	1.20	28,235	
	Taiwan Aerospace Corp.	"	"	1	15	-	15	
	CDIB BioScience Ventures I, Inc.	"	"	-	1	-	1	
	Winking Entertainment Co., Ltd.	"	"	5,312	86,956	9.08	86,956	
	Mycenax Biotech Inc.,	"	"	1,150	43,585	-	43,585	
	INNOPHARMAX INC.	"	"	362	4,616	-	4,616	
	Palm Drive Capital III, LP	"	"	-	26,390	2.00	26,390	
	KEE Fresh & Safe Foodtech Co., Ltd.	"	"	950	19,741	2.85	19,741	
	VisEra Technologies Co., Ltd.	"	"	580	115,229	-	115,229	
	EirGenix Inc.	"	"	67	7,471	-	7,471	
	Formosa Pharmaceuticals, Inc.	"	"	1,250	33,775	1.26	33,775	
	Phoenix Pioneer technology Co., Ltd.	"	"	1,500	26,250	-	26,250	
	Pickupp Limited	"	"	395	55,820	2.39	55,820	
	Jia Wei Lifestyle, Inc.	"	"	986	75,626	1.23	75,626	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Annji Pharmaceutical Co., Ltd.	N/A	Financial assets at fair value through profit or loss	1,210	\$ 28,350	2.74	\$ 28,350	
	Securitag Assembly Group Co., Ltd.	"	"	150	12,300	-	12,300	
	Morrison Opto-electronics Ltd.	"	"	300	41,400	1.44	41,400	
	Evergreen Aviation Technologies Corp	"	"	1,000	63,000	-	63,000	
	Intudo Venture III, LP	"	"	-	5,594	2.00	5,594	
	Morning Glow Holding	"	"	4,683	73,936	9.37	73,936	
Cathay Futures Co., Ltd.	<u>Beneficiary certificates</u> JKO Pion Money Market Fund	N/A	Financial assets at fair value through profit or loss	4,302	50,146	-	50,146	
	<u>Shares</u> Taiwan Futures Exchange	N/A	Financial assets at fair value through other comprehensive income	6,403	1,206,888	1.52	1,206,888	
Conning Holdings Limited	<u>Preferred Shares</u> Centerprise Services Inc.	N/A	Financial assets at fair value through other comprehensive income	400	5,869	1.76	5,869	

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Name (Note 1)	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Number of Shares	Amount
CUBCN Bank	Stocks Chongqing Ant Consumer Finance Co., Ltd.	Financial assets at fair value through other comprehensive income	-	-	-	\$ -	-	\$ 3,462,393 (CNY 800,000) (Note 2)	-	\$ -	\$ -	\$ -	-	\$ 3,462,393 (CNY 800,000) (Note 2)

Note 1: The term "securities" in this table refers to stocks, bonds, beneficiary certificates and the securities derived from those items. Chongqing Ant Consumer Finance Co., Ltd. is a limited company with no shares issued.

Note 2: Original acquisition cost.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES AND COMBINED SHAREHOLDING PERCENTAGE

DECEMBER 31, 2021

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

Investor Company	Investee Company	Location	Main Businesses and Products	Shareholding Percentage at the End of the Period	Book Value of Investment	Investment Profits or Losses Recognized in the Current Period	Combined Shareholding of the Company and its Affiliates (Note 1)				Note
							Number of Existing Shares	Number of Phantom Shares (Note 2)	Total		
									Number of Shares (In Thousands)	Shareholding Percentage	
Cathay Financial Holding Co., Ltd.	Cathay Life	R.O.C.	Life insurance	100.00%	\$ 699,016,071	\$ 112,279,833	5,851,527	-	5,851,527	100.00%	Note 3
	Cathay United Bank	R.O.C.	Commercial banking operations	100.00%	244,992,555	23,352,312	10,698,583	-	10,698,583	100.00%	Note 3
	Cathay Century	R.O.C.	Property and casualty insurance	100.00%	14,456,885	2,175,094	305,705	-	305,705	100.00%	Note 3
	Cathay Securities	R.O.C.	Securities	100.00%	13,045,570	2,200,616	730,000	-	730,000	100.00%	Note 3
	Cathay Venture	R.O.C.	Venture capital investment	75.00%	4,571,963	326,719	518,173	-	518,173	100.00%	Note 3
	Cathay Securities Investment Trust	R.O.C.	Securities investment trust	100.00%	5,142,229	1,402,270	150,000	-	150,000	100.00%	Note 3
	Conning Asia Pacific Ltd.	Hong Kong	Wealth management	17.15%	65,608	23,957	272,950	-	272,950	100.00%	Note 4

