Cathay Century Insurance Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2022 and 2021 and Independent Auditors’ Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Cathay Century Insurance Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Cathay Century Insurance Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of March 31, 2022 and 2021, its consolidated financial performance for the three months ended March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 12, 2022

<u>*Notice to Readers*</u>

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

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2022 (Reviewed)		December 31, 2021 (Audited)		March 31, 2021 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6, 27 and 29)	$ 13,520,145	27	$ 11,973,287	24	$ 10,597,515	23
RECEIVABLES (Notes 4, 11, 27 and 34)	2,341,885	5	3,208,952	6	2,133,070	5
INVESTMENTS						
Financial assets at fair value through profit or loss (Notes 4, 7 and 27)	11,560,905	23	12,870,139	26	12,399,407	27
Financial assets at fair value through other comprehensive income (Notes 4, 5 and 8)	712,981	1	728,828	1	1,182,347	3
Financial assets at amortized cost (Notes 4, 5 and 9)	7,762,852	16	7,062,471	14	7,404,490	16
Investments accounted for using the equity method, net (Notes 4 and 14)	2,377,805	5	2,304,344	5	2,239,401	5
Loans (Notes 4, 10 and 27)	177,934	-	186,463	-	205,557	-
REINSURANCE CONTRACT ASSET (Notes 4, 12, 20 and 34)	9,991,666	20	9,881,487	20	8,441,667	19
PROPERTY AND EQUIPMENT (Notes 4 and 15)	208,567	-	221,155	-	187,322	-
RIGHT-OF-USE ASSETS (Notes 4, 16 and 27)	216,235	1	237,046	1	90,821	-
INTANGIBLE ASSETS (Notes 4 and 17)	100,510	-	108,816	-	93,930	-
DEFERRED INCOME TAX ASSETS (Note 4)	239,985	1	240,062	1	185,738	-
OTHER ASSETS (Notes 18, 27 and 29)	698,751	1	877,136	2	687,823	2
TOTAL	$ 49,910,221	100	$ 49,900,186	100	$ 45,849,088	100
LIABILITIES AND EQUITY						
PAYABLES (Notes 4, 19, 27 and 34)	$ 3,003,550	6	$ 3,912,933	8	$ 2,926,581	6
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 7 and 27)	123,011	-	72	-	22,438	-
LEASE LIABILITIES (Notes 4, 16 and 27)	217,033	-	237,483	-	91,200	-
INSURANCE LIABILITIES (Notes 4, 5 and 20)	30,243,905	61	29,730,897	60	27,602,472	60
OTHER LIABILITIES	1,014,193	2	836,176	2	672,860	2
PROVISIONS	464,214	1	464,271	1	453,959	1
DEFERRED INCOME TAX LIABILITIES (Note 4)	271,044	1	271,041	-	271,282	1
Total liabilities	35,336,950	71	35,452,873	71	32,040,792	70
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Ordinary shares						
Ordinary shares	3,057,052	6	3,057,052	6	3,057,052	7
Capital surplus						
Capital surplus	518,326	1	518,326	1	518,326	1
Retained earnings						
Legal reserve	3,567,601	7	3,567,601	7	3,132,813	7
Special reserve	5,363,818	11	5,363,818	11	4,796,064	10
Unappropriated earnings	2,341,741	5	1,505,940	3	2,241,606	5
Total retained earnings	11,273,160	23	10,437,359	21	10,170,483	22
Other equity	(275,267)	(1)	434,576	1	62,435	-
Total equity attributable to owners of the Company	14,573,271	29	14,447,313	29	13,808,296	30
Total equity	14,573,271	29	14,447,313	29	13,808,296	30
TOTAL	$ 49,910,221	100	$ 49,900,186	100	$ 45,849,088	100

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUES				
Retained earned premium (Note 34)				
Direct insurance premium revenues (Notes 4 and 27)	$ 6,615,646	110	$ 5,573,730	108
Reinsurance premium inward	320,720	5	482,855	9
Premium revenues	6,936,366	115	6,056,585	117
Less: Reinsurance premium outward (Notes 4 and 34)	1,791,679	30	1,447,260	28
Less: Net change in unearned premium reserves (Notes 4, 20 and 34)	(75,952)	(2)	59,197	1
Total retained earned premium	5,220,639	87	4,550,128	88
Reinsurance commission earned (Note 34)	209,979	3	142,084	3
Handling fees earned	13,397	-	11,624	-
Net gains on investments				
Interest income (Notes 23 and 27)	153,138	3	135,683	3
Foreign exchange gains (losses) (Note 4)	185,338	3	(3,960)	-
(Losses) gains on valuation of financial assets and liabilities at fair value through profit or loss (Note 4)	(595,380)	(10)	533,861	10
Excluding net gain on financial assets measured at amortized cost (Notes 4 and 9)	251	-	858	-
Share of (loss) profit of associates and joint ventures accounted for using equity method (Notes 4 and 14)	48,644	1	65,029	1
Expected credit impairment losses or reversals on investment (Note 4)	(517)	-	4,735	-
Income or loss reclassified under the overlay approach (Notes 4 and 7)	751,544	12	(255,731)	(5)
Total net gains on investments	543,018	9	480,475	9
Other operating income	33,881	1	-	-
Total operating revenues	6,020,914	100	5,184,311	100
OPERATING COSTS				
Retained claims (Notes 4, 27 and 34)				
Claims incurred	3,237,842	54	2,933,957	57
Less: Claims recovered from reinsurers (Note 34)	716,072	12	459,980	9
Total retained claims	2,521,770	42	2,473,977	48

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
Other net change in insurance liabilities (Note 20)	$ 414,070	7	$ 241,904	5
Commission expenses (Notes 4, 23, 27 and 34)	872,858	14	802,122	15
Other operating costs	13,066	-	34,360	-
Total operating costs	3,821,764	63	3,552,363	68
GROSS MARGIN	2,199,150	37	1,631,948	32
OPERATING EXPENSES (Notes 23 and 27)				
Operating	1,024,046	17	851,426	17
Administrative	212,415	4	215,916	4
Training	710	-	698	-
Total operating expenses	1,237,171	21	1,068,040	21
OPERATING INCOME	961,979	16	563,908	11
NON-OPERATING INCOME AND EXPENSES (Note 27)	(1,610)	-	(1,259)	-
PROFIT BEFORE INCOME TAX	960,369	16	562,649	11
INCOME TAX (Notes 4 and 24)	124,568	2	71,353	2
NET PROFIT	835,801	14	491,296	9
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized loss on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 22)	-	-	(31,800)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 22)	20,901	-	556	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method - items that may be reclassified to profit or loss (Notes 4 and 14)	24,817	-	(29,292)	(1)

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income (Notes 4 and 22)	$ (14,121)	-	$ (10,348)	-
Other comprehensive (loss) income reclassified under the overlay approach (Notes 4, 7 and 22)	(751,544)	(12)	255,731	5
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 24)	(10,104)	-	(2,327)	-
	(709,843)	(12)	218,974	4
Other comprehensive income (loss), net of income tax	(709,843)	(12)	187,174	4
TOTAL COMPREHENSIVE INCOME	$ 125,958	2	$ 678,470	13
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	$ 835,801	14	$ 491,296	9
Non-controlling interests	-	-	-	-
	$ 835,801	14	$ 491,296	9
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	$ 125,958	2	$ 678,470	13
Non-controlling interests	-	-	-	-
	$ 125,958	2	$ 678,470	13
EARNINGS PER SHARE (Note 25)				
Basic	$ 2.73		$ 1.61	

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company										
				Retained Earnings (Note 22)			Other Equity (Notes 4 and 22)				
	Shares (In Thousands)	Capital Stock (Notes 4 and 22)	Capital Surplus (Notes 4 and 22)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Financial Assets Measured at Fair Value Through Other Comprehensive Profit or Loss with Unrealized Valuation Interest	Remeasurement of Defined Benefit Plans	Other Comprehensive Income Reclassified Under Overlay Method	Total Equity
BALANCE AT JANUARY 1, 2021	305,705	$ 3,057,052	$ 518,326	$ 3,132,813	$ 4,796,064	$ 1,750,310	$ (331,574)	$ (36,212)	$ (175,461)	$ 418,508	$ 13,129,826
Net profit for the three months ended March 31, 2021	-	-	-	-	-	491,296	-	-	-	-	491,296
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	(3,728)	(67,156)	-	258,058	187,174
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	-	491,296	(3,728)	(67,156)	-	258,058	678,470
BALANCE AT MARCH 31, 2021	305,705	$ 3,057,052	$ 518,326	$ 3,132,813	$ 4,796,064	$ 2,241,606	$ (335,302)	$ (103,368)	$ (175,461)	$ 676,566	$ 13,808,296
BALANCE AT JANUARY 1, 2022	305,705	$ 3,057,052	$ 518,326	$ 3,567,601	$ 5,363,818	$ 1,505,940	$ (351,498)	$ 58,131	$ (183,711)	$ 911,654	$ 14,447,313
Net profit for the three months ended March 31, 2022	-	-	-	-	-	835,801	-	-	-	-	835,801
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	-	113,123	(81,526)	-	(741,440)	(709,843)
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	-	835,801	113,123	(81,526)	-	(741,440)	125,958
BALANCE AT MARCH 31, 2022	305,705	$ 3,057,052	$ 518,326	$ 3,567,601	$ 5,363,818	$ 2,341,741	$ (238,375)	$ (23,395)	$ (183,711)	$ 170,214	$ 14,573,271

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 960,369	$ 562,649
Adjustments for:		
Depreciation expenses	57,217	46,358
Amortization expenses	14,621	14,224
Net loss (gain) on valuation of financial assets and liabilities at fair value through profit or loss	595,380	(533,861)
Interest expense	1,704	928
Net gain on disposal of financial assets measured at amortized cost	(251)	(858)
Interest income	(153,138)	(135,683)
Net change in insurance liabilities	513,008	1,376,188
Expected credit impairment losses (reversed gain) on investment	517	(4,735)
Share of gain of associates and joint ventures accounted for using the equity method	(48,644)	(65,029)
Income or loss reclassified under the overlay approach	(751,544)	255,731
Changes in operating assets and liabilities		
Decrease in notes receivable	23,463	1,627
Decrease in premiums receivable	168,093	493,559
Decrease in other receivables	126,803	54,605
Decrease (increase) in financial instruments at fair value through profit or loss	834,071	(182,541)
Decrease in financial assets at fair value through other comprehensive income	568,017	1,691
(Increase) decrease in financial assets at amortized cost	(700,644)	55
Increase in reinsurance contract asset	(110,179)	(995,730)
Decrease (increase) in other assets	178,387	(21,998)
Decrease in claims outstanding	-	(1,809)
Increase in commissions payable and fees	13,038	3,718
Decrease in due to reinsurers and ceding companies	(520,102)	(84,833)
Decrease in other payables	(515,389)	(446,385)
Decrease in provisions	(57)	(205)
Increase (decrease) in other liabilities	178,017	(57,168)
Cash generated from operations	1,432,757	280,498
Interest received	136,257	127,591
Dividend received	2,015	1,434
Interest paid	(1,704)	(928)
Income tax paid	(1,569)	(1,601)
Net cash generated from operating activities	1,567,756	406,994

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2022	**2021**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	$ (5,150)	$ (11,354)
Payments for intangible assets	(5,394)	(7,238)
Decrease (increase) in loans	8,529	(10,241)
Net cash used in investing activities	(2,015)	(28,833)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of the principal portion of lease liabilities	(39,024)	(34,272)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	20,141	54
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,546,858	343,943
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	11,973,287	10,253,572
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 13,520,145	$ 10,597,515

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

Cathay Century Insurance Co., Ltd. (the "Company") was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Act of the Republic of China ("R.O.C."). On April 22, 2002, the Company became a subsidiary of Cathay Financial Holdings Co., Ltd. ("Cathay Financial Holdings") by adopting the stock conversion method under the R.O.C. Financial Holdings Company Act and other pertinent acts of the R.O.C. On June 28, 2002, the Company changed its name under letter No. 0910706108 issued by the Ministry of Finance from "Tong-Tai Insurance Co., Ltd." to "Cathay Century Insurance Co., Ltd.". And officially changed its name on August 2, 2002. The Company mainly engages in the business of property and casualty insurance. The Company's registered office and the main business location are at No. 296, Sec. 4, Jen Ai Road, Taipei, Taiwan, R.O.C. Cathay Financial Holdings is the Company's parent company and ultimate parent company.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on May 12, 2022.

3. APPLICATION OF NEW AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

   The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Group.

b. 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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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)

(Concluded)

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

Note 2: The amendments 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 related amendments

IFRS 17 sets out the accounting standards for insurance contracts that will supersede IFRS 4. The key principles in IFRS 17 and related amendments are as follows:

Level of aggregation for insurance contracts

The Group shall identify portfolios of insurance contracts, which comprise contracts that are subject to similar risks and managed together. Contracts within a product line subject to similar risks would be expected to be in the same portfolio if they are managed together. The Group shall divide each portfolio of insurance contracts issued into a minimum of:

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

2) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and

3) A group of the remaining contracts in the portfolio, if any.

The Group is not permitted to include contracts issued more than one year apart in the same group, and shall apply the recognition and measurement under IFRS 17 to the group of insurance contracts it issues.

Recognition

The Group shall 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, the Group shall measure a group of insurance contracts at the total of the fulfilment cash flows (FCF) and the contractual service margin (CSM). The FCF comprises estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks associated with the future cash flows, and a risk adjustment for non-financial risk. The CSM represents the unearned profit the Group will recognize as it provides services under the insurance contracts in the group.

The initial recognition of a group of insurance contracts is measured at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

1) The initial recognition of an amount for the FCF;

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

3) The derecognition at that date of the following:

   a) The insurance acquisition cash flows assets;

   b) The asset or liability previously recognized for cash flows related to the group of insurance contracts held.

Subsequent measurement

The Group shall remeasure the carrying amount of a group of insurance contracts at the end of each reporting period at the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the FCF related to future services and the CSM of the group at that date. The liability for incurred claims comprises the FCF related to past service allocated to the group at that date. On subsequent measurement, if a group of insurance contracts becomes onerous (or more onerous), that loss shall be recognized in profit or loss.

Onerous contracts

On initial recognition, an insurance contract is onerous if the total of the FCF, any previously recognized acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. The Group shall recognize a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCF and the CSM of the group being zero. The CSM cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss.

Premium allocation approach

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

1) The Company reasonably expects that the liability for remaining coverage of a group of insurance contracts using the PAA will be a reasonable approximation of the general model results, or

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

Where, at the inception of the Company, the Company expects significant variances in the FCF during the period before a claim is incurred, the expected significant variances may affect the measurement of the liability for remaining coverage of a group of insurance contracts; thus, such circumstances are not eligible to condition 1).

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

1) The premiums received at initial recognition;

2) Minus any insurance acquisition cash flows;

3) Plus or minus any amount arising from the derecognition at that date of the following:

    a) The insurance acquisition cash flows assets;

    b) The asset or liability previously recognized for cash flows related to the group of insurance contracts held.

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

<u>Investment contracts with discretionary participation feature (DPF)</u>

An investment contract with a DPF is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of the IFRS 17 only if the Group also issues insurance contracts.

<u>Modification and derecognition</u>

If the terms of an insurance contract are modified and the change is be treated as a substantive modification that meets specified criteria, the Group shall 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 there is a substantive modification of an insurance contract.

<u>Transition</u>

The Group shall apply the IFRS 17 retrospectively unless impracticable, in which case the Group has the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, the Group shall utilize reasonable and supportable information and maximize the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. The Group shall apply the fair value approach if obtaining reasonable and supportable information is impracticable.

Under the fair value approach, the Group determines the CSM at the transition date as the difference between the fair value of a group of insurance contracts at that date and the FCF measured at that date.

Redesignation of financial assets

At the date of initial application of IFRS 17, an entity which applied IFRS 9 may redesignate and reclassify financial assets that comply with paragraph C29 of IFRS 17. The entity does not have to restate comparative information to reflect changes in the reclassification of these assets, so the difference between the previous carrying amount and the carrying amount at the date of initial application of these financial assets is recognized in retained earnings (or other equity, if appropriate) at the date of initial application. If an entity restates the comparative information, the restatement must reflect the requirements of the affected financial assets under IFRS 9.

In addition, enterprises that have applied IFRS 9 before the initial application of IFRS 17, and have financial assets that have been derecognized during the comparative period of the date of initial application of IFRS 17, can choose to apply the classification overlay on the basis of individual financial assets, 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 POLICY

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

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

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 the significance of the inputs to the fair value measurement in its entirety, are described as follows:

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

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

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

c. Classification of current and non-current assets and liabilities

Assets and liabilities of this consolidated financial statement are classified by nature and are presented in the order of liquidity, instead of being classified as current or noncurrent.

d. Basis of consolidation

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

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 13 and Table 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. 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 period in which they arise.

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting consolidated financial statements, the functional currencies of the group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group’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.

When the Company 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 and joint ventures 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 loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

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

When the Group 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 of interests in the associate that are not related to the Group.

g. Property and equipment

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

The 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 method are reviewed at the end of each reporting period, with the effects of any changes in estimate accounted for on a prospective basis.

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

i. Impairment of property and equipment, right-of-use asset and intangible assets

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, 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units.

Intangible assets with indefinite useful lives and intangible assets not yet available for use 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 on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. 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 FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

   a) Categories of financial assets, initial recognition and subsequent measurement

      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 FVTOCI.

      i. Financial assets at FVTPL

         Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include 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. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

         Overlay approach is applied to financial assets if all of the following conditions are met therein, the Group elected to remove profit or loss arising from changes in fair value in subsequent measurement and placed it in other comprehensive income.

         i) The financial assets are held in respect of activities related to IFRS 4.

         ii) The financial assets are measured at FVTPL applying IFRS 9, but would not have been measured at FVTPL in its entirely applying under IAS 39.

         iii) The financial assets designated to apply overlay approach at initial recognition when an entity first applies IFRS 9 or when a new financial asset is initially recognized or when a financial asset newly meets the criteria having previously not met.

      ii. Financial assets at amortized cost

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

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

         ii) The contractual terms of the financial assets 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, including cash and cash equivalents and receivables 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 asset that is not credit-impaired on purchase or origination but has 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.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. 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 whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs 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.

For internal credit risk management purposes, the Group determines that the following situations as indicate that a financial asset is in default without taking into account any collateral held by the Group:

i. Internal or external information shows that the debtor is unlikely to pay its creditors.

ii. Financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

In addition, in accordance with the regulation of "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises", the Company classify loans into five categories; including category one-normal assets; category two-special mention assets; category three-substandard assets; category four-doubtful assets; and category five-loss assets depending on the status of the loans collaterals and the length of time overdue, as well as financial condition of the uncollectible accounts. The Company is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

i. 0.5% of the ending balance for the first category of loan assets excluding life insurance loans, automatic premium loans and holding government debts, 2% of the ending balance for the second category of loan assets, 10% of the ending balance for the third category of loan assets, as well as 50% and 100% of the ending balance for the fourth and fifth category of loan assets.

ii. 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.

iii. Total unsecured portion of loans overdue and receivable on demand.

