

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

### **Introduction**

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

### **Scope of Review**

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

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the three months then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 13, 2022

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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 FINANCIAL HOLDING 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)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 28)	\$ 305,927,286	3	\$ 467,635,057	4	\$ 448,129,821	4
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	262,487,522	2	234,546,475	2	152,315,784	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5, 7, 28 and 29)	1,949,246,982	17	1,929,395,229	17	1,800,120,582	16
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 8, 28 and 29)	1,674,631,985	14	1,626,821,625	14	1,571,029,708	14
DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 9 and 29)	3,377,099,687	29	3,266,686,240	28	3,186,546,185	29
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 5)	251,542	-	500,642	-	146,269	-
NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS (Note 4)	66,660,351	-	77,243,060	1	50,881,539	-
RECEIVABLES, NET (Notes 4, 5, 10 and 28)	199,416,417	2	205,480,862	2	204,782,871	2
CURRENT TAX ASSETS	4,351,337	-	4,164,103	-	4,309,641	-
ASSETS HELD FOR SALE, NET	271,823	-	283,087	-	-	-
DISCOUNT AND LOANS, NET (Notes 4, 5, 11 and 28)	2,343,127,581	20	2,287,115,449	20	2,219,536,128	20
REINSURANCE CONTRACT ASSETS, NET	12,063,304	-	12,260,483	-	10,647,884	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 13 and 28)	32,868,933	-	32,614,572	-	33,444,362	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 23)	730,336,372	6	741,107,026	6	686,655,474	6
INVESTMENT PROPERTIES, NET (Notes 4, 5, 14, 28 and 29)	433,854,059	4	432,525,464	4	422,266,940	4
PROPERTY AND EQUIPMENT, NET (Notes 4 and 15)	98,209,962	1	97,852,266	1	98,352,016	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 28)	4,503,718	-	4,362,776	-	4,145,216	-
INTANGIBLE ASSETS, NET (Notes 4, 17 and 38)	51,451,553	-	51,543,583	-	53,569,485	1
DEFERRED TAX ASSETS (Notes 4 and 26)	70,558,482	1	63,746,198	1	60,913,785	1
OTHER ASSETS, NET (Notes 28 and 29)	91,729,918	1	58,477,264	-	73,047,890	1
<b>TOTAL</b>	<b>\$ 11,709,048,814</b>	<b>100</b>	<b>\$ 11,594,361,461</b>	<b>100</b>	<b>\$ 11,080,841,580</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 112,784,410	1	\$ 74,605,174	1	\$ 80,305,732	1
DUE TO THE CENTRAL BANK AND BANKS	1,076,000	-	1,076,000	-	1,076,000	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 7)	145,169,174	1	79,934,187	1	130,825,360	1
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 5)	767,655	-	20,956	-	43,129	-
NOTES AND BONDS SOLD UNDER REPURCHASE AGREEMENTS (Note 4)	38,543,767	-	39,827,873	-	17,604,400	-
COMMERCIAL PAPER PAYABLE, NET (Note 18)	63,568,800	1	63,469,166	-	42,609,669	-
PAYABLES (Note 28)	75,034,091	1	76,870,285	1	84,660,437	1
CURRENT TAX LIABILITIES (Note 4)	7,520,698	-	7,528,389	-	29,534,698	-
DEPOSITS AND REMITTANCES (Notes 19 and 28)	2,936,089,265	25	2,871,960,053	25	2,654,702,795	24
BONDS PAYABLE (Note 20)	142,360,991	1	141,800,000	1	147,300,000	1
OTHER BORROWINGS	1,822,066	-	1,670,185	-	819,855	-
PROVISIONS (Notes 4, 21 and 22)	6,586,034,465	56	6,448,259,356	56	6,220,022,671	56
OTHER FINANCIAL LIABILITIES (Notes 4 and 23)	756,834,549	7	763,908,198	7	719,131,201	7
LEASE LIABILITIES (Notes 4, 16 and 28)	14,714,418	-	14,721,170	-	14,395,259	-
DEFERRED TAX LIABILITIES (Notes 4 and 26)	33,691,684	-	52,976,726	-	46,046,042	1
OTHER LIABILITIES (Note 28)	26,157,745	-	41,695,016	-	26,939,257	-
Total liabilities	10,942,169,778	93	10,680,322,734	92	10,216,016,505	92
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 24)</b>						
Share capital						
Ordinary shares	131,692,102	1	131,692,102	1	131,692,102	1
Preference shares	15,333,000	-	15,333,000	-	15,333,000	-
Capital surplus	177,124,151	2	177,244,388	2	177,256,371	2
Retained earnings						
Legal reserve	59,471,895	1	59,471,895	1	51,967,688	1
Special reserve	150,716,023	1	150,716,023	1	149,894,910	1
Unappropriated earnings	302,082,660	3	267,799,001	2	227,608,946	2
Other equity	(81,692,906)	(1)	99,781,737	1	100,001,617	1
Total equity attributable to owners of the Company	754,726,925	7	902,038,146	8	853,754,634	8
NON-CONTROLLING INTERESTS (Notes 4 and 24)	12,152,111	-	12,000,581	-	11,070,441	-
Total equity	766,879,036	7	914,038,727	8	864,825,075	8
<b>TOTAL</b>	<b>\$ 11,709,048,814</b>	<b>100</b>	<b>\$ 11,594,361,461</b>	<b>100</b>	<b>\$ 11,080,841,580</b>	<b>100</b>