Note 1: The existing shares and phantom shares of the investees held by the Company, directors, supervisors, general managers, vice general managers, and affiliates meeting the requirements of the Company Act are included.

Note 2: a. "Phantom shares" refer to the shares acquired due to conversion under the assumption that the Company converts the marketable securities with equity characteristics or derivative instrument contracts (that have not been converted to shares) based on the transaction terms and the equity that the Company has the intention of linking to the reinvestment business, and meeting the reinvestment objectives as provided in Paragraph 2, Article 36 and Article 37 of Financial Holding Company Act.

b. The above-mentioned "marketable securities with equity characteristics" refer to the securities stated in Paragraph 1, Article 11 of the Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

c. The above-mentioned "derivative instrument contracts" refer to those that meet the definition related to derivative instruments under IFRS 9, such as stock options.

Note 3: Based on the investment profit or loss recognized in the respective company's audited financial statements for the same period.

Note 4: Based on the investment profit or loss recognized in the respective company's unaudited financial statements for the same period.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount (Note 1)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Cathay Life Insurance Co., Ltd.	Land located at Meishi Section, Yangmei District, Taoyuan City	2021.04.28	\$ 1,458,880	Payment by installment according to the contract	Loyal Fidelity Aerospace Corp.	Related party	Chen-tech Taiwan Industries, CORP.	None	2013.08.30	\$ 608,927	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act	None
	Land located at Ruixing Section, Daix District, Taichung City	2021.05.13	1,500,000	Payment by installment according to the contract	Guan Tung Construction Limited Company	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act	None
	Land located at Gongyuan Section, Zhongshan District, Taipei City	2021.11.02	302,218	Payment by installment according to the contract		Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act	None
	Land located at Jinzhong Section, Luzhu District, Taichung City	2021.11.09	1,687,000	Payment by installment according to the contract		Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act	None
Cathay Industrial Research and Design Center Co., Ltd.	Land located at No. 205, Sub-section 2, Changchun section, Zhongshan District, Taipei City	2021.01.27	1,675,410	Payment by installment according to the contract	ROC (Managed by National Taipei University)	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment	None

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

Note 2: The term "event date" refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Business and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	a	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ 779,748	50.0	\$ 389,874 (Note 2,b,2))	\$ 6,544,145	\$ -
Cathay Century (China)	Property and casualty insurance	12,196,844	a	5,908,393	-	-	5,908,393	511,226	49.0	250,500 (Note 2,b,3))	4,824,396	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office equipment leasing company	7,223,435	a	7,223,435	-	-	7,223,435	215,754	100.0	159,488 (Note 2,b,2))	7,972,675	-
Cathay United Bank (China) Corporation Limited	Wholesale banking	14,377,562	a	14,377,562	-	-	14,377,562	238,516	100.0	238,516 (Note 2,b,2))	16,584,264	-
CDBS Cathay Asset Management Co., Ltd.	Fund management services	1,701,823	a	566,707	-	-	566,707	(233,236)	33.3	(77,668) (Note 2,b,2))	327,780	-
CDBS Cathay Asset Management Co., Ltd. (Beijing) (Note 4)	Assets management services	468,290	c	-	-	-	-	(133,256)	33.3	(44,374) (Note 2,b,2))	168,720	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 34,824,675	\$ 36,949,511	\$ 601,901,637

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

- Direct investment in China.
- Reinvestment in China through companies located in a third region (please indicate the companies located in that third region).
- Others.