Pursuant to Order No. Financial-Supervisory-Insurance-Corporate-10402506096, to enhance insurance industry's ability to bear loss on specific loan assets, the Company shall increase its allowance for bad debt loans ratio to at least 1.5%.

c) Derecognition of financial assets

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

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

2) 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.

3) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at FVTPL</u>

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

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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 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.

k. Reinsurance business

The reinsurance business refers to the provision of services to enable clients to limit possible loss due to risk events such as explosions; the business meets insurance regulations. For the ceding reinsurance, the Group may not refuse or delay fulfillment of its obligations to the insured on the grounds that a reinsurer has failed to fulfill its obligation.

For the ceding reinsurance, reinsurance premium outward is recognized based on the ceding reinsurance contract. According to matching principle, the reinsurance premium outward must be matched in the same accounting period as the reinsurance premium inward they helped to earn. Also, at the balance sheet date, the Group will accrue the related reinsurance revenue and expense for the billing statements that have not yet been received but are already considered likely to be received as shown by past experience. The related reinsurance profit and loss cannot be deferred.

Reinsurance assets on which the reinsurer has rights include ceding unearned premium reserve, ceding loss reserve, and ceding premium deficiency reserve under various insurance provisions and related reinsurance regulations.

l. Reserves for liabilities

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

The descriptions of these reserves are as follows:

1) Unearned premium reserve

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

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

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

Unearned premium 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 at the end of the year.

2) Loss reserve

Loss reserve is provided for losses filed but not yet paid and losses 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 losses 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 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, special reserves for fluctuation of risk and special reserves for other special purpose.

In accordance with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, the Group 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 insurance (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 insurance, nuclear energy insurance, residential earthquake insurance, commercial-business earthquake insurance and typhoon and flood insurance, the special reserves recognized as liabilities before December 31, 2012 were used to compensate the deficiencies of commercial-business earthquake insurance and typhoon and flood insurance 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.

a) Special reserves for catastrophic event

Special reserves for catastrophic event is provided at the rates for each insurance type required by the authorities.

As a single event which meets the government's definition of major accident, special reserves for catastrophic event can be reversed if the total retained claims for each insurance type of an individual company reach $30 million and the total claims for each insurance type of all non-life insurance companies reach $2,000 million.

Special reserves for catastrophic event that have been provided for more than 15 years may be reversed in the recovery manner prescribed by the appointed actuary, which should be filed with the authorities. In addition, such reserve for commercial-businesses earthquake insurance and typhoon and flood insurance may be reversed only if they have been provided for more than 30 years.

b) Special reserves for fluctuation of risk

For retained business of each insurance, when actual claims net of the debit amounts to special reserves for catastrophic events are lower than the expected claims, 15% of the difference should be provided as special reserves for fluctuation of risk. For commercial-business earthquake insurance and typhoon and flood insurance, the provision rate is 75% of the difference.

For retained business of each insurance, when actual claims net of the debit amounts to special reserves for catastrophic event are higher than the expected claims, the difference may be debited to the existing special reserves for fluctuation of risk. If the special reserves for fluctuation of risk for an insurance type are insufficient to cover the difference, the shortfall may be debited to the special reserves for fluctuation of risk of other insurance type. The insurance type and debit amounts for covering the shortfall should be filed with the authorities.

For each type of insurance, when the accumulated provisions of the special reserves for fluctuation of risk exceed 60% (30% for accident insurance and health insurance) of the retained earned premiums for the current year, the excess should be recovered. For commercial-business earthquake insurance and typhoon and flood insurance, if the accumulated provisions of special reserves for fluctuation of risk exceed 18 times and 8 times, respectively, of the retained earned premiums for the current year, the excess should be recovered as income.

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 deficiency 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 the 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

When performing the liability adequacy test required by IFRS 4, the future cash flows are estimated based on current information on recognized liabilities as of each reporting date. If the test result shows inadequate liability reserve, the shortfall should be recognized as a liability adequacy reserve.

m. Insurance contract categories

Insurance contract refers to the insurer accepting the insurance policyholder’s transfer of significant insurance risk, and agrees to the uncertain future of a particular event (insured event) and the contract will compensate the policyholder for any damages that occurred. The Group’s definition of a significant insurance risk refers to any insured event that occurs and causes the Group to pay additional significant fees.

Insurance contract with features of financial instruments are contracts that transfer the financial risk. The definition of a financial risk refers to one or more specific interest rate, prices of financial instruments, product prices, exchange rates, price index, rate index, credit ratings and indicators, and other variables that face risk of possible future changes. If the above variables are not considered as a financial variable, then the variables exist in both sides under the contract.

When the original judgment meets the criteria of the policy under the insurance contract, before the right of ownership and obligations expired or extinguished, the policy will still be considered as an insurance contract; even if the exposure to insurance risk during the policy period has been significantly reduced. However, if insurance risk following the renewal of an insurance contract with features of financial instruments is transferred to the Group, the Group will reclassify the contract as an insurance contract.

n. Premiums, commission expenses and processing fees

Direct premiums are recognized for all insurance policies underwritten and issued in current periods. Ceded reinsurance premiums are usually recognized as the billing statements are 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 related to the insurance premium revenues are recognized pursuant to "Value-added and Non-value-added Business Tax Act" and "Stamp Tax Act" on an accrual basis.

o. Insurance claims

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 undiscounted.

p. Liability adequacy test

At the end of each reporting period, each type of insurance is subjected to the test by the expected cost method to assess the adequacy of insurance liabilities. The expected cost method requires the Group to estimate future cash flows of insurance contracts in accordance with the requirements for actuaries that was issued by the Actuarial Institute of the Republic of China. If an assessment shows that the carrying amount of insurance liabilities (less related intangible assets) is not enough to cover the estimated future cash flows, the entire shortfall is recognized in profit or loss.

Liability adequacy test is calculated on the undiscounted basis.

q. Salvage and subrogation

Salvage legally acquired from the claim procedure for direct written business shall be valued and recognized at its fair value. Subrogation legally acquired shall be recognized when the actual recovery is definite (the inflow of the economic benefits in the future is more likely than not), and its amount can be reliably measured.

r. Co-insurance organization, co-insurance and guarantee fund agreement

The Company and all the members approved by the competent authority set the "Co-insurance Contract of Compulsory Automobile Liability Insurance" and agreed that the business should be fully included in the co-insurance, violators have to pay liquidated damages and agreed to be inspected by co-insurance team. The business is calculated on the basis of pure premiums and in accordance with the agreed portion. In addition to the liquidation or going out of business, the members shall not withdraw. If the members stop to operate the compulsory automobile liability insurance, it should drop out from the co-insurance organization at the same time and the responsibility of unearned premiums applies natural expiry.

The Company, the property insurance company with order for traveling industry performance guarantee insurance and the reinsurance company set the "Co-insurance Contract of Traveling Industry Performance Guarantee Insurance" and agreed that the business should be fully included in the co-insurance, violators have to pay liquidated damages and agreed to be inspected by co-insurance organization. The business is calculated on the basis of co-insurance premium and in accordance with the agreed proportion. Members shall make notice in writing when going to withdraw from co-insurance before the start of the following year began three months ago. The original undertaken responsibility will cease to exist at the end of the year and the member company which drops out from the co-insurance organization will be held responsible for the unfinished part of the responsibility until its natural expiry.

s. Contribution to the stabilization funds

The disbursement of voluntary insurance is made to “Property Insurance Stabilization Fund Committees” according to “Interpretation No. 10602506661 Financial-Supervisory-Property-Insurance-Corporate” and Standard of Life and Property Insurance Industry Stabilization Fund.

Since July 1, 2014, according to the “Interpretations No. 10302503181 Financial-Supervisory-Property-Insurance-Corporate” issued by the FSC, the Group has changed its way of contribution to rate discrimination depositing in “Property Insurance Stabilization Fund Committees”. It is reported as “Contribution to the Stabilization funds” in the income statement.

t. Leases

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

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, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are 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.

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 lessee’s incremental borrowing rate will be used.

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. Lease liabilities are presented on a separate line in the consolidated balance sheets.

u. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit 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.

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

3) 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.

v. Share-based payment arrangements

Employee share options granted to employees and others providing similar services.

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of the parent company's issued ordinary shares for cash which are reserved for employees is the date on which the board of directors approves the transaction.

w. Taxation

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

1) Current tax

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

According to the Income Tax Law in the R.O.C, an additional tax of unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, 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 associated with such investments and interests are recognized only 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 such temporary differences are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax 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 tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

a. 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 has determined 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 determines the appropriate inputs by referring to the analyses of the financial position and the operation results of the investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, and valuation multiples of comparable entities. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Note 26.

b. Estimated impairment of investments in debt instruments

The provision for impairment of investments in debt instruments is estimated based on expected loss. The Group estimates and compares contractual cash flows receivable (carrying amount) and expected cash flows receivable (after forward looking estimates considered) and recognizes the difference as credit losses. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Adequacy test on loss reserve

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

6. CASH AND CASH EQUIVALENTS

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand	$ 49,201	$ 45,137	$ 19,871
Checking accounts and demand deposits	3,616,128	3,179,749	2,554,278
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	6,215,045	5,507,106	4,443,789
Short-term transactions instruments	3,639,771	3,241,295	3,579,577
	$ 13,520,145	$ 11,973,287	$ 10,597,515

7. FINANCIAL INSTRUMENTS AT FVTPL

	March 31, 2022	December 31, 2021	March 31, 2021
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange swaps	$ -	$ 45,629	$ 79,128
Non-derivative financial assets			
Listed shares	6,144,125	7,029,728	6,857,572
Mutual funds	5,109,628	5,490,710	5,150,018
Financial bonds	307,132	304,072	312,689
	$ 11,560,905	$ 12,870,139	$ 12,399,407
Financial liabilities mandatorily classified as at FVTPL			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange swaps	$ 123,011	$ 72	$ 22,438

a. At the end of the reporting period, outstanding foreign exchange swaps not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
March 31, 2022			
Foreign exchange swaps	USD/NTD	2022.04.11-2023.03.13	USD 181,900
	EUR/NTD	2022.06.06-2023.02.24	EUR 1,750
December 31, 2021			
Foreign exchange swaps	USD/NTD	2022.01.13-2022.12.21	USD 181,900
	EUR/NTD	2022.02.24	EUR 750
March 31, 2021			
Foreign exchange swaps	USD/NTD	2021.04.15-2022.03.15	USD 181,900
	EUR/NTD	2022.02.24	EUR 750

The Group entered into foreign exchange swaps to manage exposures to exchange rate fluctuations of foreign currency-denominated assets and liabilities.

b. The financial assets at FVTPL were not pledged.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Financial assets mandatorily measured at FVTPL			
Listed shares	$ 6,144,125	$ 7,029,728	$ 6,857,572
Mutual funds	5,109,648	5,490,710	5,150,018
Financial bonds	307,132	304,072	312,689

For the three months ended March 31, 2022 and 2021, none of financial assets held by the Group has changed conditions, been designated or been terminated.

Reclassification from profit or loss to other comprehensive income of the consolidated financial assets designated to apply the overlay approach for the three months ended March 31, 2022 and 2021 were as follows:

	For the Three Months Ended March 31	
	2022	2021
Loss (gains) due to applying IFRS 9 to profit or loss	$ 431,088	$ (572,385)
Gains if applying IAS 39 to profit or loss	320,456	316,654
Gains (loss) from reclassification using the overlay approach	$ 751,544	$ (255,731)

According to the adjustment by applying the overlay approach, gains (loss) from consolidated financial assets at FVTPL increased from $(595,380) thousand to $156,164 thousand and decreased from $533,861 thousand to $278,130 thousand for the three months ended March 31, 2022 and 2021, respectively.

8. FINANCIAL ASSETS AT FVTOCI

	March 31, 2022	December 31, 2021	March 31, 2021
Investments in equity instruments at FVTOCI	$ -	$ -	$ 430,200
Investments in debt instruments at FVTOCI	712,981	728,828	752,147
	$ 712,981	$ 728,828	$ 1,182,347

a. Investments in equity instruments at FVTOCI

	March 31, 2022	December 31, 2021	March 31, 2021
Domestic investments			
Unlisted shares	$ -	$ -	$ 430,200

These investments in equity instrument are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In December 2021, the Group adjusted its investment portfolio for risk spreading and sold all the shares held at fair value of $566,296 thousand. As a result, the related unrealized valuation gain of $33,704 thousand was transferred from other equity to retained earnings.

There was no dividend revenue recognized relating to investments in equity instrument at FVTOCI still held by the Group on the balance sheet date for the three months ended March 31, 2021. There was no derecognition either.

b. Investments in debt instruments at FVTOCI

	March 31, 2022	December 31, 2021	March 31, 2021
Domestic investments			
Government bonds	$ 712,981	$ 728,828	$ 752,147

Refer to Note 26 for information relating to their credit risk management and impairment.

c. The financial assets at FVTOCI were not pledged.

9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2022	December 31, 2021	March 31, 2021
Domestic investments			
Financial bonds	$ 100,000	$ -	$ -
Corporate bonds	1,599,970	1,599,988	1,599,970
Government bonds	499,536	700,084	505,379
Foreign bonds investments	6,065,657	5,464,743	5,816,152
	8,265,163	7,764,815	7,921,501
Less: Loss allowance	(2,792)	(2,280)	(11,698)
Less: Statutory guarantee deposits	(499,519)	(700,064)	(505,313)
	$ 7,762,852	$ 7,062,471	$ 7,404,490

The Group's gains on disposal of bonds from repayments due for the three months ended March 31, 2022 and 2021 were $251 thousand and $858 thousand, respectively.

Refer to Note 26 for information relating to their credit risk management and impairment. The financial assets at amortized cost were not pledged.

10. LOANS

	March 31, 2022	December 31, 2021	March 31, 2021
Secured Loans	$ 180,279	$ 188,921	$ 208,213
Less: Loss allowance	(2,345)	(2,458)	(2,656)
	$ 177,934	$ 186,463	$ 205,557

Property and equipment are pledged as collaterals for secured loans. The Group applied IFRS 9 and assessed impairment in accordance with the regulation of "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises". Refer to Note 26 for information relating to the credit risk management and impairment for the three months ended March 31, 2022 and 2021.

11. RECEIVABLES

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable	$ 165,663	$ 190,662	$ 172,062
Premiums receivables	1,962,415	2,128,646	1,688,264
Other receivables	252,012	927,557	314,019
	2,380,090	3,246,865	2,174,345
Less: Loss allowance	(38,205)	(37,913)	(41,275)
	$ 2,341,885	$ 3,208,952	$ 2,133,070

The movements of allowance for impairment loss of receivables were as follows:

	For the Three Months Ended March 31	
	2022	2021
Beginning balance	$ 37,913	$ 41,389
Impairment losses (reversed) recognized on receivables	292	(114)
Ending balance	$ 38,205	$ 41,275

12. REINSURANCE ASSETS

	March 31, 2022	December 31, 2021	March 31, 2021
Claims recoverable from reinsurers, net	$ 415,912	$ 461,885	$ 277,205
Due from reinsurers and ceding companies, net	945,426	937,811	662,239
Reinsurance reserve assets			
Ceded unearned premium reserve	4,356,477	4,361,937	3,543,004
Ceded loss reserve	4,273,851	4,119,854	3,959,219
	$ 9,991,666	$ 9,881,487	$ 8,441,667

a. Claims recoverable from reinsurers

	March 31, 2022	December 31, 2021	March 31, 2021
Gross carrying amount	$ 420,113	$ 466,550	$ 291,795
Less: Loss allowance	(4,201)	(4,665)	(14,590)
	$ 415,912	$ 461,885	$ 277,205

The movements of allowance for impairment loss of claims recoverable from reinsurers were as follows:

	For the Three Months Ended March 31	
	2022	2021
Beginning balance	$ 4,665	$ 15,231
Impairment losses recognized (reversed) on receivables	(464)	(641)
Ending balance	$ 4,201	$ 14,590

b. Due from reinsurers and ceding companies

	March 31, 2022	December 31, 2021	March 31, 2021
Gross carrying amount	$1,004,502	$ 996,562	$ 707,053
Less: Loss allowance	(59,076)	(58,751)	(44,814)
	$ 945,426	$ 937,811	$ 662,239

The movements of the loss allowance of claims recoverable from reinsurers were as follows:

	For the Three Months Ended March 31	
	2022	2021
Beginning balance	$ 58,751	$ 43,501
Impairment losses recognized (reversed) on receivables	325	1,313
Ending balance	$ 59,076	$ 44,814

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			Proportion of Ownership (%)		
Investor	Investee	Nature of Activities	March 31, 2022	December 31, 2021	March 31, 2021
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Operating non-life insurance business	100	100	100

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2022	December 31, 2021	March 31, 2021
Investments in associates	$ 2,377,805	$ 2,304,344	$ 2,239,401

Aggregate information of associates that are not individually material:

	For the Three Months Ended March 31	
	2022	2021
The Group's share of:		
Profit from continuing operations	$ 48,644	$ 65,029
Other comprehensive income (loss)	24,817	(29,292)
Total comprehensive income for the period	$ 73,461	$ 35,737

Investments were calculated based on financial statements which have not been reviewed. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of the subsidiary which have not been reviewed.

The investments accounted for using the equity method were not pledged.