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

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4 and 28)	\$ 53,264,586	40	\$ 51,371,075	27
INTEREST EXPENSE (Notes 4 and 28)	<u>(3,222,151)</u>	<u>(2)</u>	<u>(3,318,945)</u>	<u>(2)</u>
NET INTEREST INCOME	<u>50,042,435</u>	<u>38</u>	<u>48,052,130</u>	<u>25</u>
NET INCOME AND GAINS OTHER THAN INTEREST INCOME				
Net gain on service fee and commission fee (Notes 4, 23, 25 and 28)	4,263,140	3	2,731,872	1
Net income on insurance operations (Notes 4, 25 and 28)	29,739,356	22	65,230,789	34
(Loss) gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 7)	(136,509,639)	(103)	4,144,013	2
Gain on investment properties (Notes 4, 14 and 28)	3,595,991	3	2,760,186	1
Realized gain on financial assets at fair value through other comprehensive income (Note 4)	2,845,474	2	8,719,516	5
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	8,901,483	7	20,400,709	11
Foreign exchange gain (Note 4)	95,116,680	72	1,379,781	1
(Impairment loss) reversal of impairment loss on assets (Note 4)	(2,658,961)	(2)	904,711	1
Share of profit of associates and joint ventures accounted for using the equity method (Notes 4 and 13)	427,622	-	567,054	-
Gain on reclassification using the overlay approach (Notes 4 and 7)	87,508,363	66	33,128,791	18
Net other non-interest (loss) gain (Note 28)	<u>(11,195,062)</u>	<u>(8)</u>	<u>1,588,301</u>	<u>1</u>
PROFIT FROM OPERATIONS	<u>132,076,882</u>	<u>100</u>	<u>189,607,853</u>	<u>100</u>
NET CHANGES IN INSURANCE LIABILITY RESERVE (Notes 21 and 25)	<u>(71,020,633)</u>	<u>(54)</u>	<u>(103,848,073)</u>	<u>(55)</u>
PROVISION FOR BAD DEBT, COMMITMENTS AND GUARANTEE RESERVE	<u>(47,565)</u>	<u>-</u>	<u>(1,321,767)</u>	<u>-</u>
OPERATING EXPENSES (Notes 25 and 28)				
Employee benefit expenses	(14,085,022)	(11)	(13,657,751)	(7)
Depreciation and amortization expenses	(1,786,561)	(1)	(1,778,417)	(1)
Other general and administrative expenses	<u>(5,328,668)</u>	<u>(4)</u>	<u>(5,138,315)</u>	<u>(3)</u>
Total operating expenses	<u>(21,200,251)</u>	<u>(16)</u>	<u>(20,574,483)</u>	<u>(11)</u>

(Continued)

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	<b>For the Three Months Ended March 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
PROFIT BEFORE INCOME TAX	\$ 39,808,433	30	\$ 63,863,530	34
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(5,433,150)</u>	<u>(4)</u>	<u>(6,296,930)</u>	<u>(4)</u>
NET INCOME	<u>34,375,283</u>	<u>26</u>	<u>57,566,600</u>	<u>30</u>
OTHER COMPREHENSIVE LOSS (Notes 4 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(826)	-	(655)	-
Gain on equity instruments at fair value through other comprehensive income	5,499,917	4	9,654,074	5
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	333,517	-	456,692	-
Share of other comprehensive (loss) income of associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	(395,152)	-	231,104	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	69,735	-	(529,912)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation the financial statements of foreign operations	3,546,060	3	90,663	-
Gain (loss) on hedging instruments	10,096	-	(146,390)	-
Loss on debt instruments at fair value through other comprehensive income	(134,175,762)	(102)	(91,942,984)	(49)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method for items that may be reclassified subsequently to profit or loss	727,760	1	(169,785)	-
Other comprehensive loss reclassified using the overlay approach	(87,508,363)	(66)	(33,128,791)	(17)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 26)	<u>30,788,026</u>	<u>23</u>	<u>18,846,512</u>	<u>10</u>
Total other comprehensive loss for the period, net of income tax	<u>(181,104,992)</u>	<u>(137)</u>	<u>(96,639,472)</u>	<u>(51)</u>
TOTAL COMPREHENSIVE LOSS	<u>\$(146,729,709)</u>	<u>(111)</u>	<u>\$ (39,072,872)</u>	<u>(21)</u>

(Continued)

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 34,206,762	26	\$ 57,366,026	30
Non-controlling interests	<u>168,521</u>	<u>-</u>	<u>200,574</u>	<u>-</u>
	<u>\$ 34,375,283</u>	<u>26</u>	<u>\$ 57,566,600</u>	<u>30</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owner of the Company	\$(147,190,984)	(111)	\$ (39,295,714)	(21)
Non-controlling interests	<u>461,275</u>	<u>-</u>	<u>222,842</u>	<u>-</u>
	<u>\$(146,729,709)</u>	<u>(111)</u>	<u>\$ (39,072,872)</u>	<u>(21)</u>
EARNINGS PER SHARE (Note 27)				
Basic earnings per share	<u>\$ 2.60</u>		<u>\$ 4.36</u>	