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

- It should be indicated if the entity was in the preparation stage without profit or loss on investment.
- It should be indicated if the basis of recognizing the profit or loss on investment are of the following 3 types:
 - The financial statements are reviewed and certified by international accounting firms which have partnership with R.O.C. accounting firms.
 - The financial statements are reviewed and certified by the parent company's auditors in Taiwan.
 - Other basis.

Note 3: The related figure in the schedule should be expressed in New Taiwan dollars.

(Continued)

Note 4: CDBS Cathay Asset Management Co., Ltd. invested in CDBC Cathay Asset Management Co., Ltd. (Beijing) in the amount of CNY100 million in Mainland China.

Note 5: Information on investments in mainland China

- a. On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (“MOEAIC”) authorized Cathay Life to remit US\$22,850 thousand and US\$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US\$50,000 thousand to US\$48,330 thousand, approved by the MOEAIC on December 20, 2010. Also, MOEAIC authorized Cathay Life to remit US\$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized Cathay Life to remit US\$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US\$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US\$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life’s subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. Cathay Life has remitted US\$48,330 thousand to the subsidiary as of December 31, 2009. Cathay Life injected additional US\$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized Cathay Life to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of December 30, 2021, Cathay Life’s remittances to the subsidiary totaled approximately CNY900,000 thousand and US\$78,210 thousand.
- b. On October 17, 2007, MOEAIC authorized Cathay Life to remit US\$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized Cathay Life to increase the remittances from US\$26,390 thousand to US\$28,960 thousand. On August 15, 2008, MOEAIC further authorized Cathay Life to revise the remittance from US\$28,960 thousand to US\$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century Insurance in Shanghai has acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized Cathay Life to remit CNY245,000 thousand on December 6, 2018. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, Cathay Life’s board of directors resolved to suspend capital increase on January 26, 2022. As of December 30, 2021, Cathay Life’s remittances to this general insurance company totaled approximately CNY445,000 thousand and US\$28,140 thousand.
- c. On November 1, 2011 and April 11, 2012, MOEAIC authorized Cathay Life to remit CNY300,000 (US\$47,000) thousand and CNY500,000 (US\$80,000) thousand, respectively. A total of US\$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. Cathay Life’s subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. has acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized Cathay Life to remit CNY700,000 (US\$111,000) thousand to increase the share capital. As of December 30, 2021, Cathay Life’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately CNY1,500,000 thousand.
- d. On December 31, 2006, MOEAIC authorized Cathay Century to remit US\$28,960 thousand as the registered capital to establish an insurance subsidiary (in the form of a joint venture with Cathay Life) which was also approved by China Insurance Regulatory Commission on October 8, 2007. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century in Shanghai has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. On June 13, 2013 and March 18, 2014, a remittance of CNY100,000 thousand and CNY100,000 thousand as share capital were authorized by China Insurance Regulatory Commission. On November 23, 2018, according to No. 10700281680 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, Cathay Century’s board of directors resolved to suspend capital increase on January 26, 2022. As of December 30, 2021, Cathay Century has remitted US\$97,290 thousand in total.
- e. MOEAIC approved Cathay United Bank to remit to China CNY400,000 (US\$60,070) thousand. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY400,000 (US\$59,770) thousand. The remaining amount of US\$300 thousand was repatriated by Shanghai Branch, Cathay United Bank on November 5, 2010. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC in January 18, 2011 and were approved on January 24, 2011. In addition, MOEAIC further approved Cathay United Bank to remit CNY600,000 (US\$95,020) thousand to China. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY600,000 (US\$94,930) thousand. The remaining amount of US\$90 thousand was repatriated by Cathay United Bank’s Shanghai Branch on February 1, 2012. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC on March 20, 2012 and were approved on March 26, 2012. MOEAIC approved Cathay United Bank’s Shanghai Branch to increase the working capital of CNY1,000,000 (US\$164,000) thousand on February 27, 2014. According to MOEAIC, further approved working capital of Cathay United Bank’s Qingdao Branch was CNY600,000 (US\$98,200) thousand on January 21, 2014. The approved working capital of Cathay United Bank’s Shamchun Branch amounted to CNY400,000 (US\$60,710) thousand on January 5, 2015 and was approved on December 22, 2016.
- f. The registered capital of Cathay United Bank (China) Co., Ltd. was CNY3 billion, whose working capital was transferred from Cathay United Bank (Shanghai), Cathay United Bank (Qingdao), Cathay United Bank (Shenzhen) upon obtaining approval from the authorities.
- g. On January 9, 2012, MOEAIC authorized Cathay Securities Investments Trust to remit CNY66,600 thousand as the registered capital to establish a China-based company named CDBS Cathay Asset Management (in the form of a joint venture with China Development Bank Securities). Cathay Securities Investment Trust held 33.3% number of shares. CDBS Cathay Asset Management’s capital is CNY200,000 thousand, and has acquired a business license of an enterprise legal person on August 16, 2013. On November 9, 2016, the board of Cathay Securities Investments Trust approved to increase investment in CDBS Cathay Asset Management accounted for using the equity method as percentage of original ownership amounted to CNY53,280 thousand. The proposal was authorized by the FSC and MOEAIC on May 16, 2017 and June 9, 2017, respectively, on September 29, 2017 increase capital and will be executed after obtaining approval by the China authorities. As of December 30, 2021, Cathay Securities Investment Trust remittances to CDBS Cathay Asset Management totaled approximately CNY119,880 thousand.