15. PROPERTY AND EQUIPMENT

	Computer Equipment	Other Equipment	Prepayments for Equipment	Total
Cost				
Balance at January 1, 2022	$ 612,719	$ 184,150	$ 24,481	$ 821,350
Additions	2,004	1,774	1,372	5,150
Disposals	(119)	-	-	(119)
Reclassified	-	6,434	(6,502)	(68)
Foreign exchange	-	2,272	-	2,272
Balance at March 31, 2022	$ 614,604	$ 194,630	$ 19,351	$ 828,585
Accumulated depreciation and impairment				
Balance at January 1, 2022	$ 429,152	$ 171,043	$ -	$ 600,195
Disposals	(119)	-	-	(119)
Depreciation expenses	16,236	1,616	-	17,852
Foreign exchange	-	2,090	-	2,090
Balance at March 31, 2022	$ 445,269	$ 174,749	$ -	$ 620,018

(Continued)

	Computer Equipment	Other Equipment	Prepayments for Equipment	Total
Carrying amounts at March 31, 2022	$ 169,335	$ 19,881	$ 19,351	$ 208,567
Carrying amounts at December 31, 2021 and January 1, 2022	$ 183,567	$ 13,107	$ 24,481	$ 221,155
Cost				
Balance at January 1, 2021	$ 487,354	$ 183,630	$ 77,290	$ 748,274
Additions	1,689	692	8,973	11,354
Disposals	(207)	(25)	-	(232)
Reclassified	17,460	-	(27,188)	(9,728)
Foreign exchange	-	59	-	59
Balance at March 31, 2021	$ 506,296	$ 184,356	$ 59,075	$ 749,727
Accumulated depreciation and impairment				
Balance at January 1, 2021	$ 385,163	$ 166,025	$ -	$ 551,188
Disposals	(207)	(25)	-	(232)
Depreciation expenses	9,734	2,146	-	11,880
Foreign exchange	-	(431)	-	(431)
Balance at March 31, 2021	$ 394,690	$ 167,715	$ -	$ 562,405
Carrying amounts at March 31, 2021	$ 111,606	$ 16,641	$ 59,075	$ 187,322

(Concluded)

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

Computer equipment	3-5 years
Other equipment	3-5 years

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2022	December 31, 2021	March 31, 2021
Carrying amounts			
Buildings	$ 211,517	$ 233,645	$ 86,295
Transportation equipment	4,718	3,401	4,526
	$ 216,235	$ 237,046	$ 90,821

	For the Three Months Ended March 31	
	2022	2021
Additions to right-of-use assets	$ 18,164	$ 19,757
Depreciation charge for right-of-use assets		
Buildings	$ 38,464	$ 33,570
Transportation equipment	901	908
	$ 39,365	$ 34,478

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2022 and 2021.

b. Lease liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
Carrying amounts	$ 217,033	$ 237,483	$ 91,200

Range of discount rate for lease liabilities was as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Buildings	1.12%-8.57%	1.18%-8.57%	1.18%-8.47%
Transportation equipment	2.16%-3.49%	2.68%-3.49%	2.68%-3.49%

c. Other lease information

	For the Three Months Ended March 31	
	2022	2021
Expenses relating to short-term leases	$ 2,799	$ 2,596
Total cash outflow for leases	$ (42,718)	$ (37,510)

The Group leases certain transportation equipment and buildings which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

17. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2022	$ 391,725
Additions	5,394
Reclassified	320
Foreign exchange	2,178
Balance at March 31, 2022	$ 399,617
Accumulated depreciation and impairment	
Balance at January 1, 2022	$ 282,909
Amortization expenses	14,621
Foreign exchange	1,577
Balance at March 31, 2022	$ 299,107
Carrying amounts at March 31, 2022	$ 100,510
Carrying amounts at December 31, 2021 and January 1, 2022	$ 108,816
Cost	
Balance at January 1, 2021	$ 316,888
Additions	7,238
Reclassified	9,728
Foreign exchange	47
Balance at March 31, 2021	$ 333,901
Accumulated depreciation and impairment	
Balance at January 1, 2021	$ 225,708
Amortization expenses	14,224
Foreign exchange	39
Balance at March 31, 2021	$ 239,971
Carrying amounts at March 31, 2021	$ 93,930

The above items of intangible asset used by the Group are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	3 years

18. OTHER ASSETS

	March 31, 2022	December 31, 2021	March 31, 2021
Statutory guarantee deposits	$ 499,519	$ 700,064	$ 505,313
Statutory deposits	27,684	27,445	27,571
Other deposits	102,314	97,308	76,463
Payment in advance	18,799	18,420	16,258
Others	50,435	33,899	62,218
	$ 698,751	$ 877,136	$ 687,823

The other assets were not pledged.

19. PAYABLES

	March 31, 2022	December 31, 2021	March 31, 2021
Claims outstanding	$ -	$ -	$ 994
Commissions payable	272,228	259,190	227,841
Due to reinsurers and ceding companies	1,753,695	2,273,797	1,693,794
Income tax payable under tax consolidation	345,204	234,409	440,573
Other payables	632,423	1,145,537	563,379
	$ 3,003,550	$ 3,912,933	$ 2,926,581

20. INSURANCE LIABILITIES

	March 31, 2022	December 31, 2021	March 31, 2021
Unearned premium reserve	$ 15,249,094	$ 15,305,826	$ 13,733,102
Loss reserve	12,407,269	11,835,272	11,274,318
Special reserve	2,587,342	2,589,704	2,590,295
Premium deficiency reserve	118	-	4,644
Policy reserve	82	95	113
	$ 30,243,905	$ 29,730,897	$ 27,602,472

a. Unearned premium reserve

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

	March 31, 2022			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
Insurance Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,777,761	$ 173,318	$ 1,187,015	$ 764,064
Marine insurance	169,190	11,352	148,082	32,460
Land and air insurance	6,394,273	9,770	211,538	6,192,505
Liability insurance	1,150,338	1,957	306,880	845,415
Guarantee insurance	47,493	2,734	23,717	26,510
Other property insurance	1,613,739	36,616	1,261,570	388,785
Accident insurance	1,619,509	9,222	153,203	1,475,528
Health insurance	273,819	(620)	91,219	181,980
Policy-oriented residential earthquake insurance	228,735	32,138	228,735	32,138
Compulsory auto liability insurance	1,240,864	456,886	744,518	953,232
	$ 14,515,721	$ 733,373	$ 4,356,477	$ 10,892,617

	December 31, 2021			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
Insurance Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,875,676	$ 241,506	$ 1,196,644	$ 920,538
Marine insurance	195,031	17,467	143,329	69,169
Land and air insurance	6,264,140	19,060	226,099	6,057,101
Liability insurance	1,087,179	3,918	295,440	795,657
Guarantee insurance	55,444	4,592	35,439	24,597
Other property insurance	1,515,244	41,080	1,192,079	364,245
Accident insurance	1,596,107	11,674	92,817	1,514,964
Health insurance	425,727	1,071	206,791	220,007
Policy-oriented residential earthquake insurance	230,777	29,569	230,777	29,569
Compulsory auto liability insurance	1,237,536	453,028	742,522	948,042
	$ 14,482,861	$ 822,965	$ 4,361,937	$ 10,943,889

	March 31, 2021			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
Insurance Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,551,898	$ 260,890	$ 917,193	$ 895,595
Marine insurance	191,412	16,042	124,269	83,185
Land and air insurance	5,749,483	33,408	179,831	5,603,060
Liability insurance	900,915	2,212	232,300	670,827
Guarantee insurance	41,056	3,840	21,498	23,398
Other property insurance	1,352,291	55,025	990,545	416,771
Accident insurance	1,558,860	7,859	119,340	1,447,379
Health insurance	64,504	1,576	98	65,982
Policy-oriented residential earthquake insurance	220,880	28,908	220,880	28,908
Compulsory auto liability insurance	1,228,417	463,626	737,050	954,993
	$ 12,859,716	$ 873,386	$ 3,543,004	$ 10,190,098

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

	For the Three Months Ended March 31			
	2022		2021	
	Unearned Premium Reserves	Ceded Unearned Premium Reserve	Unearned Premium Reserves	Ceded Unearned Premium Reserve
Beginning balance	$ 15,305,826	$ 4,361,937	$ 13,737,655	$ 3,626,938
Provision	15,244,865	4,354,895	13,732,487	3,542,776
Recovery	(15,345,619)	(4,379,697)	(13,765,640)	(3,635,126)
Foreign exchange	44,022	19,342	28,600	8,416
Ending balance	$ 15,249,094	$ 4,356,477	$ 13,733,102	$ 3,543,004

b. Loss reserve

1) Loss reserve and ceded loss reserve

	March 31, 2022			
	Loss Reserve		Ceded Loss Reserve	
Items	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Filed but not yet paid	$ 5,949,274	$ 1,150,619	$ 2,719,909	$ 4,379,984
Not yet filed	4,746,151	561,225	1,553,942	3,753,434
	$ 10,695,425	$ 1,711,844	$ 4,273,851	$ 8,133,418

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

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

2) Net changes in loss reserve and ceded loss reserve

For the three months ended March 31, 2022

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+ (3)-(4)
Filed but not yet paid	$ 5,972,202	$ 5,955,958	$ 1,150,619	$ 1,129,732	$ 36,951
Not yet filed	4,719,781	4,301,045	561,225	450,325	529,636
	$ 10,691,803	$ 10,257,003	$ 1,711,844	$ 1,580,057	$ 566,587

Items	Ceded Reinsurance Business		Net Changes in Ceded Loss Reserve
	Provision (6)	Recovery (7)	(8)=(6)-(7)
Filed but not yet paid	$ 2,730,050	$ 2,749,217	$ (19,167)
Not yet filed	1,541,593	1,372,166	169,427
	$ 4,271,643	$ 4,121,383	$ 150,260

For the three months ended March 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 but not yet paid	$ 5,919,046	$ 4,597,775	$ 840,269	$ 786,091	$ 1,375,449
Not yet filed	4,079,459	4,023,236	434,847	455,069	36,001
	$ 9,998,505	$ 8,621,011	$ 1,275,116	$ 1,241,160	$ 1,411,450

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

The claims incurred of the pandemic insurances the Company issued for COVID-19 for the three months ended March 31, 2022 and 2021 were $43,108 thousand and $0 thousand, respectively. The loss reserves of those pandemic insurances as of March 31, 2022, December 31, 2021 and March 31, 2021 were $61,707 thousand, $43,458 thousand and $250 thousand, respectively. Moreover, the claims incurred from April 1, 2022 to May 12, 2022 were $96,442 thousand.

3) Details of claims filed but not yet paid and claims not yet filed of policyholders

Insurance Type	March 31, 2022		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 3,074,550	$ 339,762	$ 3,414,312
Marine insurance	462,400	181,854	644,254
Land and air insurance	1,851,228	1,386,333	3,237,561
Liability insurance	584,446	730,685	1,315,131
Guarantee insurance	47,527	32,944	80,471
Other property insurance	515,109	97,393	612,502
Accident insurance	109,888	535,402	645,290
Health insurance	5,683	147,860	153,543
Policy-oriented residential earthquake insurance	5	-	5
Compulsory auto liability insurance	449,057	1,855,143	2,304,200
	$ 7,099,893	$ 5,307,376	$ 12,407,269

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

Insurance Type	March 31, 2021		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 2,957,079	$ 23,524	$ 2,980,603
Marine insurance	252,984	120,520	373,504
Land and air insurance	1,722,819	1,316,965	3,039,784
Liability insurance	632,689	663,308	1,295,997
Guarantee insurance	75,633	34,963	110,596
Other property insurance	463,817	121,457	585,274
Accident insurance	125,996	497,185	623,181
Health insurance	2,423	27,311	29,734
Policy-oriented residential earthquake insurance	12	-	12
Compulsory auto liability insurance	508,885	1,726,748	2,235,633
	$ 6,742,337	$ 4,531,981	$ 11,274,318

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

Insurance Type	March 31, 2022		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 1,540,971	$ 155,477	$ 1,696,448
Marine insurance	310,913	110,888	421,801
Land and air insurance	113,211	34,002	147,213
Liability insurance	304,426	274,796	579,222
Guarantee insurance	13,663	15,993	29,656
Other property insurance	299,500	38,042	337,542
Accident insurance	6,280	32,269	38,549
Health insurance	877	39,375	40,252
Policy-oriented residential earthquake insurance	-	-	-
Compulsory auto liability insurance	130,068	853,100	983,168
	$ 2,719,909	$ 1,553,942	$ 4,273,851

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

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

5) Reconciliation of loss reserve and ceded loss reserve

	For the Three Months Ended March 31			
	2022		2021	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	$ 11,835,272	$ 4,119,854	$ 9,862,265	$ 2,820,967
Provision	12,403,647	4,271,643	11,273,621	3,959,153
Recovery	(11,837,060)	(4,121,383)	(9,862,171)	(2,820,919)
Foreign exchange	5,410	3,737	603	18
Ending balance	$ 12,407,269	$ 4,273,851	$ 11,274,318	$ 3,959,219

c. Special reserve

1) Special reserve for compulsory automobile liability insurance

	For the Three Months Ended March 31	
	2022	2021
Beginning balance	$ 851,422	$ 865,038
Provision	61,472	24,209
Recovery	(63,834)	(55,960)
Ending balance	$ 849,060	$ 833,287

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

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

	For the Three Months Ended March 31, 2022		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	$ 393,265	$ 1,345,017	$ 1,738,282
Provision	-	-	-
Recovery	-	-	-
Ending balance	$ 393,265	$ 1,345,017	$ 1,738,282

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

If the Notice for the improvement of the reserves of natural disaster insurance (commercial-business earthquake, typhoon and flood insurance) for property insurance enterprises, Notice for enhancing the reserves of residential earthquake insurance pool members and Regulations governing the reserves of nuclear energy insurance were not applied, there is no material impact on the Group’s pre-tax income/loss, the special reserve under liabilities would have decreased by $1,429,782 thousand and $1,448,509 thousand, and special reserve under equity would have increased by $310,139 thousand and $371,511 thousand for the three months ended March 31, 2022 and 2021, respectively.

d. Premium deficiency reserves

1) Details of premium deficiency reserve and ceded premium deficiency reserve

	March 31, 2022			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	
Insurance Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	-	-	-	-
Land and air insurance	105	13	-	118
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 105	$ 13	$ -	$ 118

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

Insurance Type	March 31, 2021			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	3,769	875	-	4,644
Land and air insurance	-	-	-	-
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 3,769	$ 875	$ -	$ 4,644

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

	For the Three Months Ended March 31, 2022								
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Marine insurance	-	-	-	-	-	-	-	-	-
Land and air insurance	105	-	13	-	118	-	-	-	118
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	$ 105	$ -	$ 13	$ -	$ 118	$ -	$ -	$ -	$ 118

	For the Three Months Ended March 31, 2021								
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Marine insurance	3,769	3,082	875	916	646	-	-	-	646
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	-	-	-	-	-	-	-	-	-
	$ 3,769	$ 3,200	$ 875	$ 998	$ 446	$ -	$ -	$ -	$ 446

3) Reconciliation statement for premium deficiency reserve and ceded premium deficiency reserve

	For the Three Months Ended March 31			
	2022		2021	
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve
Beginning balance	$ -	$ -	$ 4,198	$ -
Provision	118	-	4,644	-
Recovery	-	-	(4,198)	-
Ending balance	$ 118	$ -	$ 4,644	$ -

e. Policy reserve

1) Details of policy reserve and ceded policy reserve

March 31, 2022

	Policy Reserve		Ceded Reserve	
Insurance Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Health insurance	$ 82	$ -	$ -	$ 82

December 31, 2021

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

March 31, 2021

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

2) Net changes in policy reserve and ceded policy reserve

For the three months ended March 31, 2022

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Health insurance	$ 15	$ 28	$ -	$ -	$ (13)

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

For the three months ended March 31, 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	$ 13	$ 19	$ -	$ -	$ (6)

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

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company of the Group adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension under the defined contribution plan for the three months ended March 31, 2022 and 2021 were $23,242 thousand and $22,325 thousand, respectively.

b. Defined benefit plans

Pension under the defined benefit plans were calculated by actuarial determination of retirement cost ratio on December 31, 2021 and 2020, respectively, which were $7,461 thousand and $7,632 thousand for the three months ended March 31, 2022 and 2021, respectively.

22. EQUITY

a. Share capital

	March 31, 2022	December 31, 2021	March 31, 2021
Shares authorized (in thousands of shares)	305,705	305,705	305,705
Shares authorized	$ 3,057,052	$ 3,057,052	$ 3,057,052
Shares issued and fully paid (in thousands of shares)	305,705	305,705	305,705
Shares issued	$ 3,057,052	$ 3,057,052	$ 3,057,052

b. Capital surplus

	March 31, 2022	December 31, 2021	March 31, 2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of ordinary shares	$ 502,500	$ 502,500	$ 502,500
May not be used for any purpose			
Recognition of employee share options by the parent company (2)	15,826	15,826	15,826
	$ 518,326	$ 518,326	$ 518,326

1) The capital surplus from shares issued in excess of par (share premium from issuance of ordinary shares) and endowments received by the Company may use to offset a deficit. The capital surplus may be distributed by issuing new shares or by cash. However, under Rule No. 10202501991 issued by the FSC, not only the Company's legal reserve should exceed its paid-in capital but also other conditions requested under the Rule should be satisfied; then, the Company can distribute its capital surplus by cash after the authority's approval under the Company Act Article 241.

2) The Group's parent company, Cathay Financial Holdings Co., Ltd., resolved to issue ordinary shares on August 15, 2019 and retained 10% of the shares issued for the employee of Cathay Financial Holdings Co., Ltd. and its subsidiaries in accordance with the Company Act. The Company has recognized at the fair value on grant day of $15,826 thousand as salary expense and capital surplus in December 2019.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 20% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for the proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. In formulating its dividend policy, the Company considers both its operating needs and the shareholders' interests. Thus, dividends are distributed after the Company reserves the cash requirement for future capital expenditures. For the policies on the distribution of employees' compensation and remuneration to directors and supervisors, refer to Note 23.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The Company chose to maintain the appropriation of legal reserve in order to enrich the Company's own capital. 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. However, under Rule No. 10202501991 issued by the FSC, not only the Company's legal reserve should exceed its paid-in capital but also other conditions requested under the Rule should be satisfied; then, the Company can distribute its legal reserve by cash after the authority's approval under the Company Act Article 241.