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

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company										Other Equity					Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translation the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using the Overlay Approach	Others	Total		
	Ordinary Shares	Preferred Shares		Legal Reserve	Special Reserve	Unappropriated Earnings											
BALANCE AT JANUARY 1, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,256,053	\$ 51,967,688	\$ 149,894,910	\$ 169,606,342	\$ (15,464,009)	\$ 106,207,840	\$ 347,871	\$ (1,478,705)	\$ (1,966,279)	\$ 11,097,089	\$ 102,511,617	\$ (3,944,303)	\$ 893,061,216	\$ 11,714,465	\$ 904,775,681
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	318	-	-	-	-	-	-	-	-	-	-	-	318	-	318
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,186)	(11,186)	-	(11,186)
Net income for the three months ended March 31, 2021	-	-	-	-	-	57,366,026	-	-	-	-	-	-	-	-	57,366,026	200,574	57,566,600
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	66,246	(66,161,518)	(116,194)	365,354	(9,638)	-	(30,805,990)	-	(96,661,740)	22,268	(96,639,472)
Total comprehensive income (loss) for three months ended March 31, 2021	-	-	-	-	-	57,366,026	66,246	(66,161,518)	(116,194)	365,354	(9,638)	-	(30,805,990)	-	(39,295,714)	222,842	(39,072,872)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	636,578	-	(636,578)	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(866,866)	(866,866)
BALANCE AT MARCH 31, 2021	<u>\$ 131,692,102</u>	<u>\$ 15,333,000</u>	<u>\$ 177,256,371</u>	<u>\$ 51,967,688</u>	<u>\$ 149,894,910</u>	<u>\$ 227,608,946</u>	<u>\$ (15,397,763)</u>	<u>\$ 39,409,744</u>	<u>\$ 231,677</u>	<u>\$ (1,113,351)</u>	<u>\$ (1,975,917)</u>	<u>\$ 11,097,089</u>	<u>\$ 71,705,627</u>	<u>\$ (3,955,489)</u>	<u>\$ 853,754,634</u>	<u>\$ 11,070,441</u>	<u>\$ 864,825,075</u>
BALANCE AT JANUARY 1, 2022	\$ 131,692,102	\$ 15,333,000	\$ 177,244,388	\$ 59,471,895	\$ 150,716,023	\$ 267,799,001	\$ (18,652,251)	\$ 47,131,473	\$ 335,851	\$ (889,397)	\$ (966,130)	\$ 11,281,909	\$ 64,764,671	\$ (3,224,389)	\$ 902,038,146	\$ 12,000,581	\$ 914,038,727
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(120,237)	-	-	-	-	-	-	-	-	-	-	-	(120,237)	-	(120,237)
Net income for the three months ended March 31, 2022	-	-	-	-	-	34,206,762	-	-	-	-	-	-	-	-	34,206,762	168,521	34,375,283
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	-	3,653,387	(104,732,261)	10,532	266,813	1,066	-	(80,597,283)	-	(181,397,746)	292,754	(181,104,992)
Total comprehensive income (loss) for three months ended March 31, 2022	-	-	-	-	-	34,206,762	3,653,387	(104,732,261)	10,532	266,813	1,066	-	(80,597,283)	-	(147,190,984)	461,275	(146,729,709)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	76,897	-	(76,897)	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(309,745)	(309,745)
BALANCE AT MARCH 31, 2022	<u>\$ 131,692,102</u>	<u>\$ 15,333,000</u>	<u>\$ 177,124,151</u>	<u>\$ 59,471,895</u>	<u>\$ 150,716,023</u>	<u>\$ 302,082,660</u>	<u>\$ (14,998,864)</u>	<u>\$ (57,677,685)</u>	<u>\$ 346,383</u>	<u>\$ (622,584)</u>	<u>\$ (965,064)</u>	<u>\$ 11,281,909</u>	<u>\$ (15,832,612)</u>	<u>\$ (3,224,389)</u>	<u>\$ 754,726,925</u>	<u>\$ 12,152,111</u>	<u>\$ 766,879,036</u>