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Financial Holdings	Cathay Life	a	Financial assets at fair value through profit or loss	\$ 35,000,000	Not significantly different with that of third parties	0.30
		Cathay Life	a	Payables	5,253,915	Not significantly different with that of third parties	0.05
		Cathay Life	a	Interest income	1,260,000	Not significantly different with that of third parties	0.20
		Cathay United Bank	a	Receivables	513,935	Not significantly different with that of third parties	-
		Cathay Century	a	Receivables	238,909	Not significantly different with that of third parties	-
		Cathay Securities	a	Receivables	373,017	Not significantly different with that of third parties	-
		Cathay Securities Investment Trust	a	Receivables	269,811	Not significantly different with that of third parties	-
1	Cathay Life	Cathay Financial Holdings	b	Gain on investment property	140,758	Not significantly different with that of third parties	0.02
		Cathay United Bank	c	Guarantee deposits received	187,202	Not significantly different with that of third parties	-
		Cathay United Bank	c	Cash and cash equivalents	42,128,322	Not significantly different with that of third parties	0.36
		Cathay United Bank	c	Gain on investment property	727,756	Not significantly different with that of third parties	0.12
		Cathay United Bank	c	Premium Income	112,901	Not significantly different with that of third parties	0.02
		Cathay United Bank	c	Other general and administrative expense	6,374,549	Not significantly different with that of third parties	1.02
		Cathay United Bank	c	Payables	185,415	Not significantly different with that of third parties	-
		Cathay United Bank	c	Service fee and commission fee expense	1,100,121	Not significantly different with that of third parties	0.18
		Cathay United Bank	c	Net other non-interest gain	189,892	Not significantly different with that of third parties	0.03
		Cathay United Bank	c	Gain on financial assets and liabilities at fair value through profit or loss	230,210	Not significantly different with that of third parties	0.04
		Cathay United Bank	c	Financial assets at fair value through profit or loss	593,752	Not significantly different with that of third parties	0.01
		Cathay Century	c	Net other non-interest gain	674,904	Not significantly different with that of third parties	0.11
		Cathay Century	c	Gain on investment property	112,768	Not significantly different with that of third parties	0.02
		Cathay Century	c	Other general and administrative expense	110,131	Not significantly different with that of third parties	0.02
		Cathay Futures	c	Guarantee deposits paid	2,234,611	Not significantly different with that of third parties	0.02
		Cathay Securities Investment Trust	c	Service fee and commission fee expense	466,712	Not significantly different with that of third parties	0.07
		Cathay Walbrook Holding 1 Limited	c	Loans	11,741,737	Not significantly different with that of third parties	0.10
		Cathay Walbrook Holding 1 Limited	c	Interest income	374,334	Not significantly different with that of third parties	0.06
		Cathay Walbrook Holding 2 Limited	c	Loans	617,986	Not significantly different with that of third parties	0.01
		Conning holding limited	c	Payables	327,992	Not significantly different with that of third parties	-
Conning holding limited	c	Service fee and commission fee expense	1,306,516	Not significantly different with that of third parties	0.21		
2	Cathay United Bank	Cathay Century	c	Deposits	2,432,503	Not significantly different with that of third parties	0.02
		Cathay Century	c	Service fee and commission revenue	215,418	Not significantly different with that of third parties	0.03
		Cathay Century	c	Other general and administrative expense	162,782	Not significantly different with that of third parties	0.03
		Cathay Securities	c	Deposits	14,241,811	Not significantly different with that of third parties	0.12
		Cathay Securities	c	Service fee and commission fee expense	320,255	Not significantly different with that of third parties	0.05
		Cathay Securities Investment Trust	c	Deposits	159,611	Not significantly different with that of third parties	-