Under Rule No. 11004920441, Rule No. 10904939031 and Rule No. 10804932431 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

The appropriations of earnings for 2021 and 2020 that were approved by the board of directors, acting on behalf of the shareholders, on May 4, 2022 and April 28, 2021, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2021	**2020**
Legal reserve	$ 428,319	$ 434,788
Special reserve	(124,739)	(67,481)
Special reserve (according to regulation for insurance enterprises on the provision of reserves)	634,321	423,634
Special reserve (FinTech development)	(377)	(419)
Special reserve (according to Rule No. 10904939031)	1,333	-
Cash dividends	601,368	1,383,422
Cash dividends per shares	1.97	4.53

d. Special reserve

	For the Three Months Ended March 31, 2022				
	Special Reserve				
	Catastrophic Event	**Fluctuation of Risk**	**Others**	**Others**	**Total**
Balance at January 1	$ 2,109,008	$ 3,100,137	$ -	$ 154,673	$ 5,363,818
Provision	-	-	-	-	-
Recovered/reversal	-	-	-	-	-
Balance at March 31	$ 2,109,008	$ 3,100,137	$ -	$ 154,673	$ 5,363,818

	For the Three Months Ended March 31, 2021				
	Special Reserve				
	Catastrophic Event	Fluctuation of Risk	Others	Others	Total
Balance at January 1	$ 1,862,329	$ 2,712,495	$ -	$ 221,240	$ 4,796,064
Provision	-	-	-	-	-
Recovered/reversal	-	-	-	-	-
Balance at March 31	$ 1,862,329	$ 2,712,495	$ -	$ 221,240	$ 4,796,064

The newly recognized special reserve for catastrophic event and the special reserve for fluctuation of risk began to be reported as part of the special reserve under shareholders' equity at year-end. This portion of retained earnings cannot be used for any purpose. The accumulative recognized amount as of March 31, 2022 and 2021 was $5,209,145 thousand and $4,574,824 thousand, respectively.

e. Other equity items

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

	For the Three Months Ended March 31	
	2022	2021
Beginning at January 1	$ (351,498)	$ (331,574)
Recognized for the period		
Exchange differences on the translation of the financial statements of foreign operations	20,901	556
Share from associates accounted for using the equity method	92,222	(4,284)
Other comprehensive income recognized for the period	113,123	(3,728)
Ending at March 31	$ (238,375)	$ (335,302)

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

	For the Three Months Ended March 31	
	2022	2021
Beginning at January 1	$ 58,131	$ (36,212)
Recognized for the period		
Unrealized gain (loss) - debt instruments	(14,126)	(10,346)
Unrealized gain (loss) - equity instruments	-	(31,800)
Adjustments of loss allowance in debt instruments	5	(2)
Shares from associates accounted for using the equity method	(67,405)	(25,008)
Other comprehensive income recognized for the period	(81,526)	(67,156)
Ending at March 31	$ (23,395)	$ (103,368)

3) Remeasurement of defined benefit plans

	For the Three Months Ended March 31	
	2022	2021
Beginning at January 1	$ (183,711)	$ (175,461)
Effect of change in tax rate	-	-
Ending at March 31	$ (183,711)	$ (175,461)

4) Other comprehensive income reclassified under the overlay approach

	For the Three Months Ended March 31	
	2022	2021
Beginning at January 1	$ 911,654	$ 418,508
Recognized for the period	(433,810)	570,215
Reclassification adjustments		
Disposal of financial instruments	(317,734)	(314,484)
Related effect tax	10,104	2,327
Other comprehensive income recognized for the period	(741,440)	258,058
Ending at March 31	$ 170,214	$ 676,566

23. PROFIT BEFORE INCOME TAX

Profit before income tax included the following:

a. Interest income

	For the Three Months Ended March 31	
	2022	2021
Bank deposits	$ 7,454	$ 7,600
Bills purchased under resale agreement	1,933	1,676
Financial instruments at FVTPL	56,340	37,176
Investments in debt instruments at FVTOCI	2,933	2,962
Financial assets at amortized cost	82,235	83,942
Loan	624	686
Compulsory insurance	1,607	1,633
Other financial assets	12	8
	$ 153,138	$ 135,683

b. Summary statement of employee benefit, depreciation and amortization expenses by function

	For the Three Months Ended March 31					
	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries and wages	$ 79,013	$ 611,323	$ 690,336	$ 72,516	$ 567,744	$ 640,260
Labor and health insurance	-	75,918	75,918	-	65,044	65,044
Pension expenses	-	30,703	30,703	-	29,957	29,957
Remuneration of directors	-	21,669	21,669	-	17,537	17,537
Other employee benefits	-	10,775	10,775	-	9,276	9,276
	$ 79,013	$ 750,388	$ 829,401	$ 72,516	$ 689,558	$ 762,074
Depreciation	$ -	$ 57,217	$ 57,217	$ -	$ 46,358	$ 46,358
Amortization	$ -	$ 14,621	$ 14,621	$ -	$ 14,224	$ 14,224

For the three months ended March 31, 2022 and 2021, the Group's average number of employees were 2,388 and 2,332, respectively. There were 2,386 and 2,319 employees, which include 8 directors not serving concurrently as employees, in the Group as of March 31, 2022 and 2021.

c. Compensation of employees and remuneration of directors and supervisors

According to the Group's Articles, the Group accrued compensation of employees and remuneration of directors and supervisors at rates of no less than 0.1% and no higher than 1.5%, respectively, of net profit before income tax, compensation of employees and remuneration of directors and supervisors for the three months ended March 31, 2022 and 2021 are as follows:

Accrual rate

	For the Three Months Ended March 31	
	2022	2021
Compensation of employees	0.1%	0.1%
Remuneration of directors and supervisors	-	-

Amount

	For the Three Months Ended March 31	
	2022	2021
Compensation of employees	$ 959	$ 559
Remuneration of directors and supervisors	$ -	$ -

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

The appropriation of compensation of employees and remuneration of directors and supervisors for 2021 and 2020 that were resolved by the board of directors on March 10, 2022 and March 9, 2021, respectively, are as shown below:

Amount

	For the Year Ended December 31	
	2021	**2020**
	Cash	**Cash**
Employees' compensation	$ 2,564	$ 2,557
Remuneration of directors and supervisors	$ 4,500	$ 4,500

There is no difference between the actual amounts of compensation of employees and the remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAX

a. Major components of income tax expense recognized are as follows

	For the Three Months Ended March 31	
	2022	**2021**
Current tax		
In respect of the current period	$ 114,388	$ 94,575
Deferred tax		
In respect of the current period	10,180	(23,222)
Income tax expense recognized in profit or loss	$ 124,568	$ 71,353

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2022	**2021**
Deferred tax		
In respect of the current period:		
Other comprehensive losses or gains reclassification in overlay approach	$ (10,104)	$ (2,327)
Total income tax recognized in other comprehensive income	$ (10,104)	$ (2,327)

c. Income tax assessments

Income tax returns through 2015 of the Company have been assessed by the tax authorities.

25. EARNINGS PER SHARE

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

	For the Three Months Ended March 31	
	2022	**2021**
Profit for the year attributable to owners of the Company	$ 835,801	$ 491,296

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Three Months Ended March 31	
	2022	**2021**
Weighted average number of ordinary shares used in the computation of basic earnings per share	305,705	305,705

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

March 31, 2022

	Carrying Amount	Fair Value			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,599,213	$ -	$ 1,645,783	$ -	$ 1,645,783
Domestic financial bonds	99,974	-	101,308	-	101,308
Foreign corporate bonds	6,063,665	-	6,540,741	-	6,540,741
	$ 7,762,852	$ -	$ 8,287,832	$ -	$ 8,287,832
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 499,519	$ -	$ 492,962	$ -	$ 492,962

December 31, 2021

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,599,349	$ -	$ 1,692,758	$ -	$ 1,692,758
Foreign corporate bonds	5,463,122	-	6,350,989	-	6,350,989
	$ 7,062,471	$ -	$ 8,043,747	$ -	$ 8,043,747
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 700,064	$ -	$ 699,322	$ -	$ 699,322

March 31, 2021

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,598,543	$ -	$ 1,400,000	$ -	$ 1,400,000
Foreign corporate bonds	5,805,947	-	6,652,485	-	6,652,485
	$ 7,404,490	$ -	$ 8,052,485	$ -	$ 8,052,485
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 505,313	$ -	$ 510,393	$ -	$ 510,393

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

March 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ -	$ -	$ -
Domestic listed shares	5,760,755	-	-	5,760,755
Foreign listed shares	383,370	-	-	383,370
Mutual funds	5,109,648	-	-	5,109,648
Domestic financial bonds	-	307,132	-	307,132
	$ 11,253,773	$ 307,132	$ -	$ 11,560,905
Financial assets at FVTOCI				
Investments in debt instruments				
Domestic government bonds	$ -	$ 712,981	$ -	$ 712,981
Financial liabilities at FVTPL				
Derivatives	$ -	$ 123,011	$ -	$ 123,011

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 45,629	$ -	$ 45,629
Domestic listed shares	6,576,360	-	-	6,576,360
Foreign listed shares	453,368	-	-	453,368
Mutual funds	5,490,710	-	-	5,490,710
Domestic financial bonds	-	304,072	-	304,072
	$ 12,520,438	$ 349,701	$ -	$ 12,870,139
Financial assets at FVTOCI				
Investments in debt instruments				
Domestic government bonds	$ -	$ 728,828	$ -	$ 728,828
Financial liabilities at FVTPL				
Derivatives	$ -	$ 72	$ -	$ 72

March 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 79,128	$ -	$ 79,128
Domestic listed shares	6,392,681	-	-	6,392,681
Foreign listed shares	464,891	-	-	464,891
Mutual funds	5,150,018	-	-	5,150,018
Domestic financial bonds	-	312,689	-	312,689
	$ 12,007,590	$ 391,817	$ -	$ 12,399,407
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 430,200	$ 430,200
Investments in debt instruments				
Domestic government bonds	-	752,147	-	752,147
	$ -	$ 752,147	$ 430,200	$ 1,182,347
Financial liabilities at FVTPL				
Derivatives	$ -	$ 22,438	$ -	$ 22,438

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

For the three months ended March 31, 2021

	Financial Assets at FVTOCI
Financial Assets	**Equity Instrument**
Balance at January 1, 2021	$ 462,000
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	(31,800)
Balance at March 31, 2021	$ 430,200

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Derivatives-foreign exchanges swaps	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Domestic government bonds	Quotation by Taipei Exchange
Domestic listed bonds	Quotation by Taipei Exchange
Foreign listed bonds	Reference to quotation by the investment system

4) Valuation techniques and inputs applied for Level 3 fair value measurement

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 which are consistent with other information, and represent exercisable prices. 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.

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

	March 31, 2021			
Financial Assets	**Valuation Techniques**	**Significant Unobservable Inputs**	**Weighted Average Number**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTOCI	Market approach	Discount for lack of marketability	29%	The higher the discount for lack of marketability the lower the fair value of the stocks

c. Categories of financial instruments

	March 31, 2022	December 31, 2021	March 31, 2021
Financial assets			
FVTPL			
Mandatorily classified as at FVTPL	$ 11,560,905	$ 12,870,139	$ 12,399,407
Financial assets at amortized cost (1)	24,432,333	23,255,990	20,949,979
Financial assets at FVTOCI			
Equity instruments	-	-	430,200
Debt instruments	712,981	728,828	752,147
Financial liabilities			
FVTPL			
Mandatorily classified as at FVTPL	123,011	72	22,438
Amortized cost (2)	3,003,550	3,912,933	2,926,581

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, receivables, loan and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise payables.

d. Financial risk management objectives and policies

The Group's 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 the Group's income or value of investment portfolio.

The Group 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. The Group calculates VaR on the next day (week or two weeks) at 99% confidence level.

b) Stress testing

In addition to the VaR model, the Group periodically use stress testing to assess the potential risk of extreme and abnormal events.

The Group conducts 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, the Group evaluates that losses would be incurred for the current investment portfolio in the event.

ii) Hypothetical scenario

The Group 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. The Group's risk analysis, early warning, and business management are in accordance with the stress testing report.

Table of Stress Testing				
Risk Factors	**Changes (+/-)**	**March 31, 2022**	**December 31, 2021**	**March 31, 2021**
Equity price risk (index)	-10%	$ (965,101)	$(1,097,510)	$ (1,058,621)
Interest rate risk (yield curve)	+20bps	(124,415)	(127,128)	(133,995)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(144,111)	(156,646)	(127,044)

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.

i) Foreign currency risk

The Group has foreign currency-denominated assets and liability, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 31.

ii) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group hold debt instrument at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate debt instrument.

iii) Price risk

The Group 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.

iv) Sensitivity analysis

	March 31, 2022		
Risk Factors	**Variation (+/-)**	**Effect on Profit and Loss**	**Effect on Equity**
Foreign currency risk sensitivity	USD appreciates 1%	$ 25,102	$ 8,922
	CNY appreciates 1%	1,374	-
	HKD appreciates 1%	1,724	3,596
	EUR appreciates 1%	110	532
	VND appreciates 1%	-	6,526
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,412)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(34)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,188)	(576)
Equity securities price sensitivity	Increases 1% in equity price	-	96,510

	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

	March 31, 2021		
Risk Factors	**Variation (+/-)**	**Effect on Profit and Loss**	**Effect on Equity**
Foreign currency risk sensitivity	USD appreciates 1%	$ 23,465	$ 6,714
	CNY appreciates 1%	2,651	-
	HKD appreciates 1%	1,121	4,366
	EUR appreciates 1%	9	472
	VND appreciates 1%	-	6,195
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,860)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(45)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,154)	(695)
Equity securities price sensitivity	Increases 1% in equity price	-	105,862

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) The Group's credit risk exposure of financial transactions include issuer credit risk, counterparty credit risk and credit risk of underlying assets.

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

iii. Credit risk of underlying assets is the risk that the Group 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 a financial instruments.

b) Credit concentration risk analysis

- The amounts of credit risk exposure of the Group's financial assets are as follows:

March 31, 2022

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 13,202,491	$ -	$ -	$ -	$ 268,453	$ 13,470,944
Financial assets at FVTPL	307,132	-	-	-	-	307,132
Financial assets at FVTOCI	712,981	-	-	-	-	712,981
Financial assets at amortized cost	2,198,705	-	1,337,642	3,054,860	1,671,164	8,262,371
Total	$ 16,421,309	$ -	$ 1,337,642	$ 3,054,860	$ 1,939,617	$ 22,753,428
Proportion	72.17%	-	5.88%	13.43%	8.52%	100%

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%

March 31, 2021

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 10,342,857	$ -	$ -	$ -	$ 234,787	$ 10,577,644
Financial assets at FVTPL	391,817	-	-	-	-	391,817
Financial assets at FVTOCI	752,147	-	-	-	-	752,147
Financial assets at amortized cost	2,103,856	71,513	1,235,789	2,915,441	1,583,204	7,909,803
Total	$ 13,590,677	$ 71,513	$ 1,235,789	$ 2,915,441	$ 1,817,991	$ 19,631,411
Proportion	69.23%	0.36%	6.30%	14.85%	9.26%	100.00%

c) Determinants for whether the credit risk has increased significantly since initial recognition

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

e) Measurement of expected credit losses

i. Methods and assumptions adopted

For financial instruments on which the credit risk has not increased significantly since initial recognition, the Group measures 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, the Group measures loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, the Group multiplies exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. The Group also considers 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 resulted from the default of issuers, guarantee agencies and borrowers. Loss given default used by the Group 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

The Group 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 the Group

	March 31, 2022					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 712,981	$ -	$ -	$ -	$ -	$ 712,981
Financial assets measured at amortized cost	8,265,163	-	-	-	(2,792)	8,262,371

	December 31, 2021					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 728,828	$ -	$ -	$ -	$ -	$ 728,828
Financial assets measured at amortized cost	7,764,815	-	-	-	(2,280)	7,762,535

	March 31, 2021					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 752,147	$ -	$ -	$ -	$ -	$ 752,147
Financial assets measured at amortized cost	7,780,147	-	-	-	(4,732)	7,775,415
Non-investment grade						
Financial assets measured at amortized cost	-	141,354	-	-	(6,966)	134,388

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

ii. Secured loans

	March 31, 2022					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	$ 180,279	$ -	$ -	$ -	$ (2,345)	$ 177,934

	December 31, 2021					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	$ 188,921	$ -	$ -	$ -	$ (2,458)	$ 186,463

	March 31, 2021					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	$ 208,213	$ -	$ -	$ -	$ (2,656)	$ 205,557

g) Reconciliation for loss allowance is summarized below:

i. Debt instrument at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2022	$ 19	$ -	$ -	$ -	$ 19
Changes in models/risk parameters	5	-	-	-	5
March 31, 2022	$ 24	$ -	$ -	$ -	$ 24
January 1, 2021	$ 91	$ -	$ -	$ -	$ 91
Changes in models/risk parameters	(2)	-	-	-	(2)
March 31, 2021	$ 89	$ -	$ -	$ -	$ 89

ii. Financial assets measured at amortized cost

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2022	$ 2,280	$ -	$ -	$ -	$ 2,280
Changes in models/risk parameters	512	-	-	-	512
March 31, 2022	$ 2,792	$ -	$ -	$ -	$ 2,792
January 1, 2021	$ 6,120	$ -	$ 10,311	$ -	$ 16,431
Changes in models/risk parameters	(1,388)	-	(3,345)	-	(4,733)
March 31, 2021	$ 4,732	$ -	$ 6,966	$ -	$ 11,698

iii. Secured loans

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
January 1, 2022	$ 43	$ -	$ -	$ -	$ 43	$ 2,415	$ 2,458
Changes in models/risk parameters	(7)	-	-	-	(7)	-	(7)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(106)	(106)
March 31, 2022	$ 36	$ -	$ -	$ -	$ 36	$ 2,309	$ 2,345

(Continued)

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
January 1, 2021	$ 22	$ -	$ -	$ -	$ 22	$ 2,453	$ 2,475
Changes in models/risk parameters	(10)	-	-	-	(10)	-	(10)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	191	191
March 31, 2021	$ 12	$ -	$ -	$ -	$ 12	$ 2,644	$ 2,656

(Concluded)

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

The Group applies the simplified approach to providing for expected credit loss prescribed by IFRS 9, and the estimation of lifetime credit loss was as follows:

March 31, 2022	**Due**	**Overdue**	**Total**
Carrying amount	$ 1,370,807	$ 757,271	$ 2,128,078
Expected loss rate	1.07%	2.88%	
Lifetime expected credit losses	$ 14,669	$ 21,842	$ 36,511

December 31, 2021	**Due**	**Overdue**	**Total**
Carrying amount	$ 2,027,195	$ 292,113	$ 2,319,308
Expected loss rate	1.05%	5.10%	
Lifetime expected credit losses	$ 21,292	$ 14,893	$ 36,185

March 31, 2021	**Due**	**Overdue**	**Total**
Carrying amount	$ 1,258,787	$ 601,539	$ 1,860,326
Expected loss rate	1.04%	4.44%	
Lifetime expected credit losses	$ 13,121	$ 26,715	$ 39,836

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 the Group is unable to turn assets into cash or obtain sufficient funds to meet matured obligations. Market liquidity risk represents the risk of significant changes in fair value when dealing with or offsetting positions held due to insufficient market depth or disorder.

b) Liquidity risk management

The Group established a completed capital liquidity management mechanism by assessing the business features, monitoring short-term cash flow, and considering the trading volume and holing position to carefully manage the market liquidity risk.

According to the actual management need or special situations, the Group uses cash flow model and stress testing to assess cash flow risk. Moreover, the Group has drawn up a plan for capital requirements with respect to abnormal and emergency conditions to deal with significant liquidity risk.

The analysis of cash outflows to the Group 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.