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



# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 39,808,433	\$ 63,863,530
Adjustments for:		
Depreciation expense	1,045,746	977,927
Amortization expense	740,815	800,490
Bad debt expense	47,565	1,321,767
Loss (gain) on financial assets and liabilities at fair value through profit or loss	137,860,719	(3,044,163)
Interest expense	3,222,151	3,318,945
Net gain on derecognition of financial assets at amortized cost	(8,901,483)	(20,400,709)
Interest income	(53,264,586)	(51,371,075)
Dividend income	(2,109,224)	(1,571,618)
Net change in insurance liabilities	124,105,750	104,110,497
Net changes in other provisions	13,990,924	(1,298,571)
Share of profit of associates accounted for using the equity method	(427,622)	(567,054)
Gain on reclassification using the overlay approach	(87,508,363)	(33,128,791)
Loss on disposal and retirement of property and equipment	1,772	2,720
Gain on disposal of investment properties	(2,300)	-
Gain on disposal of assets held for sale	(12,436)	-
Gain on disposal of investments accounted for using the equity method	(20,837)	-
Gain on disposal of investments	(2,703,994)	(8,603,166)
Excepted credit (reversal of excepted credit loss) on financial assets	2,658,961	(904,711)
(Gain) loss on changes in fair value of investment properties	(588,231)	11,739
Net changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(1,266,024)	(4,150,312)
Increase in financial assets at fair value through profit or loss	(49,250,562)	(31,028,272)
Increase in financial assets at fair value through other comprehensive income	(174,456,063)	(81,323,739)
Increase in debt instruments at amortized cost	(102,789,091)	(4,292,051)
Decrease in financial assets for hedging	483,870	191,087
Decrease (increase) in receivables	9,299,444	(9,647,708)
Increase in loans	(56,015,891)	(79,648,758)
Decrease (increase) in reinsurance assets	113,427	(731,332)
Decrease in other financial assets	1,888,950	3,322,886
Decrease in other assets	352,205	4,564,931
Increase in deposits from the Central Bank and banks	38,179,236	14,174,673
Decrease in financial liabilities at fair value through profit or loss	(40,105,041)	(26,854,884)
Increase (decrease) in financial liabilities for hedging	522,025	(433,516)
(Decrease) increase in notes and bonds sold under repurchase agreements	(1,284,106)	5,304,836
(Decrease) increase in payables	(2,902,876)	15,372,649

(Continued)

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2022	2021
Increase in deposits and remittances	\$ 64,129,212	\$ 38,903,732
Decrease in provisions for employee benefits	(212,413)	(4,662)
Decrease in provisions	(25,400)	(127,736)
Increase (decrease) in other financial liabilities	2,446,760	(3,059,647)
Decrease in other liabilities	<u>(15,426,073)</u>	<u>(10,274,559)</u>
Cash used in operations	(158,374,651)	(116,224,625)
Interest received	50,634,164	48,673,390
Dividends received	2,228,880	1,570,954
Interest paid	(2,453,638)	(2,981,257)
Income tax paid	<u>(953,516)</u>	<u>(414,048)</u>
Net cash used in operating activities	<u>(108,918,761)</u>	<u>(69,375,586)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(6,739,096)	(11,069,288)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6,495,482	10,772,656
Acquisition of financial assets at fair value through profit or loss	(280,076)	(275,974)
Proceeds from disposal of financial assets at fair value through profit or loss	94,139	134,908
Proceeds from capital reduction of financial assets at fair value through profit or loss	-	14,800
Acquisition of investments accounted for using equity method	(216,000)	(135,000)
Proceeds from disposal of investments accounted for using the equity method	25,173	-
Proceeds from capital reduction of investments accounted for using equity method	-	355,611
Proceeds from disposal of assets held for sale	23,700	-
Acquisition of property and equipment	(895,561)	(631,638)
Proceeds from disposal of property and equipment	340	56
Acquisition of intangible assets	(119,887)	(92,239)
Acquisition of investment properties	(324,727)	(1,158,161)
Proceeds from disposal of investment properties	36,800	-
Increase in other assets	<u>(33,335,341)</u>	<u>(12,058,676)</u>
Net cash used in investing activities	<u>(35,235,054)</u>	<u>(14,142,945)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in commercial paper payable	100,000	3,090,000
Proceeds from issuance (repayment) of financial debentures	545,684	(1,500,000)
Increase (decrease) in other borrowings	111,330	(832,043)

(Continued)

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Repayment of the principal portion of lease liabilities	\$ (534,545)	\$ (448,970)
Decrease in other liabilities	(86,346)	(2,170,866)
Changes in non-controlling interests	<u>(309,745)</u>	<u>(554,340)</u>
Net cash used in financing activities	<u>(173,622)</u>	<u>(2,416,219)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(1,260,584)</u>	<u>(337,430)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(145,588,021)	(86,272,180)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>692,041,687</u>	<u>657,824,480</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 546,453,666</u>	<u>\$ 571,552,300</u>
Reconciliation of cash and cash equivalents:		
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Cash and cash equivalents presented in the consolidated balance sheets	\$ 305,927,286	\$ 448,129,821
Due from the Central Bank and call loans to banks qualified for cash and cash equivalents under the definition of IAS 7	173,866,029	72,540,940
Notes and bonds purchased under resale agreements qualified for cash and cash equivalents under the definition of IAS 7	<u>66,660,351</u>	<u>50,881,539</u>
Cash and cash equivalents at the end of the period	<u>\$ 546,453,666</u>	<u>\$ 571,552,300</u>

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

(Concluded)

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

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### 1. GENERAL INFORMATION

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

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

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

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on May 13, 2022.

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

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

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

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

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

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

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

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

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

- IFRS 17 “Insurance Contracts” and its amendments

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

#### Level of aggregation

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

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

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

#### Recognition

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

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

#### Measurement on initial recognition

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

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

### Subsequent measurement

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

### Onerous contracts

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

### Premium Allocation Approach (PAA)

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

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

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

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

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

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

### Investment contracts with discretionary participation features

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

### Modification and derecognition

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

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

### Transition

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

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

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

### Redesignation of financial assets

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

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

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



## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Statements by Insurance Enterprises, Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Statements by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and IAS34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