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
		Cathay Futures	c	Deposits	\$ 360,353	Not significantly different with that of third parties	-
		Cathay Futures	c	Guarantee deposits paid	559,180	Not significantly different with that of third parties	-
		Lin Yuan	c	Deposits	1,395,380	Not significantly different with that of third parties	0.01
		Cathay Industrial R&D Center	c	Deposits	713,251	Not significantly different with that of third parties	0.01
		CUBC Bank	c	Due to banks	886,909	Not significantly different with that of third parties	0.01
		CUBC Bank	c	Receivables	163,225	Not significantly different with that of third parties	-
		CUBCN Bank	c	Call loans to banks	6,520,460	Not significantly different with that of third parties	0.06
		CUBCN Bank	c	Other financial assets	4,346,973	Not significantly different with that of third parties	0.04
		CUBCN Bank	c	Interest income	262,021	Not significantly different with that of third parties	0.04
3	Indovina Bank	Cathay Insurance (Vietnam)	c	Deposits	243,871	Not significantly different with that of third parties	-
		Cathay Life (Vietnam)	c	Deposits	1,830,226	Not significantly different with that of third parties	0.02
		Cathay Life (Vietnam)	c	Interest expense	131,557	Not significantly different with that of third parties	0.02
4	Cathay Securities	Cathay Futures	c	Financial assets at fair value through profit or loss	1,340,849	Not significantly different with that of third parties	0.01
5	Cathay Securities Investment Trust	Conning Asia Pacific Ltd.	c	Other general and administrative expense	147,739	Not significantly different with that of third parties	0.02

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

Note 2: Categories of relationship:

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

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

For balance sheet accounts: Transaction amount ÷ Total consolidated assets

For income statement accounts: Accumulated transaction amount ÷ Total consolidated profit from operations.

Note 4: Disclosure of the important intercompany transactions above is decided by the Company based on the materiality principle.

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Names of Major Shareholders	Shares	
	Number of Shares held	Shareholding Percentage (%)
Wan Pao Development Co., Ltd.	2,309,617,689	15.70
Lin Yuan Investment Co., Ltd.	2,016,949,426	13.71

Note 1: Information on major shareholders in this table is regarding the shareholders who hold more than 5% of the Company's dematerialized ordinary shares and preference shares (including treasury shares) that have been registered and delivered, as calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The capital recorded in the Company's consolidated financial statements and the actual number of dematerialized shares that have been registered and delivered may differ due to the difference between the basis of preparation and calculation.

Note 2: If a shareholder holds its shares by trust, the information is individually presented in the above disclosures by the trustee who opened the trust account. As for the handling of insider shareholding declaration for shareholders holding more than 10% of the Company's shares in accordance with the Securities and Exchange Act, the number of shares held includes those held by trust in which the shareholder has the power to decide the allocation of trust assets. For more information regarding insider shareholding declaration, please refer to the Market Observation Post System website.