March 31, 2022

	Less than 6 Month	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 2,916,598	$ 68,146	$ 6,015	$ 7,983	$ 4,808
Lease liabilities	78,541	74,276	65,953	718	-
Derivative financial liabilities					
Swap	123,011	-	-	-	-

December 31, 2021

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 3,871,971	$ 21,504	$ 5,263	$ 9,387	$ 4,808
Lease liabilities	74,994	71,072	93,624	800	-
Derivative financial liabilities					
Swap	72	-	-	-	-

March 31, 2021

	Less than 6 Month	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 2,884,527	$ 21,302	$ 6,341	$ 9,801	$ 4,610
Lease liabilities	61,998	12,231	12,883	6,164	-
Derivative financial liabilities					
Swap	22,438	-	-	-	-

27. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Group, investors have significant influence and other related parties are disclosed as follows.

a. Related party name and category

Related Party Name	Related Party Category
Cathay Financial Holdings Co., Ltd.	The Group's parent
Cathay Insurance Co., Ltd. (China)	Associate
Cathay Life Insurance Co., Ltd.	Fellow subsidiary
Cathay United Bank Co., Ltd.	Fellow subsidiary
Cathay Life Insurance Co., Ltd. (Vietnam)	Fellow subsidiary
Indovina Bank Limited.	Fellow subsidiary
Cathay Futures Co., Ltd.	Fellow subsidiary
Cathay Securities Investment Trust Co., Ltd.	Fellow subsidiary
Funds issued from Cathay Securities Investment Trust Co., Ltd.	Other related parties
Cathay Hospitality Management Co., Ltd.	Other related parties
San Ching Engineering Co., Ltd.	Other related parties
Symphox Information Co., Ltd.	Other related parties
Tien-Chi Power Co., Ltd.	Other related parties
Cathay Power Inc. (Former Cathay Sunrise Corporation, changed its name on April 30, 2021)	Other related parties
Neo Cathay Power Corp.	Other related parties
Others (including directors, supervisors, key management and its spouse or relatives within second degree)	Other related parties

b. Trading transactions

Line Item	Related Party Category/Name	For the Three Months Ended March 31	
		2022	2021
Net premium income	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ 102,512	$ 93,153
	Cathay United Bank Co., Ltd.	39,403	47,835
	Other related parties		
	San Ching Engineering Co., Ltd.	6,994	1,041
	Cathay Hospitality Management Co., Ltd.	4,279	304
		$ 153,188	$ 142,333
Operating cost			
Marketing cost	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ 161,487	$ 155,603
	Cathay United Bank Co., Ltd.	27,926	27,874
Commission cost	Fellow subsidiary		
	Cathay United Bank Co., Ltd.	29,981	3,659
		$ 219,394	$ 187,136

(Continued)

Line Item	Related Party Category/Name	For the Three Months Ended March 31 2022	2021
Operating expenses			
Group insurance expenses	Fellow subsidiary Cathay Life Insurance Co., Ltd.	$ 4,863	$ 4,580
Other expenses	Other related parties Symphox Information Co., Ltd.	8,128	10,372
		$ 12,991	$ 14,952

(Concluded)

c. Receivables from related parties

Line Item	Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
Premiums receivable	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	$ 23,402	$ 43,890	$ 29,994
	Other related parties			
	Cathay Power Inc.	-	4,316	187
	Neo Cathay Power Corp.	-	3,182	-
	Tien-Chi Power Co., Ltd.	-	5,121	459
		$ 23,402	$ 56,509	$ 30,640

The outstanding receivables from related parties are unsecured. For the three months ended March 31, 2022 and 2021, no impairment losses were recognized for receivables from related parties.

d. Payable to related parties

Line Item	Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
Other payable	The Group’s parent			
	Cathay Financial Holdings Co., Ltd. (Note)	$ 349,704	$ 238,909	$ 445,073
	Fellow subsidiary			
	Cathay Life Insurance Co., Ltd.	65,158	58,727	71,974
	Other related parties			
	Symphox Information Co., Ltd.	7,123	4,124	3,030
		$ 421,985	$ 301,760	$ 520,077

Note: Including Income tax payable under tax consolidation and remuneration of Directors and Supervisors

The outstanding payables to related parties are unsecured.

e. Cash in bank

Line Item	Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
Checking deposits and demand deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	$ 3,001,461	$ 2,412,487	$ 1,816,725
	Indovina Bank Limited	8,868	10,489	5,748
Time deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	20,016	20,016	22,907
	Indovina Bank Limited	240,803	233,382	229,523
		$ 3,271,148	$ 2,676,374	$ 2,074,903

As of March 31, 2022, December 31, 2021 and March 31, 2021, time deposits pledged recognized in guarantee deposits were $27,684 thousand, $27,445 thousand and $27,571 thousand, respectively.

f. Interest revenue

Related Party Category/Name	For the Three Months Ended March 31	
	2022	2021
Fellow subsidiary		
Cathay United Bank Co., Ltd.	$ 149	$ 167
Indovina Bank Limited	3,143	3,952
	$ 3,292	$ 4,119

g. Financial asset at FVTPL (mutual funds)

Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
Funds issued from Cathay Securities Investment Trust Co., Ltd.	$ 825,177	$ 1,112,216	$ 1,211,336

h. Discretionary account management balance

Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
Fellow subsidiary			
Cathay Securities Investment Trust Co., Ltd.	$ 1,593,216	$ 1,673,486	$ 1,462,000

i. Guarantee deposits

Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
Fellow subsidiary			
Cathay Life Insurance Co., Ltd.	$ 32,175	$ 32,175	$ 26,580
Cathay United Bank Co., Ltd.	23,143	23,072	21,782
Cathay Futures Co., Ltd.	21,844	21,844	21,842
Indovina Bank Limited	7,668	7,429	7,564
	$ 84,830	$ 84,520	$ 77,768

j. Secured loans

	For the Three Months Ended March 31, 2022			
Related Party Category/Name	Maximum Amount	Ending Balance	Interest Rate	Interest Income
Other related parties	$ 24,171	$ 23,768	1.25-1.64%	$ 76

	For the Three Months Ended March 31, 2021			
Related Party Category/Name	Maximum Amount	Ending Balance	Interest Rate	Interest Income
Other related parties	$ 39,642	$ 34,763	1.25-1.35%	$ 110

k. Lease arrangements - Group is lessee

	For the Three Months Ended March 31	
Related Party Category/Name	2022	2021
Acquisitions of right-of-use assets		
Fellow subsidiary		
Cathay United Bank Co., Ltd.	$ 12,599	$ -

Line Item	Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
Lease liabilities	Fellow subsidiary			
	Cathay Life Insurance Co., Ltd.	$ 173,304	$ 203,745	$ 44,764
	Cathay United Bank Co., Ltd.	12,288	2,337	6,303
		$ 185,592	$ 206,082	$ 51,067

Related Party Category/Name	For the Three Months Ended March 31 2022	For the Three Months Ended March 31 2021
Interest expense		
Fellow subsidiary		
Cathay Life Insurance Co., Ltd.	$ 559	$ 177
Cathay United Bank Co., Ltd.	26	20
	$ 585	$ 197
Lease expense		
Fellow subsidiary		
Cathay Life Insurance Co., Ltd.	$ 807	$ 654
Cathay United Bank Co., Ltd.	-	144
	$ 807	$ 798

Lease expenses included expenses relating to short-term leases, low-value asset leases and variable lease payments that do not depend on an index or a rate. Future lease payables related to short-term leases, low-value asset leases are as follows:

Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
Future lease payables	$ 3,227	$ 3,027	$ 3,171

l. Foreign exchange swaps

As of March 31, 2022, December 31, 2021 and March 31, 2021, the nominal amount of the derivative financial instruments transaction with related parties is listed below:

Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
Fellow subsidiary			
Cathay United Bank Co., Ltd.	US$ 95,200 EUR 1,750	US$ 95,200 EUR 750	US$ 95,200 EUR 750

m. Remuneration of key management personnel

Related Party Category/Name	For the Three Months Ended March 31 2022	For the Three Months Ended March 31 2021
Short-term employee benefits	$ 54,002	$ 42,561
Post-employment benefits	1,789	1,810
	$ 55,791	$ 44,371

The remuneration of directors and key executives was based on the performance of individuals and market trends.

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

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

a. Details of assets pledged as collateral are disclosed as follows

Item of Assets	March 31, 2022	December 31, 2021	March 31, 2021
Guarantee deposits - government bonds	$ 499,519	$ 700,064	$ 505,313
Guarantee deposits - time deposits	20,016	20,016	20,007
	$ 519,535	$ 720,080	$ 525,320

As of March 31, 2022, December 31, 2021 and March 31, 2021, the Company provided government bonds amounting to $499,536 thousand, $700,084 thousand and $505,379 thousand as the "Guaranteed Depository Insurance" in accordance with the Insurance Act, respectively. The pledged assets are stated at book value. Loss allowance amounted to $17 thousand, $20 thousand and $66 thousand, respectively which are in the scope of the impairment requirements under IFRS 9.

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

Item of Assets	March 31, 2022	December 31, 2021	March 31, 2021
Government deposits - time deposits	$ 7,668	$ 7,429	$ 7,564

According to the Insurance Act of Vietnam, Cathay Insurance Co., Ltd. (Vietnam) should deposit guarantee deposits at an amount equal to 2% of its paid-in capital. The guaranteed deposits of Cathay Insurance Co., Ltd. (Vietnam) are time deposits. The pledged assets are stated at book value.

30. OTHER ITEMS

a. Capital management

1) Management objectives

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

2) Management policies

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

3) Management procedures

a) Periodical calculation

The Company provides RBC report every half year by the authority and analyzes the possible changes of owned capital and risk-based capital when making the next-year financial forecast of business and investment development plan at the end of every year, which ensure the soundness of capital structure and implement capital adequacy management.

b) Aperiodic calculation

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

4) Current status of RBC ratio

The Company's RBC ratio, which is calculated in accordance with the Regulations Governing Capital Adequacy of Insurance Companies, is above 200% and the net worth ratio is more than 3% for the previous two years, which complied with the regulations.

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

	March 31, 2022		
Items	**Recovery/ Settlement within 12 Months**	**Recovery/ Settlement Over 12 Months**	**Total**
Cash and cash equivalents	$ 13,520,145	$ -	$ 13,520,145
Receivables	2,341,885	-	2,341,885
Investments			
Financial assets at FVTPL	11,253,773	307,132	11,560,905
Financial assets at FVTOCI	-	712,981	712,981
Financial assets at amortized cost	308,786	7,454,066	7,762,852
Investments accounted for using the equity method	-	2,377,805	2,377,805
Loans	78	177,856	177,934
Total investments	11,562,637	11,029,840	22,592,477
Reinsurance assets	1,361,338	8,630,328	9,991,666
Property and equipment	-	208,567	208,567
Right-of-use assets	-	216,235	216,235
Intangible assets	-	100,510	100,510
Deferred tax assets	-	239,985	239,985
Other assets	50,435	648,316	698,751
Total assets	$ 28,836,440	$ 21,073,781	$ 49,910,221

(Continued)

	March 31, 2022		
Items	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Payables	$ 2,984,744	$ 18,806	$ 3,003,550
Financial liabilities at FVTPL	123,011	-	123,011
Insurance liabilities			
Unearned premium reserve	-	15,249,094	15,249,094
Loss reserve	-	12,407,269	12,407,269
Policy reserve	-	82	82
Special reserve	-	2,587,342	2,587,342
Premium deficiency reserve	-	118	118
Total insurance liabilities	-	30,243,905	30,243,905
Provisions	-	464,214	464,214
Lease liabilities	150,642	66,391	217,033
Deferred tax liabilities	-	271,044	271,044
Other liabilities	995,506	18,687	1,014,193
Total liabilities	$ 4,253,903	$ 31,083,047	$ 35,336,950

(Concluded)

	December 31, 2021		
Items	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	$ 11,973,287	$ -	$ 11,973,287
Receivables	3,208,952	-	3,208,952
Investments			
Financial assets at FVTPL	12,566,067	304,072	12,870,139
Financial assets at FVTOCI	-	728,828	728,828
Financial assets at amortized cost	69,225	6,993,246	7,062,471
Investments accounted for using the equity method	-	2,304,344	2,304,344
Loans	119	186,344	186,463
Total investments	12,635,411	10,516,834	23,152,245
Reinsurance assets	1,399,696	8,481,791	9,881,487
Property and equipment	-	221,155	221,155
Right-of-use assets	-	237,046	237,046
Intangible assets	-	108,816	108,816
Deferred tax assets	-	240,062	240,062
Other assets	33,899	843,237	877,136
Total assets	$ 29,251,245	$ 20,648,941	$ 49,900,186

(Continued)

Items	December 31, 2021		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Payables	$ 3,893,475	$ 19,458	$ 3,912,933
Financial liabilities at FVTPL	72	-	72
Insurance liabilities			
Unearned premium reserve	-	15,305,826	15,305,826
Loss reserve	-	11,835,272	11,835,272
Policy reserve	-	95	95
Special reserve	-	2,589,704	2,589,704
Premium deficiency reserve	-	-	-
Total insurance liabilities	-	29,730,897	29,730,897
Provisions	-	464,271	464,271
Lease liabilities	143,608	93,875	237,483
Deferred tax liabilities	-	271,041	271,041
Other liabilities	819,688	16,488	836,176
Total liabilities	$ 4,856,843	$ 30,596,030	$ 35,452,873

(Concluded)

Items	March 31, 2021		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	$ 10,597,515	$ -	$ 10,597,515
Receivables	2,133,070	-	2,133,070
Investments			
Financial assets at FVTPL	12,289,349	110,058	12,399,407
Financial assets at FVTOCI	-	1,182,347	1,182,347
Financial assets at amortized cost	550,539	6,853,951	7,404,490
Investments accounted for using the equity method	-	2,239,401	2,239,401
Loans	-	205,557	205,557
Total investments	12,839,888	10,591,314	23,431,202
Reinsurance assets	939,444	7,502,223	8,441,667
Property and equipment	-	187,322	187,322
Right-of-use assets	-	90,821	90,821
Intangible assets	-	93,930	93,930
Deferred tax assets	-	185,738	185,738
Other assets	62,218	625,605	687,823
Total assets	$ 26,572,136	$ 19,276,952	$ 45,849,088

(Continued)

Items	March 31, 2021		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Payables	$ 2,905,829	$ 20,752	$ 2,926,581
Financial liabilities at FVTPL	22,438	-	22,438
Insurance liabilities			
Unearned premium reserve	-	13,733,102	13,733,102
Loss reserve	-	11,274,318	11,274,318
Policy reserve	-	113	113
Special reserve	-	2,590,295	2,590,295
Premium deficiency reserve	-	4,644	4,644
Total insurance liabilities	-	27,602,472	27,602,472
Provisions	-	453,959	453,959
Lease liabilities	70,923	20,277	91,200
Deferred tax liabilities	-	271,282	271,282
Other liabilities	657,627	15,233	672,860
Total liabilities	$ 3,656,817	$ 28,383,975	$ 32,040,792

(Concluded)

c. Impact of COVID-19 pandemic

The Group had evaluated the economic impact caused by the COVID-19 pandemic, and as of the date of approval of consolidated financial statements, there is no material impact on the Group. The Group will continue observing the relevant epidemic situation and evaluate its impact.

31. 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 functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

March 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 224,342	28.622 (USD:NTD)	$ 6,418,937
EUR	9,762	31.915 (EUR:NTD)	311,809
HKD	633	3.655 (HKD:NTD)	2,309
CNY	21,832	4.511 (CNY:NTD)	98,260
Non-monetary items			
USD	56,929	28.622 (USD:NTD)	1,629,419
EUR	3,790	31.915 (EUR:NTD)	120,958
HKD	98,383	3.655 (HKD:NTD)	359,591

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
Investments accounted for using the equity method			
CNY	$ 526,972	4.511 (CNY:NTD)	$ 2,377,805
Financial liabilities			
Monetary items			
USD	5,847	28.622 (USD:NTD)	167,448
EUR	463	31.915 (EUR:NTD)	14,926
HKD	639	3.655 (HKD:NTD)	2,295
CNY	1,500	4.511 (CNY:NTD)	6,582
Non-monetary items			
Derivative instruments (Note)			
USD	181,900	28.622 (USD:NTD)	121,961
EUR	1,750	31.915 (EUR:NTD)	1,050

(Concluded)

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 217,555	27.690 (USD:NTD)	$ 6,025,767
EUR	8,886	31.338 (EUR:NTD)	279,321
HKD	1,048	3.550 (HKD:NTD)	3,720
CNY	22,024	4.342 (CNY:NTD)	95,862
Non-monetary items			
USD	69,898	27.690 (USD:NTD)	1,935,466
EUR	3,534	31.338 (EUR:NTD)	110,727
HKD	81,155	3.550 (HKD:NTD)	288,089
Investments accounted for using the equity method			
CNY	530,881	4.342 (CNY:NTD)	2,304,344
Derivative instruments (Note)			
USD	176,400	27.690 (USD:NTD)	43,627
EUR	750	31.338 (EUR:NTD)	2,002
Financial liabilities			
Monetary items			
USD	11,350	27.690 (USD:NTD)	319,834
EUR	375	31.338 (EUR:NTD)	12,235
HKD	1	3.550 (HKD:NTD)	4
CNY	984	4.342 (CNY:NTD)	4,253
Non-monetary items			
Derivative instruments (Note)			
USD	5,500	27.690 (USD:NTD)	72

March 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 187,907	28.531 (USD:NTD)	$ 5,641,118
EUR	8,216	33.473 (EUR:NTD)	275,821
HKD	2,762	3.669 (HKD:NTD)	10,133
CNY	70,208	4.351 (CNY:NTD)	305,545
Non-monetary items			
USD	51,880	28.531 (USD:NTD)	1,480,176
EUR	3,442	33.473 (EUR:NTD)	115,213
HKD	118,985	3.669 (HKD:NTD)	436,565
Investments accounted for using the equity method			
CNY	514,627	4.351 (CNY:NTD)	2,239,401
Derivative instruments (Note)			
USD	117,800	28.531 (USD:NTD)	78,834
EUR	750	33.473 (EUR:NTD)	294
Financial liabilities			
Monetary items			
USD	4,838	28.531 (USD:NTD)	140,248
EUR	219	33.473 (EUR:NTD)	7,504
HKD	64	3.669 (HKD:NTD)	233
CNY	4,537	4.351 (CNY:NTD)	19,682
Non-monetary items			
Derivative instruments (Note)			
USD	64,100	28.531 (USD:NTD)	22,438

Note: The foreign currency amount of the derivatives is the nominal amount of the contract.