### Basis of Preparation

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

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

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

### Basis of Consolidation

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

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

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

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

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

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

## **Business Combinations**

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

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

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

## **Foreign Currencies**

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

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

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

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

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

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

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

## **Investments in Associates**

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

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

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

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

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

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

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

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

## **Property and Equipment**

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

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

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

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

## **Investment Properties**

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

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

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

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

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

## **Goodwill**

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the

carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

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

### **Intangible Assets**

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

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

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

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

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

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

## Financial Instruments

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

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

### a. Financial assets

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

#### 1) Measurement categories

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

##### a) Financial assets at FVTPL

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

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

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

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

##### b) Financial assets at amortized cost

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

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

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

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

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

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

## 2) Impairment of financial assets

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

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

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

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

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

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

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

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



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

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

### 3) Derecognition of financial assets

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

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

### 4) Offsetting of financial instruments

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

## b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

Financial liabilities at FVTPL

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

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

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

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

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

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

Financial guarantee contracts

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

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

e. Modification of financial instrument

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

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

## **Hedge Accounting**

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

a. Fair value hedges

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

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

b. Cash flow hedges

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

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

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

c. Hedges of net investments in foreign operations

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

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

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

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

### **Separate Accounts Insurance Products**

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

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

## Insurance Liability

### a. Cathay Life

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

#### 1) Unearned premium reserve

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

#### 2) Loss reserve

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

#### 3) Policy reserve

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

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

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

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

4) Special reserve

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

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

5) Premium deficiency reserve

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

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

6) Other reserve

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

7) Liability adequacy reserve

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

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

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

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

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

d. Cathay Century and its subsidiaries

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

The descriptions of these reserves are as follows:

1) Unearned premium reserve

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

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

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

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

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

2) Loss reserve

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

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

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

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

3) Special reserve

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

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

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

4) Premium deficiency reserve

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

5) Policy reserve

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

6) Liability adequacy reserve

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

### **Liability Adequacy Test**

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



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

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

## **Reserve for Foreign Exchange Valuation**

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

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

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

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

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

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

- 2) Cathay Lujiazui Life

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

- 3) Cathay Life (Vietnam)

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

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

- 1) Recognition of interest revenue and expense

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

## 2) Recognition of service fee revenue and expense

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

## 3) Customer loyalty program

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

### c. Cathay Century and its subsidiaries

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

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

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

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

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

Provision for loss reserve is not discounted.

### d. Cathay Securities

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

## **Classification of Insurance Products**

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

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

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

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

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

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

## **Reinsurance**

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

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

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

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

### **Provisions**

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

### **Leases**

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

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

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

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

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

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

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

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

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

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

making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

## **Employee Benefits**

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

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

### **b. Retirement benefits**

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

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

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

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.

### **c. Termination benefits**

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

### **d. Employee preferential interest rate deposits**

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

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

## **Taxation**

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

### **a. Current tax**

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

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

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

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

### **b. Deferred tax**

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

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

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

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

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

c. Current and deferred taxes for the year

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

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

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

The Group considers the possible impact of the economic environment implications of the recent development of the COVID-19, the military conflict between Russia and Ukraine and related international sanctions when making its critical accounting estimates on cash flow projections, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of loans

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

b. Fair value measurements and valuation processes

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

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

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

c. Valuation of insurance contract liabilities

1) Cathay Life and its subsidiaries

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

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

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

2) Cathay Century and its subsidiaries

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

## 6. CASH AND CASH EQUIVALENTS

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Cash on hand	\$ 18,822,804	\$ 23,527,042	\$ 19,380,321
Cash in banks	180,998,775	196,752,403	134,703,601
Time deposits	65,913,834	184,624,212	197,502,569
Checks for clearing	1,887,645	6,116,728	2,212,369
Cash equivalents	3,162,340	20,796,677	29,160,965
Due from banks	35,160,006	35,838,074	65,192,235
Less: Loss allowance	<u>(18,118)</u>	<u>(20,079)</u>	<u>(22,239)</u>
	<u>\$ 305,927,286</u>	<u>\$ 467,635,057</u>	<u>\$ 448,129,821</u>



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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets mandatorily classified as at FVTPL</u>			
Stocks	\$ 517,455,802	\$ 556,703,945	\$ 601,416,122
Funds and beneficiary certificates	813,114,810	759,503,179	661,707,221
Government bonds	9,613,984	17,741,331	27,034,356
Corporate bonds	20,782,390	18,855,363	10,124,694
Financial debentures	54,267,213	51,879,381	26,490,081
Overseas bonds	290,347,529	295,813,069	206,809,769
Short-term notes	173,280,891	168,386,378	179,586,717
Futures trading margin	490,462	205,263	663,520
Structured time deposits	14,507,477	7,771,014	18,051,345
Derivative instruments	<u>55,386,424</u>	<u>52,536,306</u>	<u>68,236,757</u>
	<u>\$ 1,949,246,982</u>	<u>\$ 1,929,395,229</u>	<u>\$ 1,800,120,582</u>