For the three months ended March 31, 2022 and 2021 (realized and unrealized) net foreign exchange gains (losses) were $185,338 thousand and $(3,960) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

1) Acquisition of individual real estate at costs of at least NT$100 million or 20% of the paid-in capital: None

2) Disposal of individual real estate at prices of at least NT$100 million or 20% of the paid-in capital: None

3) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: (Table 3)

4) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

5) Trading in derivative instruments (Note 7)

6) Intercompany relationships and significant intercompany transactions (Table 4)

7) Information on investees (Table 5)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None

a) For transactions involving each other’s main business, such as underwriting an insurance policy where the proposer is the investee, the amount and percentage of transactions and the balance and percentage of the related payables at the end of the period.

b) The amount of property transactions and the amount of the resultant gains or losses

c) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.

d) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

e) The amount or balance of transactions mentioned in subitems a - d above that reaches 10% or more of the insurance enterprise’s total amount or balance of such transactions shall be separately presented, while the rest may be added up and reported as an aggregate amount.

c. Information of major shareholders：the insurance enterprise whose stock is listed on the TWSE or listed on the TPEx shall disclose the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the insurance enterprise’s equity. For this purpose, the insurance enterprise may request the centralized securities depository enterprise to provide relevant information: None

33. SEGMENT INFORMATION

The Group operates property insurance in accordance with the Insurance Act. In accordance with IFRS 8, the Group only provides insurance contracts products and it has no different channel, client type and supervision environment. The supervisor of the Group also allocates resources on an overall basis and therefore considers the Group as a single operating segment.

34. INSURANCE CONTRACT RESERVES

a. Earned retained premium

For the three months ended March 31, 2022

Insurance Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Earned Retained Premium (6)=(4)-(5)
Fire insurance	$ 868,123	$ 90,001	$ 545,340	$ 412,784	$ (158,138)	$ 570,922
Marine insurance	210,799	1,922	183,128	29,593	(36,903)	66,496
Land and air insurance	2,920,457	968	94,346	2,827,079	113,578	2,713,501
Liability insurance	534,899	(838)	152,070	381,991	49,711	332,280
Guarantee insurance	18,450	4,258	5,818	16,890	1,913	14,977
Other property insurance	392,012	16,335	296,543	111,804	24,169	87,635
Accident insurance	766,165	2,157	100,763	667,559	(40,014)	707,573
Health insurance	109,146	(4,960)	16,802	87,384	(38,026)	125,410
Policy-oriented residential earthquake insurance	111,320	16,991	111,320	16,991	2,569	14,422
Compulsory auto liability insurance	684,275	193,886	285,549	592,612	5,189	587,423
	$ 6,615,646	$ 320,720	$ 1,791,679	$ 5,144,687	$ (75,952)	$ 5,220,639

For the three months ended March 31, 2021

Insurance Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Earned Retained Premium (6)=(4)-(5)
Fire insurance	$ 523,296	$ 160,969	$ 433,024	$ 251,241	$ (120,924)	$ 372,165
Marine insurance	168,341	12,442	102,738	78,045	8,913	69,132
Land and air insurance	2,577,806	38,060	80,723	2,535,143	92,333	2,442,810
Liability insurance	433,530	1,428	83,873	351,085	85,881	265,204
Guarantee insurance	18,387	(1,487)	9,854	7,046	(7,887)	14,933
Other property insurance	326,936	61,689	283,945	104,680	(3,069)	107,749
Accident insurance	710,570	3,741	66,624	647,687	(4,616)	652,303
Health insurance	37,144	3,478	108	40,514	3,494	37,020
Policy-oriented residential earthquake insurance	106,789	14,941	106,789	14,941	2,051	12,890
Compulsory auto liability insurance	670,931	187,594	279,582	578,943	3,021	575,922
	$ 5,573,730	$ 482,855	$ 1,447,260	$ 4,609,325	$ 59,197	$ 4,550,128

The direct insurance premium revenues of the pandemic insurances the Company issued for COVID-19 for the three months ended March 31, 2022 and 2021 were $86,488 thousand and $4,442 thousand, respectively.

For the three months ended March 31, 2022

Insurance Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	$ 684,275	$ 193,886	$ 285,549	$ 592,612
Non-compulsory insurance	5,931,371	126,834	1,506,130	4,552,075
	$ 6,615,646	$ 320,720	$ 1,791,679	$ 5,144,687

Insurance Type	Unearned Premium Reserves under Direct Business		Unearned Premium Reserves under Reinsurance Inward Business		Net Changes in Unearned Premium Reserve
	Provision (5)	Recovery (6)	Provision (7)	Recovery (8)	(9)=(5)-(6)+(7)-(8)
Compulsory insurance	$ 1,240,864	$ 1,237,536	$ 456,886	$ 453,028	$ 7,185
Non-compulsory insurance	13,270,629	13,285,117	276,487	369,938	(107,939)
	$ 14,511,492	$ 14,522,653	$ 733,373	$ 822,966	$ (100,754)

Insurance Type	Unearned Premium Reserves under Ceded Reinsurance Business		Net Changes in for Unearned Ceded Premium Reserve	Retained Premium
	Provision (10)	Recovery (11)	(12)=(10)-(11)	(13)=(4)-(9)+(12)
Compulsory insurance	$ 744,518	$ 742,522	$ 1,996	$ 587,423
Non-compulsory insurance	3,610,377	3,637,175	(26,798)	4,633,216
	$ 4,354,895	$ 4,379,697	$ (24,802)	$ 5,220,639

For the three months ended March 31, 2021

Insurance Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	$ 670,931	$ 187,594	$ 279,582	$ 578,943
Non-compulsory insurance	4,902,799	295,261	1,167,678	4,030,382
	$ 5,573,730	$ 482,855	$ 1,447,260	$ 4,609,325

Insurance Type	Unearned Premium Reserves under Direct Business		Unearned Premium Reserves under Reinsurance Inward Business		Net Changes in Unearned Premium Reserve
	Provision (5)	Recovery (6)	Provision (7)	Recovery (8)	(9)=(5)-(6)+(7)-(8)
Compulsory insurance	$ 1,228,417	$ 1,227,564	$ 463,626	$ 460,947	$ 3,532
Non-compulsory insurance	11,630,684	11,780,771	409,760	296,358	(36,685)
	$ 12,859,101	$ 13,008,335	$ 873,386	$ 757,305	$ (33,153)

Insurance Type	Unearned Premium Reserves under Ceded Reinsurance Business		Net Changes in for Unearned Ceded Premium Reserve	Retained Premium
	Provision (10)	Recovery (11)	(12)=(10)-(11)	(13)=(4)-(9)+(12)
Compulsory insurance	$ 737,050	$ 736,539	$ 511	$ 575,922
Non-compulsory insurance	2,805,726	2,898,587	(92,861)	3,974,206
	$ 3,542,776	$ 3,635,126	$ (92,350)	$ 4,550,128

b. Retained claims

	For the Three Months Ended March 31, 2022			
Insurance Type	**Loss Incurred (Claims Expense Included) (1)**	**Reinsurance Claims (2)**	**Claims Recovered from Reinsurances (3)**	**Retained Claims (4)=(1)+(2)-(3)**
Fire insurance	$ 331,186	$ 37,451	$ 161,825	$ 206,812
Marine insurance	220,417	2,162	173,571	49,008
Land and air insurance	1,421,745	2,987	35,237	1,389,495
Liability insurance	200,496	(44)	52,262	148,190
Guarantee insurance	(8,779)	6,507	(3,691)	1,419
Other property insurance	44,800	13,373	17,159	41,014
Accident insurance	298,727	630	21,860	277,497
Health insurance	64,580	2,406	20,194	46,792
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory auto liability insurance	407,222	191,976	237,655	361,543
	$ 2,980,394	$ 257,448	$ 716,072	$ 2,521,770

	For the Three Months Ended March 31, 2021			
Insurance Type	**Loss Incurred (Claims Expense Included) (1)**	**Reinsurance Claims (2)**	**Claims Recovered from Reinsurances (3)**	**Retained Claims (4)=(1)+(2)-(3)**
Fire insurance	$ 28,846	$ 92,493	$ 46,551	$ 74,788
Marine insurance	55,491	16,920	32,429	39,982
Land and air insurance	1,427,403	16,719	34,242	1,409,880
Liability insurance	148,447	(104)	29,006	119,337
Guarantee insurance	(31,127)	805	(32,661)	2,339
Other property insurance	101,327	57,499	59,667	99,159
Accident insurance	315,140	744	16,747	299,137
Health insurance	16,537	2,767	-	19,304
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory auto liability insurance	474,199	209,851	273,999	410,051
	$ 2,536,263	$ 397,694	$ 459,980	$ 2,473,977

Retained claims of compulsory insurance and non-compulsory insurance:

Insurance Type	For the Three Months Ended March 31, 2022			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Compulsory insurance	$ 407,222	$ 191,976	$ 237,655	$ 361,543
Non-compulsory insurance	2,573,172	65,472	478,417	2,160,227
	$ 2,980,394	$ 257,448	$ 716,072	$ 2,521,770

Insurance Type	For the Three Months Ended March 31, 2021			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Compulsory insurance	$ 474,199	$ 209,851	$ 273,999	$ 410,051
Non-compulsory insurance	2,062,064	187,843	185,981	2,063,926
	$ 2,536,263	$ 397,694	$ 459,980	$ 2,473,977

c. 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		
	March 31, 2022	December 31, 2021	March 31, 2021
Fire insurance	$ 163,108	$ 22,238	$ (4,568)
Marine insurance	19,398	97,105	16,956
Land and air insurance	35,159	39,700	33,252
Liability insurance	69,781	55,275	26,184
Guarantee insurance	(3,940)	1,272	739
Other property insurance	14,413	25,750	20,245
Accident insurance	18,060	16,683	13,095
Health insurance	20,220	7,718	-
Policy-oriented residential earthquake insurance	-	-	-
Compulsory auto liability insurance	83,914	200,809	185,892
	420,113	466,550	291,795
Less: Loss allowance	(4,201)	(4,665)	(14,590)
	$ 415,912	$ 461,885	$ 277,205

d. Receivables and payables of insurance contracts

Receivables

Insurance Type	Premiums Receivable March 31, 2022	Premiums Receivable December 31, 2021	Premiums Receivable March 31, 2021
Fire insurance	$ 668,675	$ 840,311	$ 537,391
Marine insurance	360,416	335,547	348,029
Land and air insurance	138,420	182,914	99,125
Liability insurance	360,650	338,638	259,919
Guarantee insurance	34,225	31,417	24,449
Other property insurance	210,221	218,867	233,335
Accident insurance	139,076	128,059	136,616
Health insurance	6,765	4,160	4,849
Policy-oriented residential earthquake insurance	31,230	27,665	30,394
Compulsory auto liability insurance	12,737	21,068	14,157
	1,962,415	2,128,646	1,688,264
Less: Loss allowance	(33,171)	(31,309)	(36,480)
	$ 1,929,244	$ 2,097,337	$ 1,651,784

Aging analysis of premiums receivable:

	March 31, 2022	December 31, 2021	March 31, 2021
Up to 90 days	$ 1,206,844	$ 1,839,532	$ 1,088,377
Over 90 days	755,571	289,114	599,887
	$ 1,962,415	$ 2,128,646	$ 1,688,264

The overdue amounts as of March 31, 2022, December 31, 2021 and March 31, 2021 in the above premiums receivable were $755,571 thousand, $289,114 thousand and $599,887 thousand, respectively, and loss allowance of $20,142 thousand, $11,894 thousand and $25,063 thousand were provided, respectively.

Accounts payable

Insurance Type	March 31, 2022 Commission Payable	March 31, 2022 Others	March 31, 2022 Total
Fire insurance	$ 24,916	$ 18,642	$ 43,558
Marine insurance	17,094	14,020	31,114
Land and air insurance	155,035	109,655	264,690
Liability insurance	29,246	34,723	63,969
Guarantee insurance	2,112	971	3,083
Other property insurance	11,736	9,740	21,476
Accident insurance	10,293	34,666	44,959
Health insurance	1,882	3,380	5,262
Policy-oriented residential earthquake insurance	279	4,419	4,698
Compulsory auto liability insurance	19,635	-	19,635
	$ 272,228	$ 230,216	$ 502,244

Insurance Type	December 31, 2021		
	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 auto liability insurance	19,870	-	19,870
	$ 259,190	$ 220,607	$ 479,797

Insurance Type	March 31, 2021		
	Commission Payable	Others	Total
Fire insurance	$ 24,884	$ 11,755	$ 36,639
Marine insurance	14,175	14,273	28,448
Land and air insurance	110,622	95,731	206,353
Liability insurance	26,970	27,016	53,986
Guarantee insurance	4,347	336	4,683
Other property insurance	6,967	9,009	15,976
Accident insurance	9,603	27,995	37,598
Health insurance	1,562	1,204	2,766
Policy-oriented residential earthquake insurance	1,503	1,321	2,824
Compulsory auto liability insurance	27,208	-	27,208
	$ 227,841	$ 188,640	$ 416,481

Due from (to) reinsurers and ceding companies - reinsurance

	March 31, 2022	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	$ 136,919	$ 316,463
Central Re	72,445	163,844
Marsh	158,892	131,152
Swiss Re	15,307	108,865
Willis	167,871	106,046
Others (individually below 5%)	452,068	927,325
	1,004,502	1,753,695
Less: Loss allowance	(59,076)	-
Net amount	$ 945,426	$ 1,753,695

	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%)	412,096	958,154
	996,562	2,273,797
Less: Loss allowance	(58,751)	-
Net amount	$ 937,811	$ 2,273,797

	March 31, 2021	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	$ 300,225	$ 386,552
AON	63,967	143,119
Central Re	1	83,310
Guy Carpenter	27,386	89,770
Marsh	73,712	61,379
Swiss Re	-	116,161
Willis	50,476	89,311
Others (individually below 5%)	191,286	724,192
	707,053	1,693,794
Less: Loss allowance	(44,814)	-
Net amount	$ 662,239	$ 1,693,794

The overdue amounts as of March 31, 2022, December 31, 2021 and March 31, 2021 in the above due from reinsurers and ceding companies were $14,251 thousand, $14,731 thousand and $15,142 thousand, respectively, and loss allowances of $14,251 thousand, $14,731 thousand and $15,142 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.

e. Reserve required for specific assets

The accounting of the compulsory automobile liability insurance (“CAL Insurance”) held by Cathay Century is based on the Regulations for the Accounting Treatment and the Financial Information Reported of Compulsory Automobile Liability Insurance, which was legislated according to the Compulsory Automobile Liability Insurance Act.

Under Article 5 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, for the special reserve set aside for CAL Insurance, the insurer should purchase treasury bills or deposit the reserve with a financial institution as a time deposit. Provided that with the approval of the competent authority, the insurer may purchase the following domestic securities:

1) Government bonds, not including exchangeable government bonds.

2) Financial bonds, negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution, provided that financial bonds shall be limited to ordinary financial bonds only.

The amount of treasury bills purchased or time deposits placed in a financial institution under the preceding paragraph shall not less than 30% of the total amount of the insurer's retained earned pure premiums for CAL Insurance in the most recent period, as audited or reviewed by a certified public accountant. The competent authority may raise that percentage to a level it deems appropriate based on the insurer's operational status.

If the balance of the insurer's special reserve is less than 30% of the total amount of the insurer's retained earned pure premiums for CAL Insurance in the most recent period, as audited or reviewed by a certified public accountant, then the full amount of its special reserve shall be used to purchase treasury bills or be deposited in a financial institution as a time deposit.

Under Article 6 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, except for the special reserve set aside mentioned above, funds (including all types of reserves, payables, temporary credits and amounts to be carried forward) held by an insurer for CAL Insurance should be deposited in a financial institution in the form of demand deposits and time deposits, provided that with the approval of the competent authority, an insurer may purchase any of the following domestic securities:

1) Treasury bills.

2) Negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution.

3) Government bonds under repurchase agreement.

The amount of deposits deposited in financial institutions under the preceding paragraph shall not be less than 45% of the balance remaining after subtracting the amount of special reserves from the amount of funds held by the insurer due to the operation of CAL Insurance, or less than 30% of the retained earned pure premiums for the most recent period as audited or reviewed by a certified public accountant. The competent authority may raise the percentage of demand deposits required for the insurer a level it deems appropriate based on the insurer's operational status.

If the total amount of unearned premium reserve and loss reserve of the insurer with respect to CAL Insurance is less than 30% of the retained earned pure premiums of this insurance for the most recent period as audited or reviewed by a certified public accountant, the funds held by the insurer through its conduct of this insurance shall be deposited in full with a financial institution in the form of deposits.

Under Article 11 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, when an insurer suspends business operations or terminates it operation of CAL Insurance, the various reserves for this insurance shall be transferred to the various reserves set aside for handling of this insurance by the other insurer that assumes the business. If no other insurer is to assume the business, and there is no outstanding liability under this insurance, and the balance of the special reserve is positive, the assets corresponding to the special reserve shall be transferred to the Motor Vehicle Accident Compensation Fund.

If the insurer is ordered to suspend and wind up business or liquidate, or the permit to operate CAL Insurance is revoked, and no other insurer assumes the business and the balance of the special reserve is positive, the assets corresponding to the special reserve shall be transferred to the Motor Vehicle Accident Compensation Fund.

f. Acquisition cost of insurance contracts

	For the Three Months Ended March 31, 2022				
Insurance Type	**Commission Expenses**	**Service and Handling Charge**	**Reinsurance Commission Expenses**	**Other**	**Total**
Fire insurance	$ 37,698	$ 1,214	$ 18,521	$ 9,350	$ 66,783
Marine insurance	22,218	36	234	684	23,172
Land and air insurance	322,895	-	786	135,002	458,683
Liability insurance	61,643	24	(589)	11,714	72,792
Guarantee insurance	1,613	93	1,503	157	3,366
Other property insurance	31,770	203	4,606	1,495	38,074
Accident insurance	82,868	43	(23)	26,644	109,532
Health insurance	19,440	(124)	(496)	700	19,520
Policy-oriented residential earthquake insurance	2,835	34	-	3,105	5,974
Compulsory auto liability insurance	-	74,962	-	-	74,962
	$ 582,980	$ 76,485	$ 24,542	$ 188,851	$ 872,858

	For the Three Months Ended March 31, 2021				
Insurance Type	**Commission Expenses**	**Service and Handling Charge**	**Reinsurance Commission Expenses**	**Other**	**Total**
Fire insurance	$ 38,596	$ 4,606	$ 33,388	$ 4,053	$ 80,643
Marine insurance	17,277	271	1,889	419	19,856
Land and air insurance	290,235	394	11,431	106,450	408,510
Liability insurance	50,566	15	164	7,840	58,585
Guarantee insurance	2,199	1	(65)	349	2,484
Other property insurance	16,444	2,118	6,813	839	26,214
Accident insurance	80,770	480	(259)	18,382	99,373
Health insurance	7,657	87	348	306	8,398
Policy-oriented residential earthquake insurance	4,994	41	-	608	5,643
Compulsory auto liability insurance	-	92,416	-	-	92,416
	$ 508,738	$ 100,429	$ 53,709	$ 139,246	$ 802,122

Acquisition costs for the insurance contracts were recognized as incurred.

g. Profit and loss analysis of the insurance business

Direct underwriting business

Insurance Type	For the Three Months Ended March 31, 2022					
	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 868,123	$ (117,868)	$ 48,262	$ 331,186	$ (31,514)	$ 638,057
Marine insurance	210,799	(26,360)	22,939	220,417	68,860	(75,057)
Land and air insurance	2,920,457	108,301	457,897	1,421,745	254,274	678,240
Liability insurance	534,899	63,032	73,381	200,496	39,200	158,790
Guarantee insurance	18,450	(7,951)	1,863	(8,779)	(1,985)	35,302
Other property insurance	392,012	97,484	33,467	44,800	50,788	165,473
Accident insurance	766,165	22,824	109,554	298,727	3,571	331,489
Health insurance	109,146	(151,907)	20,016	64,580	34,468	141,989
Policy-oriented residential earthquake insurance	111,320	(2,043)	5,975	-	5	107,383
Compulsory auto liability insurance	684,275	3,327	74,962	407,222	17,133	181,631
	$ 6,615,646	$ (11,161)	$ 848,316	$ 2,980,394	$ 434,800	$ 2,363,297

Insurance Type	For the Three Months Ended March 31, 2021					
	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 523,296	$ (298,371)	$ 47,254	$ 28,846	$ 1,394,871	$ (649,304)
Marine insurance	168,341	(28,136)	17,967	55,491	(35,834)	158,853
Land and air insurance	2,577,806	59,770	397,078	1,427,403	45,366	648,189
Liability insurance	433,530	48,105	58,422	148,447	43,548	135,008
Guarantee insurance	18,387	(8,341)	2,549	(31,127)	6,125	49,181
Other property insurance	326,936	48,527	19,403	101,327	(38,190)	195,869
Accident insurance	710,570	30,119	99,631	315,140	(5,589)	271,269
Health insurance	37,144	2,824	8,050	16,537	(4,762)	14,495
Policy-oriented residential earthquake insurance	106,789	(4,584)	5,643	-	12	105,718
Compulsory auto liability insurance	670,931	852	92,416	474,199	(28,054)	131,518
	$ 5,573,730	$ (149,235)	$ 748,413	$ 2,536,263	$ 1,377,493	$ 1,060,796

Reinsurance inward business

Insurance Type	For the Three Months Ended March 31, 2022					
	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 90,001	$ (68,188)	$ 18,521	$ 37,451	$ 133,678	$ (31,461)
Marine insurance	1,922	(6,115)	234	2,162	(387)	6,028
Land and air insurance	968	(9,291)	786	2,987	(11,858)	18,344
Liability insurance	(838)	(1,962)	(588)	(44)	(54)	1,810
Guarantee insurance	4,258	(1,858)	1,503	6,507	(4,688)	2,794
Other property insurance	16,335	(4,463)	4,606	13,373	(15,831)	18,650
Accident insurance	2,157	(2,452)	(24)	630	(413)	4,416
Health insurance	(4,960)	(1,691)	(496)	2,406	418	(5,597)
Policy-oriented residential earthquake insurance	16,991	2,569	-	-	-	14,422
Compulsory auto liability insurance	193,886	3,858	-	191,976	30,922	(32,870)
	$ 320,720	$ (89,593)	$ 24,542	$ 257,448	$ 131,787	$ (3,464)

	For the Three Months Ended March 31, 2021					
Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 160,969	$ 78,627	$ 33,387	$ 92,493	$ 25,731	$ (69,269)
Marine insurance	12,442	5,108	1,889	16,920	15,035	(26,510)
Land and air insurance	38,060	16,577	11,431	16,719	3,783	(10,450)
Liability insurance	1,428	378	164	(104)	(24)	1,014
Guarantee insurance	(1,487)	(5,293)	(65)	805	17	3,049
Other property insurance	61,689	13,712	6,814	57,499	(9,844)	(6,492)
Accident insurance	3,741	1,480	(259)	744	(770)	2,546
Health insurance	3,478	761	348	2,767	316	(714)
Policy-oriented residential earthquake insurance	14,941	2,051	-	-	-	12,890
Compulsory auto liability insurance	187,594	2,680	-	209,851	(287)	(24,650)
	$ 482,855	$ 116,081	$ 53,709	$ 397,694	$ 33,957	$ (118,586)

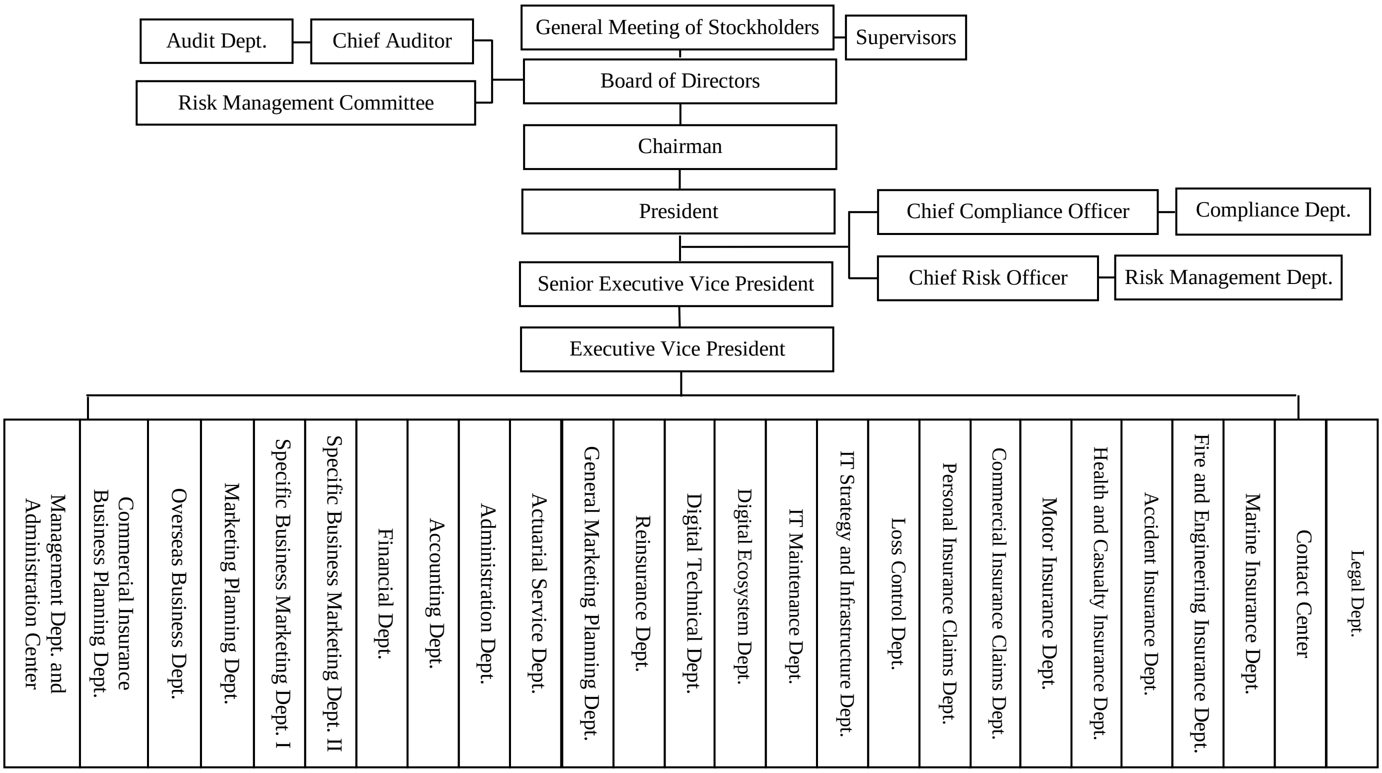
Ceded reinsurance business

	For the Three Months Ended March 31, 2022					
Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
Fire insurance	$ 545,340	$ (27,918)	$ 59,045	$ 161,825	$ (1,788)	$ 354,176
Marine insurance	183,128	4,428	18,064	173,571	46,163	(59,098)
Land and air insurance	94,346	(14,568)	26,937	35,237	42,694	4,046
Liability insurance	152,070	11,359	34,654	52,262	(17,086)	70,881
Guarantee insurance	5,818	(11,722)	1,135	(3,691)	(472)	20,568
Other property insurance	296,543	68,852	43,479	17,159	60,994	106,059
Accident insurance	100,763	60,386	20,380	21,860	1,509	(3,372)
Health insurance	16,802	(115,572)	6,285	20,194	14,000	91,895
Policy-oriented residential earthquake insurance	111,320	(2,043)	-	-	-	113,363
Compulsory auto liability insurance	285,549	1,996	-	237,655	4,246	41,652
	$ 1,791,679	$ (24,802)	$ 209,979	$ 716,072	$ 150,260	$ 740,170

	For the Three Months Ended March 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	Profit (Loss)
Fire insurance	$ 433,024	$ (98,820)	$ 32,375	$ 46,551	$ 1,170,303	$ (717,385)
Marine insurance	102,738	(31,941)	14,164	32,429	(38,794)	126,880
Land and air insurance	80,723	(15,986)	23,553	34,242	3,586	35,328
Liability insurance	83,873	(37,398)	23,069	29,006	33,460	35,736
Guarantee insurance	9,854	(5,747)	1,818	(32,661)	2,847	43,597
Other property insurance	283,945	65,308	31,165	59,667	(8,367)	136,172
Accident insurance	66,624	36,215	15,940	16,747	836	(3,114)
Health insurance	108	91	-	-	(3,000)	3,017
Policy-oriented residential earthquake insurance	106,789	(4,584)	-	-	-	111,373
Compulsory auto liability insurance	279,582	511	-	273,999	(22,637)	27,709
	$ 1,447,260	$ (92,351)	$ 142,084	$ 459,980	$ 1,138,234	$ (200,687)

h. Organization chart and responsibilities of risk management

1) Organization chart of risk management



2) Responsibility of each department:

<u>Board of directors</u>

a) 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.

b) The board of directors should establish an appropriate risk management system and culture, ratify the appropriate risk management policy and allocate resources in the most effective manner.

c) The board of directors should consider the effect of the aggregated risks from the Company'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.

<u>Risk management department</u>

a) Risk management committee

i. 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.

ii. 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.

iii. The committee should assist and monitor the risk management activities performed by each department.

iv. The committee should assist in deliberating related procedures for formulating risk limits.

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

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

b) Chief risk officer

The appointment of chief risk officers of the Group 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 the Company's risk overview.

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

ii. The chief risk officer should participate in the important decision making process and provide appropriate suggestions from a risk management perspective.

iii. The chief risk officer should be a member of risk management committee

c) Risk management department

i. The Company established a risk management department, which is responsible for monitoring, measuring and evaluating major risks; the department is independent from the business units.

ii. Duties of risk management department are as follows:

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

ii) Propose the risk limits based on risk appetite.

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

iv) Regularly present risk management reports.

v) Regularly review the risk limits and its use of each business unit.

vi) Assist to execute stress testing and back testing if necessary.

vii) Other risk management related issues.

Business units

a) The risk management duties of the manager of a business unit are as follows:

   i. Manage and report daily risk of the business unit and take necessary responsive actions.

   ii. Supervise regular submission of risk management information to the risk management department.

b) The risk management duties of a business unit are as follows:

   i. Identify and measure risks and report risk exposures.

   ii. Evaluate the impacts (quantitative or qualitative) when risks occur and deliver the risk information in a timely and accurate manner.

   iii. Regularly review the risks and their limits to ensure the effective execution of risk limits within business unit.

   iv. 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.

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

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

   vii. Assist to collect data related to operational risk.

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 the Company.

i. Risk reporting and range and nature of risk assessment for property insurance business

1) Risks management report

   a) 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.

   b) The risk management department summarizes the risk information provided by each department, tracks the uses of major risk limit, submits a monthly risk management report to the general manager, and makes quarterly report to the risk management committee and the board of directors.

2) The scope and nature of risk assessment

The risk management departments of the Company and its parent company, Cathay Financial Holdings, collaborated in building 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.

j. 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 the Company, 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.

k. The scope of insurance risk assessment and management from a company-wide perspective

Insurance risk management of the Company covers product design and pricing, underwriting, reinsurance, catastrophe, claim, and reserve. Proper management mechanisms are set up and executed thoroughly.

l. Methods to limit insurance risk exposure and avoid inappropriate concentration risk

When the Company implements a 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 for undertaking risk is considered in developing reinsurance risk management plan and maximum of accumulated retained risks of each risk unit for execution.

Accumulated risk assessment of 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 reinsurance.

According to the Company's 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:

	For the Year Ended December 31	
Insurance Type	**2022**	**2021**
Fire insurance	$ 1,200,000	$ 1,200,000
Marine insurance	1,200,000	1,200,000
Engineering insurance	1,200,000	1,200,000
Miscellaneous insurance/liability insurance	1,200,000	1,200,000
Healthy and accident insurance	1,200,000	1,200,000
Automobile insurance	50,000	50,000
Liability insurance	250,000	250,000

m. Risk coordinated asset-liability management

1) 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 outflows for liabilities, that is, whether the asset allocation has reasonable liquidity to pay liabilities for expenditures in future years.

2) Asset-liability coordinated with risk response

When market risk, liquidity risk and insurance risk events occur, financial, accounting and actuarial service department should take appropriate reactions to coordinated asset-liability risk, and report to the risk management department and propose to the risk management committee evaluation of the risk.

n. Procedures to manage, monitor and control a special event for which property insurance business is committed to assuming additional liabilities or raising additional capital.

The Group has established a set of capital adequacy management standards, including risk-based capital management indicators for regular review, under which risk-based capital is calculated each quarter and risk-based capital management report is prepared every half year as implementation of risk-based capital management.

If the risk-based capital ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose reactions to the risk management committee and inform the parent company, Cathay Financial Holdings Co., Ltd., to review the impact on the capital adequacy ratio of Cathay Financial Holdings Co., Ltd. and its subsidiaries.

o. Sensitivity to insurance risk

1) The Company

For the three months ended March 31, 2022

			Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
Insurance Type	**Premium Revenue**	**Expected Loss Rate**	**Before Reinsurance**	**After Reinsurance**
Fire insurance	$ 837,995	39.25%	$ (41,901)	$ (17,262)
Marine insurance	209,476	50.62%	(10,474)	(4,428)
Land and air insurance	2,870,648	61.39%	(143,532)	(140,186)
Liability insurance	533,862	50.33%	(26,693)	(18,064)
Guarantee insurance	18,450	34.91%	(922)	(5)
Other property insurance	391,634	49.25%	(19,582)	(6,233)
Accident insurance	756,401	44.64%	(37,820)	(35,882)
Health insurance	109,146	35.14%	(5,457)	(3,891)
Policy-oriented residential earthquake insurance	111,320	4.10%	(5,566)	(2,783)
Compulsory auto liability insurance	684,275	Not applicable	Not applicable	Not applicable
	$ 6,523,207		$ (291,947)	$ (229,734)

For the three months ended March 31, 2021

Insurance Type	Premium Revenue	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	$ 496,465	46.67%	$ (24,823)	$ (15,169)
Marine insurance	166,119	45.65%	(8,306)	(3,903)
Land and air insurance	2,541,225	63.12%	(127,061)	(124,315)
Liability insurance	432,803	50.28%	(21,640)	(14,441)
Guarantee insurance	18,387	42.19%	(919)	(191)
Other property insurance	326,216	53.82%	(16,311)	(3,677)
Accident insurance	700,959	44.78%	(35,048)	(33,497)
Health insurance	37,144	32.95%	(1,857)	(1,520)
Policy-oriented residential earthquake insurance	106,789	11.00%	(5,339)	(1,068)
Compulsory auto liability insurance	670,931	Not applicable	Not applicable	Not applicable
	$ 5,497,038		$ (241,304)	$ (197,781)

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 the Company, 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.

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

For the three months ended March 31, 2022

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	$ 49,809	16.85%	$ (2,490)	$ (2,478)
Marine insurance	1,323	19.80%	(66)	(24)
Fire insurance	30,128	40.48%	(1,506)	(121)
Engineering insurance	378	53.45%	(18)	(3)
Accident insurance	9,764	36.42%	(488)	(484)
Liability insurance	1,037	8.27%	(53)	(21)
	$ 92,439		$ (4,621)	$ (3,131)

For the three months ended March 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	$ 36,581	21.52%	$ (1,829)	$ (1,824)
Marine insurance	2,222	18.45%	(111)	(31)
Fire insurance	26,831	31.49%	(1,342)	(296)
Engineering insurance	720	65.21%	(36)	(6)
Accident insurance	9,611	39.86%	(481)	(480)
Liability insurance	727	12.16%	(36)	(14)
	$ 76,692		$ (3,835)	$ (2,651)

Note: Expected loss rate is calculated based on the 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 Co., Ltd. (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.

p. Risk concentration

1) The Company

a) Situations that may cause concentration of insurance risk

i. Single insurance contract or several related contracts

As of March 31, 2022, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meeting.

ii. Exposure to unanticipated change in trend

As of March 31, 2022, the loss rates of marine insurance have increased due to the huge claims and loss estimates.

iii. Material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts

"The Regulations for Assisting in Filing Lawsuit Cases of Cathay Century Insurance" is set up to safeguard the rights of the Company and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of March 31, 2022, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

iv. Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, the

Company established "points for handling teams of catastrophe and major events" and "Operation Standards under Crisis", under which crisis handling team is set up in reaction to the event and to execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to keep financial stability. For the three months ended March 31, 2022, measures have been taken to deal with the impact of COVID-19 on operating, insurance and investment business.

v. When a non-linear relationship as a certain key variable has approached to the extent that future cash flows may be materially influenced

Since the 3rd stage of liberalization of property insurance premium rate took effect, the Company 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 respond in advance.

vi. Concentration of geographic regions and operating segments

The Company's catastrophe insurance for earthquakes and floods are mainly in Taoyuan, Hsinchu, Taichung, Chiayi, Tainan, Kaohsiung and Pingtung.

b) Disclosure of concentration of insurance risk, including explanation of indicators used to identify the common features of insurance risk concentration and exposure to related insurance liabilities related to such feature

The following table summarizes Cathay Century's concentration of risk before and after reinsurance by insurance type:

Insurance Type	For the Three Months Ended March 31, 2022				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	$ 837,995	$ 99,656	$ 528,897	$ 408,754	8.05
Marine insurance	209,476	1,780	182,168	29,088	0.57
Land and air insurance	2,870,648	536	94,302	2,776,882	54.67
Liability insurance	533,862	(908)	151,541	381,413	7.51
Guarantee insurance	18,450	4,258	5,818	16,890	0.33
Other property insurance	391,634	15,268	295,384	111,518	2.20
Accident insurance	756,401	2,157	100,763	657,795	12.95
Health insurance	109,146	(4,960)	16,802	87,384	1.72
Policy-oriented residential earthquake insurance	111,320	16,991	111,320	16,991	0.33
Compulsory automobile liability insurance	684,275	193,886	285,549	592,612	11.67
Total	$ 6,523,207	$ 328,664	$ 1,772,544	$ 5,079,327	100.00

Insurance Type	For the Three Months Ended March 31, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	$ 496,465	$ 172,548	$ 422,142	$ 246,871	5.42
Marine insurance	166,120	12,442	101,327	77,235	1.69
Land and air insurance	2,541,225	38,028	80,723	2,498,530	54.83
Liability insurance	432,803	1,392	83,381	350,814	7.70
Guarantee insurance	18,387	(1,487)	9,854	7,046	0.15
Other property insurance	326,216	61,219	283,121	104,314	2.29
Accident insurance	700,959	3,741	66,624	638,076	14.00
Health insurance	37,143	3,479	108	40,514	0.89
Policy-oriented residential earthquake insurance	106,789	14,941	106,789	14,941	0.33
Compulsory automobile liability insurance	670,931	187,594	279,582	578,943	12.70
Total	$ 5,497,038	$ 493,897	$ 1,433,651	$ 4,557,284	100.00

c) Disclosure of the past performance of property insurance business regarding the management risks with low frequency of occurrence but enormous impact to the users of financial statements to assess the uncertainty of cash flows related to risks

Catastrophes, such as earthquake, typhoon, and flood along with related huge claims, result in tremendous impact to the property insurance business.