### Financial liabilities at FVTPL

Designated as at FVTPL			
Bonds	\$ 39,832,757	\$ 40,587,123	\$ 42,722,501
Held for trading			
Derivative instruments	102,085,233	38,301,659	81,902,898
Security lending payable (non-hedging)	3,238,100	1,031,175	5,943,978
Security lending payable (hedging)	<u>13,084</u>	<u>14,230</u>	<u>255,983</u>
	<u>\$ 145,169,174</u>	<u>\$ 79,934,187</u>	<u>\$ 130,825,360</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets mandatorily classified as at FVTPL</u>			
Stocks	\$ 510,106,596	\$ 545,639,162	\$ 584,756,231
Funds and beneficiary certificates	788,163,294	737,717,965	618,163,385
Financial debentures	12,930,187	13,160,060	10,650,432
Overseas bonds	288,363,513	294,220,757	205,016,309
Structured time deposits	<u>14,507,477</u>	<u>7,771,014</u>	<u>18,051,345</u>
	<u>\$ 1,614,071,067</u>	<u>\$ 1,598,508,958</u>	<u>\$ 1,436,637,702</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
(Loss) gain due to application of IFRS 9 to profit or loss	\$ (62,533,145)	\$ 20,734,594
Gain if applying IAS 39 to profit or loss	<u>(24,975,218)</u>	<u>(53,863,385)</u>
Gain reclassified due to application of overlay approach	<u>\$ (87,508,363)</u>	<u>\$ (33,128,791)</u>

Due to application of overlay approach, the amounts of gain and loss on financial assets and liabilities at FVTPL for the three months ended March 31, 2022 and 2021 had decreased from loss of \$136,509,639 thousand to loss of \$49,001,276 thousand, and increased from gain of \$4,144,013 thousand to gain of \$37,272,804 thousand, respectively.

b. Financial liabilities designated as at FVTPL

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

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

Cathay United Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the three months ended March 31, 2022 and 2021, such interest rate swaps were valued with a net loss of \$1,879,713 thousand and \$1,512,498 thousand, respectively.

c. As of March 31, 2022 and December 31, 2021, certain financial assets at FVTPL of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$2,289,760 thousand and \$2,215,200 thousand, respectively. The proceeds amounting to \$2,198,340 thousand and \$2,148,959 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$2,198,728 thousand and \$2,149,060 thousand before the end of April and January 2022. As of March 31, 2021, none of the financial assets at FVTPL of Cathay United Bank and its subsidiaries were sold under repurchase agreements.

d. As of March 31, 2022, Cathay Securities and its subsidiaries sold certain financial assets at FVTPL under repurchase agreements with notional amount of \$636,727 thousand.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Investments in equity instrument at FVTOCI			
Stocks	\$ 195,311,136	\$ 176,155,083	\$ 151,421,188
Investments in debt instrument at FVTOCI			
Government bonds	103,119,481	112,700,665	89,245,130
Corporate bonds	96,066,531	103,339,355	95,266,830
Financial debentures	55,103,264	80,292,790	78,150,525
Overseas bonds	1,142,946,990	1,119,667,280	1,122,624,956
Asset-backed securities	8,770,563	10,163,330	7,073,191
Negotiable certificates of deposits	74,381,551	25,599,336	24,714,162
Discount notes	-	-	3,667,607
Less: Litigation deposits	(42,522)	(43,613)	(45,888)
Less: Deposits in the Central Bank	(1,025,009)	(1,052,601)	(1,087,993)
	<u>1,479,320,849</u>	<u>1,450,666,542</u>	<u>1,419,608,520</u>
	<u>\$ 1,674,631,985</u>	<u>\$ 1,626,821,625</u>	<u>\$ 1,571,029,708</u>

- a. These investments in equity instruments are not held for trading and thus were designated as financial assets at FVTOCI.
- b. Dividend income recognized relating to investments in equity instruments at FVTOCI for the three months ended March 31, 2022 and 2021 were \$141,480 thousand and \$116,350 thousand, respectively. Those related to investment derecognized for the three months ended March 31, 2022 and 2021 were \$21,159 thousand and \$4,488 thousand, respectively.
- c. In consideration of the investment strategy, the Group sold equity instruments at FVTOCI at fair value of \$9,636,030 thousand and \$4,430,227 thousand at the time of sale, and transferred unrealized gain of \$76,897 thousand and \$636,578 thousand from other equity to retained earnings for the three months ended March 31, 2022 and 2021, respectively.
- d. As of March 31, 2022, December 31, 2021 and March 31, 2021, certain financial assets at FVTOCI of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$19,615,259 thousand, \$28,230,898 thousand and \$13,778,932 thousand, respectively. The proceeds amounting to \$18,575,292 thousand, \$27,600,460 thousand and \$13,639,111 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$18,589,274 thousand, \$27,614,471 thousand and \$13,656,321 thousand before the end of June 2022, June 2022 and August 2021, respectively.
- e. As of March 31, 2022, December 31, 2021 and March 31, 2021, Cathay Securities and its subsidiaries sold certain debt instruments at FVTOCI under repurchase agreements with notional amounts of \$2,768,279 thousand, \$2,650,000 thousand and \$2,500,000 thousand, respectively.
- f. Refer to Note 29 for the financial assets at FVTOCI that were pledged as collateral.
- g. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at FVTOCI.