To control and manage risk with low frequency of occurrence but enormous impact, Cathay Century assesses the risk of natural disasters and special insured items (for example, high-tech factory, power plant and traffic engineering) and holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

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

a) Situations that may cause concentration of insurance risk:

i. Single insurance contract or several related contracts

As of March 31, 2022, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meeting.

ii. Exposure to unanticipated change in trend

As of March 31, 2022, the premium income of comprehensive travel insurance have increased due to the raised demand for traveling because the situation of COVID-19 has stabilized; however, there is no effect for business risk so far, and Cathay Insurance Co., Ltd. (Vietnam) will keep on observing risk exposure.

iii. Material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts

“The Procedure for Subrogation” and “The Proceedings of the Court” are set up to safeguard the rights of Cathay Insurance Co., Ltd. (Vietnam) and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of March 31, 2022, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

iv. Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Insurance Co., Ltd. (Vietnam) established the Points for Handling Major Events of Cathay Insurance Co., Ltd. (Vietnam) under which crisis handling team is set up in reaction to the event and execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to maintain financial stability. For the three months ended March 31, 2022, there is no interaction among risks resulting from a catastrophe.

v. Concentration of geographic regions and operating segments

Cathay Insurance Co., Ltd. (Vietnam)’s catastrophe insurance for earthquakes and floods are mainly in Ho Chi Minh City, Tinh Dong Nai and Tinh Ha Tinh.

b) Disclosure of concentration of insurance risk, including explanation of indicators used to identify the common features of insurance risk concentration and exposure to related insurance liabilities related to such feature.

The following table summarizes the Cathay Insurance (Vietnam)’s concentration of risk before and after reinsurance by insurance type:

Insurance Type	For the Three Months Ended March 31, 2022				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	$ 49,809	$ 432	$ 44	$ 50,197	76.80
Flood insurance	1,323	142	960	505	0.77
Fire insurance	30,128	4,376	30,474	4,030	6.17
Engineering insurance	378	1,067	1,159	286	0.44
Accident insurance	9,764	-	-	9,764	14.94
Liability insurance	1,037	70	529	578	0.88
Total	$ 92,439	$ 6,087	$ 33,166	$ 65,360	100.00

Insurance Type	For the Three Months Ended March 31, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	$ 36,581	$ 32	$ -	$ 36,613	70.35
Flood insurance	2,222	-	1,412	810	1.55
Fire insurance	26,831	3,364	25,825	4,370	8.40
Engineering insurance	720	185	573	332	0.64
Accident insurance	9,611	-	-	9,611	18.47
Liability insurance	727	320	741	306	0.59
Total	$ 76,692	$ 3,901	$ 28,551	$ 52,042	100.00

3) Disclosure of the past performance of property insurance business regarding the management risks with low frequency of occurrence but enormous impact to the users of financial statements to 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 Co., Ltd. (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

q. Development trend of claims

1) The Company

March 31, 2022

Accident Year	≦2015	2016	2017	2018	2019	2020	2021	2022	Total
Accumulated estimated claim payments									
End of the underwriting year	$ -	$ 12,235,424	$ 8,134,147	$ 9,090,990	$ 10,190,448	$ 9,508,911	$ 10,259,775	$ 2,974,526	
After the first year	-	11,455,620	8,025,062	8,574,948	10,063,196	11,023,615	10,339,445	-	
After the second year	-	10,970,548	7,965,701	8,479,083	9,915,122	10,993,648	-	-	
After the third year	-	11,133,431	8,000,179	8,447,631	9,879,160	-	-	-	
After the fourth year	-	11,177,663	7,977,104	8,436,879	-	-	-	-	
After the fifth year	-	11,102,224	7,978,305	-	-	-	-	-	
After the sixth year	-	11,097,313	-	-	-	-	-	-	
Final estimated claim payment	-	11,097,313	7,978,305	8,436,879	9,879,160	10,993,648	10,339,445	2,974,526	
Accumulated claim disbursed	-	11,056,929	7,915,931	8,330,082	9,396,679	8,938,526	7,153,958	403,940	
	234,524	40,384	62,374	106,797	482,481	2,055,122	3,185,497	2,570,586	$ 8,737,765
Adjustment	-	-	-	-	-	-	-	161,081	161,081
Amount recognized in balance sheet	$ 234,524	$ 40,384	$ 62,374	$ 106,797	$ 482,481	$ 2,055,122	$ 3,185,497	$ 2,731,667	$ 8,898,846

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 payment	-	7,452,191	11,102,224	7,977,104	8,447,631	9,915,122	11,023,615	10,259,775	
Accumulated claim disbursed	-	7,422,770	11,057,773	7,905,417	8,312,638	9,361,832	8,584,467	5,410,326	
	209,490	29,421	44,451	71,687	134,993	553,290	2,439,148	4,849,449	$ 8,331,929
Adjustment	-	-	-	-	-	-	-	150,920	150,920
Amount recognized in balance sheet	$ 209,490	$ 29,421	$ 44,451	$ 71,687	$ 134,993	$ 553,290	$ 2,439,148	$ 5,000,369	$ 8,482,849

March 31, 2021

Accident Year	≦2014	2015	2016	2017	2018	2019	2020	2021	Total
Accumulated estimated claim payments									
End of the underwriting year	$ -	$ 7,559,012	$ 12,235,424	$ 8,134,147	$ 9,090,990	$ 10,190,448	$ 9,508,911	$ 2,437,324	
After the first year	-	7,418,703	11,455,620	8,025,062	8,574,948	10,063,196	10,706,033	-	
After the second year	-	7,548,387	10,970,548	7,965,701	8,479,083	10,004,478	-	-	
After the third year	-	7,495,744	11,133,431	8,000,179	8,465,675	-	-	-	
After the fourth year	-	7,449,663	11,177,663	8,000,429	-	-	-	-	
After the fifth year	-	7,456,430	11,099,080	-	-	-	-	-	
After the sixth year	-	7,453,017	-	-	-	-	-	-	
Final estimated claim payment	-	7,453,017	11,099,080	8,000,429	8,465,675	10,004,478	10,706,033	2,437,324	
Accumulated claim disbursed	-	7,416,261	11,030,822	7,877,214	8,205,575	8,820,985	6,587,978	329,894	
	303,923	36,756	68,258	123,215	260,100	1,183,493	4,118,055	2,107,430	$ 8,201,230
Adjustment	-	-	-	-	-	-	-	147,390	147,390
Amount recognized in balance sheet	$ 303,923	$ 36,756	$ 68,258	$ 123,215	$ 260,100	$ 1,183,493	$ 4,118,055	$ 2,254,820	$ 8,348,620

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 $1,653,885 thousand and $1,711,844 thousand as of March 31, 2022, $1,636,748 thousand and $1,580,057 thousand as of December 31, 2021, $1,610,745 thousand and $1,275,116 thousand as of March 31, 2021.

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

Since the claim data of Cathay Insurance Co., Ltd. (Vietnam) is still immature, the historical experience for development trend of claim is not available. Cathay Insurance Co., Ltd. (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.

r. Credit risk of insurance contract

The main source of credit risk of insurance contract is reinsurance business. The Group arranges its reinsurance business under the Regulations Governing Insurance Enterprises, and it is engaged in operating reinsurance and other risk-diversification mechanisms. Most of the insurance enterprises chose to have a certain level of credit rating and are qualified for reinsurance business. The Group regularly monitors the net changes in the credit rating of these enterprises. The Group discloses its transactions with unqualified ceded reinsurer as follows, based on Regulations for the Management of the Reserve for Unqualified Reinsurance.

1) The major unqualified reinsurance counterparties are listed below:

March 31, 2022

Name	Type
Tugu Insurance Company HK	Facultative reinsurance of marine insurance
Cathay Insurance Co., Ltd. (China)	Facultative reinsurance of marine insurance
Trust International Insurance and Reinsurance Company B.S.C	Treaty reinsurance of marine and Facultative reinsurance of fire insurance
Asia Capital Reinsurance Group Pte Ltd	Facultative reinsurance of marine
S-Squared Insurance Company, Inc.	Facultative reinsurance of fire insurance

December 31, 2021

Name	Type
Tugu Insurance Company HK	Facultative reinsurance of marine insurance
Cathay Insurance Co., Ltd. (China)	Facultative reinsurance of marine insurance
Trust International Insurance and Reinsurance Company B.S.C	Treaty reinsurance of marine, and Facultative reinsurance of fire insurance
Asia Capital Reinsurance Group Pte Ltd	Treaty reinsurance of marine, fire and miscellaneous insurance and Facultative reinsurance of marine, fire, engineering and miscellaneous insurance
S-Squared Insurance Company, Inc.	Facultative reinsurance of fire insurance

March 31, 2021

Name	Type
Tugu Insurance Company HK	Facultative reinsurance of marine insurance
Cathay Insurance Co., Ltd. (China)	Facultative reinsurance of marine insurance
Emirates Re	Treaty reinsurance of fire insurance
Trust International Insurance and Reinsurance Company B.S.C.	Treaty reinsurance of marine, fire and accident insurance and Facultative reinsurance of liability insurance
Arab Insurance Group (B.S.C.)	Facultative reinsurance of fire insurance
Asia Capital Reinsurance Group Pte Ltd	Treaty reinsurance of marine, fire and liability insurance and Facultative reinsurance of marine, fire, engineering and liability insurance

2) For the three months ended March 31, 2022 and 2021, the unqualified ceded reinsurance expense is $10,469 thousand and $1,618 thousand, respectively.

3) The reserve for unauthorized reinsurance and the components of this account include:

	March 31, 2022	December 31, 2021	March 31, 2021
Unearned premium reserve	$ 5,234	$ 5,248	$ 809
Claims recoverable from reinsurers of paid claims overdue in nine month	301	309	4,178
Claims recoverable from reinsurers which were reported but unpaid	998	999	10,393
	$ 6,533	$ 6,556	$ 15,380

35. DETAILS OF THE PORTFOLIOS MANAGED

	March 31, 2022	December 31, 2021	March 31, 2021
Listed stocks	$ 1,620,701	$ 2,303,141	$ 1,913,022
Short-term transactions instruments	-	-	100,009
Bank deposit	1,024,664	488,817	485,575
Future margins	2,012	2,012	2,012
	$ 2,647,377	$ 2,793,970	$ 2,500,618

The fair value of the Group's financial assets of discretionary account management contracts are as same as their carrying amount.

As of March 31, 2022, December 31, 2021 and March 31, 2021 the Group entered into discretionary account management contracts in the amount of $1,200,000 thousand.

36. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

a. Unconsolidated structured entities

The Group does not provide financial support or other support to the unconsolidated structured entities. The Group's maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets the Group recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

Types of Structured Entity	Nature and Purpose	Interests Owned
Securitization vehicle	Investment in asset-backed security to receive returns	Investment in securitization vehicles issued by the entity

b. Details of the carrying amount of assets recognized by the Group relating to its interests in unconsolidated structured entities as of March 31, 2022, December 31, 2021 and March 31, 2021, are as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Securitization vehicle			
Financial assets at FVTPL	$ 386,060	$ 254,142	$ 201,419
Financial assets at amortized cost	318,007	318,445	428,217
	$ 704,067	$ 572,587	$ 629,636

TABLE 1

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

BALANCE SHEET OF COMPULSORY AUTOMOBILE LIABILITY INSURANCE
(In Thousands of New Taiwan Dollars)

Items	Amount			Items	Amount		
Asset	**March 31, 2022**	**December 31, 2021**	**March 31, 2021**	**Liabilities**	**March 31, 2022**	**December 31, 2021**	**March 31, 2021**
Cash and bank deposit	$ 2,378,531	$ 2,217,230	$ 2,256,279	Notes payable	$ -	$ -	$ -
Notes receivable	5,284	6,343	5,517	Claims payable	-	-	-
Premiums receivable	5,663	8,573	6,123	Reinsurance indemnity payable	-	-	-
Claims recoverable from reinsures	83,914	200,809	185,892	Due to reinsurers and ceding companies	189,789	215,786	272,130
Due from reinsurers and ceding companies	123,941	122,917	124,661	Unearned premium reserves	1,697,750	1,690,564	1,692,043
Other receivables	-	-	-	Loss reserves	2,304,200	2,256,144	2,235,633
FVTOCI financial assets	712,981	728,828	752,147	Special reserves	849,060	851,422	833,287
Ceded unearned premium reserve	744,518	742,522	737,050	Temporary receivable	-	-	-
Ceded loss reserve	983,168	978,921	957,299	Other liabilities	-	-	-
Temporary payments	2,799	7,773	8,125				
Other assets	-	-	-				
Total assets	$ 5,040,799	$ 5,013,916	$ 5,033,093	Total liabilities	$ 5,040,799	$ 5,013,916	$ 5,033,093

TABLE 2

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

OPERATING REVENUE AND COST OF COMPULSORY AUTOMOBILE LIABILITY
(In Thousands of New Taiwan Dollars)

Item	For the Three Months Ended March 31	
	2022	**2021**
Operating revenues	$ 380,669	$ 372,595
Direct insurance premium income	475,914	465,971
Reinsurance premium inward	193,886	187,594
Premiums income	669,800	653,565
Less: Reinsurance premium outward	(285,549)	(279,582)
Net changes in unearned premium reserve	(5,189)	(3,021)
Earned retained premium	379,062	370,962
Interest income	1,607	1,633
Operating costs (note)	402,990	372,595
Retained claims	407,222	474,199
Reinsurance claims incurred	191,976	209,851
Less: Claim recoverable from reinsurers	(237,655)	(273,999)
Retained claims	361,543	410,051
Net change in loss reserve	43,809	(5,704)
Net change in special reserve	(2,362)	(31,752)

Note: Pursuant to Instruction Jin-Guan-Bao-Chan-Zi No. 11004107771, the Company is required to make reserve (recognized as expenses) in relation to this particular service at NT$30 per contract on a monthly basis starting from April 1, 2021

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

TRANSACTIONS WITH RELATED PARTIES INVOLVING MAIN BUSINESS ITEMS REACHING NT$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

The Company Involving Main Business Items	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note (Note 2)
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Cathay Century Insurance Co., Ltd.	Cathay Life Insurance Co., Ltd.	Fellow subsidiary	Premiums income	$ 102,512	1.48	Based on agreement	$ -	-	$ 1,296	0.06	

Note 1: If the transaction terms of related parties are different with the general terms, the differences and reasons should be described in the column of unit price and payment terms.

Note 2: If there is any payments (receipts) in advance, it should be stated the reason, contractual terms, amount, and differences from the general transaction type in the remarks column.

Note 3: Paid-up capital refers to the paid-up capital of the Company.

TABLE 4

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	(1)	Due from reinsurers and ceding companies Reinsurance premium inward	$ 11,594 14,031	Based on agreement Based on agreement	0.023 0.23

Note 1: The parent company and subsidiaries are numbered as follows:

a. Parent company: 0.
b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

a. From parent company to subsidiary;
b. From subsidiary to parent company; and
c. Between subsidiaries.

Note 3: For calculating the percentages, asset or liability account is divided by the total consolidated assets and the revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: Information disclosed in this Table includes balances and transactions that have been eliminated on consolidation between the Group and its subsidiaries.

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Vietnam	Property insurance businesses	$ 845,585	$ 845,585	-	100	$ 652,573	$ 4,609	$ 4,609	(1)

Note 1: Share of profit or loss and OCI are recognized on the basis of the reviewed financial statements.

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of March 31, 2022	Accumulated Repatriation of Investment Income as of March 31, 2022
					Outward	Inward						
Cathay Insurance Co., Ltd. (China)	Property insurance businesses	$ 12,196,844 (CNY 2,632,653 thousand)	(1)	$ 2,964,730	$ -	$ -	$ 2,964,730	$ 198,548	24.5	$ 48,644	$ 2,377,805	$ -

Accumulated Outward Remittance for Investments in Mainland China as of March 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 4)
$ 2,964,730 (CNY 645,000 thousand)	$ 2,964,730 (CNY 645,000 thousand)	$ 8,743,963

Note 1: The investment amount is calculated based on historic exchange rate, and other columns are disclosed based on the exchange rate on March 31, 2022.

Note 2: Investment type is as follows:

a. The Company made the investment directly.
b. The Company made the investment through a company registered in a third region.
c. Others.

Note 3: The calculation was based on unreviewed financial statement.

Note 4: The limit is up to 60% of the investor’s net worth as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued on August 29, 2008 by the Investment Commission of the MOEA.

Note 5: On December 31, 2006, according to letter No. 094022847 issued by the Investment Commission of the Ministry of Economic Affairs (MOEAIC), the Company is authorized to invest US$28,963 thousand and establish an insurance subsidiary, engaging in the property insurance business. On October 8, 2007, according to letter No. 1272 (2007) issued by China Insurance Regulatory Commission (CIRC), the Company is authorized to establish a property insurance company in the form of joint venture with Cathay Life Insurance. The joint venture company named Cathay Insurance Company Ltd. (China) was established in Shanghai and has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, according to letter No. 10200136010 issued by the MOEAIC, the Company is authorized to remit CNY200,000 thousand to increase the share capital. The Company was authorized by CIRC to remit CNY100,000 thousand each on June 13, 2013 and March 18, 2014. On November 23, 2018, according to No. 10700281680 issued by the MOEAIC, the Company was authorized to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 issued by the MOEAIC, the Company was 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, the Company’s board of directors resolved to suspend capital increase on January 26, 2022. On March 31, 2022, according to No. 11100514060 issued by the MOEAIC, the Company was authorized to write down CNY245,000 thousand which had been remitted according to No. 10800291980 issued by the MOEAIC. As of March 31, 2022, the Company has remitted US$97,292 thousand in total.