## 9. DEBT INSTRUMENTS AT AMORTIZED COST

	March 31, 2022	December 31, 2021	March 31, 2021
Time deposits	\$ 6,285,648	\$ 6,300,361	\$ 3,978,650
Financial debentures	59,490,392	44,228,630	59,985,185
Corporate bonds	42,614,508	41,926,858	43,386,530
Government bonds	80,273,531	78,728,343	56,827,735
Overseas bonds	2,710,170,332	2,603,446,990	2,551,783,180
Financial asset beneficiary certificates	445,000	445,000	445,000
Asset-backed securities	47,076,273	40,413,469	47,636,699
Short-term notes	445,500,419	461,857,140	434,228,090
Less: Guarantee deposits	(931,450)	(1,151,573)	(1,352,998)
Less: Deposits in the Central Bank	(8,532,006)	(8,733,908)	(8,543,275)
Less: Derivative instruments collateral	(3,018,701)	-	-
Less: Loss allowance (Note)	<u>(2,274,259)</u>	<u>(775,070)</u>	<u>(1,828,611)</u>
	<u>\$ 3,377,099,687</u>	<u>\$ 3,266,686,240</u>	<u>\$ 3,186,546,185</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of March 31, 2022, December 31, 2021 and March 31, 2021, the amounts were \$383 thousand, \$286 thousand and \$1,235 thousand, respectively.

- a. For the three months ended March 31, 2022 and 2021, the Group disposed of bonds before maturity due to increases in credit risk, which resulted in gains on disposal of \$470,207 thousand and \$2,611,182 thousand, respectively; disposal of bonds close to maturity with proceeds that approximate remaining contractual cashflows, which resulted in losses on disposal of \$1,881 thousand and \$0 thousand, respectively; disposal of bonds before maturity because of infrequent sales or sales insignificant in value (either individually or in aggregate) resulted in gains on disposal of \$8,083,211 thousand and \$17,079,470 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in gains on disposal of \$560,065 thousand and \$710,057 thousand, respectively.
- b. As of March 31, 2022, December 31, 2021 and March 31, 2021, certain debt instruments at amortized cost of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$15,935,377 thousand, \$7,791,895 thousand and \$1,643,286 thousand, respectively. The proceeds amounting to \$14,471,159 thousand, \$7,412,233 thousand and \$1,348,223 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$14,475,445 thousand, \$7,417,746 thousand and \$1,348,134 thousand before the end of June 2022, February 2022 and May 2021, respectively.
- c. Refer to Note 29 for information relating to debt instruments at amortized cost pledged as collateral.
- d. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at amortized cost.

## 10. RECEIVABLES, NET

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable	\$ 384,853	\$ 437,570	\$ 400,380
Accounts receivable	83,401,242	103,071,169	100,926,969
Interest receivables	56,393,937	53,454,191	56,695,830
Acceptances	1,434,885	1,372,808	1,090,454
Factoring receivables	4,811,921	4,081,459	4,530,549
Others	<u>55,702,595</u>	<u>45,570,597</u>	<u>43,764,214</u>
	202,129,433	207,987,794	207,408,396
Less: Loss allowance	<u>(2,713,016)</u>	<u>(2,506,932)</u>	<u>(2,625,525)</u>
	<u>\$ 199,416,417</u>	<u>\$ 205,480,862</u>	<u>\$ 204,782,871</u>

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

### For the three months ended March 31, 2022

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased Nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Beginning balance	\$ 418,248	\$ 288,704	\$ 1,658,913	\$ 2,365,865	\$ 69,669	\$ 2,435,534
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(5,342)	215,386	(3,428)	206,616	-	206,616
Transferred to credit-impaired financial assets	(104)	(5,975)	20,996	14,917	-	14,917
Transferred to 12-month ECLs	29,588	(229,105)	(1,722)	(201,239)	-	(201,239)
Derecognition of financial assets in the period	(266,524)	(23,935)	(30,022)	(320,481)	-	(320,481)
New financial assets purchased or originated	98,685	19,072	51,419	169,176	-	169,176
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	(51,706)	(51,706)
Written off as bad debt expense	-	-	(75,037)	(75,037)	-	(75,037)
Effects of exchange rate changes and others	<u>190,128</u>	<u>43,603</u>	<u>25,388</u>	<u>259,119</u>	<u>-</u>	<u>259,119</u>
Ending balance	<u>\$ 464,679</u>	<u>\$ 307,750</u>	<u>\$ 1,646,507</u>	<u>\$ 2,418,936</u>	<u>\$ 17,963</u>	<u>\$ 2,436,899</u>

For the three months ended March 31, 2021

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 71,398	\$ 145,168
Provision for the period	221,256	4,194
Amounts written off	(16,541)	-
Foreign exchange	<u>4</u>	<u>204</u>
Ending balance	<u>\$ 276,117</u>	<u>\$ 149,566</u>

## 11. DISCOUNTS AND LOANS, NET

	March 31, 2022	December 31, 2021	March 31, 2021
Export negotiations	\$ 1,701,272	\$ 1,354,799	\$ 1,510,698
Loans	2,371,341,628	2,314,739,694	2,245,095,958
Discounts and overdrafts	1,263,024	1,278,734	950,805
Overdue loans	<u>4,467,282</u>	<u>4,872,323</u>	<u>6,082,623</u>
	2,378,773,206	2,322,245,550	2,253,640,084
Less: Loss allowance	<u>(35,645,625)</u>	<u>(35,130,101)</u>	<u>(34,103,956)</u>
	<u>\$ 2,343,127,581</u>	<u>\$ 2,287,115,449</u>	<u>\$ 2,219,536,128</u>

- a. As of March 31, 2022, the gross amount of domestic discounts and loans and the related loss allowance belonging to Cathay United Bank amounted to \$1,728,054,717 thousand and \$27,806,585 thousand, respectively.
- b. For the three months ended March 31, 2022 and 2021, Cathay United Bank disposed credit assets in order to increase debt recovery, and recognized the loss arising from the derecognition of credit assets measured at amortized cost amounting to \$210,119 thousand and \$0 thousand, respectively.
- c. Refer to Note 36 for information relating to the credit risk management and impairment of discounts and loans.

## 12. SUBSIDIARIES

- a. Subsidiaries included in the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			March 31, 2022	December 31, 2021	March 31, 2021	
The Company	Cathay Life	Life Insurance	100.00	100.00	100.00	
The Company	Cathay United Bank	Banking	100.00	100.00	100.00	
The Company	Cathay Century	Property insurance	100.00	100.00	100.00	
The Company	Cathay Securities	Security	100.00	100.00	100.00	
The Company and Cathay Life	Cathay Venture	Venture capital	100.00	100.00	100.00	
The Company	Cathay Securities Investment Trust	Entrusted investments	100.00	100.00	100.00	
Cathay Life	Cathay Lujiazui Life	Life insurance	50.00	50.00	50.00	
Cathay Life	Cathay Life (Vietnam)	Life insurance	100.00	100.00	100.00	
Cathay Life	Lin Yuan (Shanghai) Real Estate Co., Ltd. ("Lin Yuan")	Office leasing	100.00	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Conning Holdings Limited ("CHL")	Holding company	100.00	100.00	100.00	
Cathay Life	Cathay Industrial Research and Design Center Co., Ltd. ("Cathay Industrial R&D Center")	Real estate rental and leasing	99.00	99.00	99.00	Note 1
CHL	Conning U.S. Holdings, Inc.	Holding company	100.00	100.00	100.00	
CHL	Conning Asset Management Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Conning (Germany) GmbH	Risk management software services	100.00	100.00	100.00	
The Company and CHL	Conning Asia Pacific Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Conning Japan Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Global Evolution Holding ApS	Holding company	61.15	61.15	53.13	Note 2
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	100.00	100.00	
Conning Holdings Corp.	Conning & Company ("C&C")	Holding company	100.00	100.00	100.00	
C&C	Conning Inc.	Asset management services	100.00	100.00	100.00	
C&C	Goodwin Capital Advisers, Inc.	Asset management services	100.00	100.00	100.00	
C&C	Conning Investment Products, Inc.	Securities services	100.00	100.00	100.00	
C&C	Octagon Credit Investors, LLC ("Octagon")	Asset management services	86.13	86.13	86.34	
Octagon	Octagon Credit Opportunities GP, LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP II LLC	Fund management services	100.00	100.00	100.00	

(Continued)

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			March 31, 2022	December 31, 2021	March 31, 2021	
Global Evolution Holding ApS	Global Evolution Financial ApS	Asset management services	99.51	99.51	99.72	
Global Evolution Financial ApS	Global Evolution Fondsmæglerelskab A/S	Asset management services	100.00	100.00	100.00	
Global Evolution Financial ApS	Mogambo2 Holding ApS	Asset management services	-	-	100.00	Note 3
Global Evolution Financial ApS	Global Evolution Manco S.A.	Asset management services	90.00	90.00	90.00	
Global Evolution Fondsmæglerelskab A/S	Global Evolution USA, LLC	Asset management services	100.00	100.00	100.00	
Global Evolution Fondsmæglerelskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	100.00	100.00	
Cathay Century	Cathay Insurance (Vietnam) Co., Ltd. ("Cathay Insurance (Vietnam)")	Property insurance services	100.00	100.00	100.00	
Cathay United Bank	Indovina Bank Limited ("Indovina Bank")	Banking	50.00	50.00	50.00	
Cathay United Bank	Cathay United Bank (Cambodia) Corporation Limited ("CUBC Bank")	Banking	100.00	100.00	100.00	
Cathay United Bank	Cathay United Bank (China) Co., Ltd. ("CUBCN Bank")	Banking	100.00	100.00	100.00	
Cathay Securities	Cathay Futures Co., Ltd. ("Cathay Futures")	Futures services	99.99	99.99	99.99	
Cathay Securities	Cathay Securities (Hong Kong) Co., Ltd. ("Cathay Securities (Hong Kong)")	Securities services	100.00	100.00	100.00	
Cathay Securities (Hong Kong)	Cathay Capital (Asia) Limited ("Cathay Capital (Asia)")	Investment service	100.00	100.00	100.00	
Cathay Venture	Cathay Investment Inc. ("Cathay Investment")	Venture capital	-	100.00	100.00	Note 4
Cathay Securities Investment Trust	Cathay Private Equity Co., Ltd. ("Cathay Private Equity")	Private equity	100.00	100.00	100.00	

(Concluded)

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

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

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

Note 4: Cathay Investment was resolved for dissolution by the board of directors (on behalf of shareholders) on April 27, 2021, and went into liquidation on February 21, 2022.

b. Subsidiaries excluded from the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			March 31, 2022	December 31, 2021	March 31, 2021	
Cathay Life	Cathay Securities Investment Consulting Co., Ltd. ("Cathay Securities Investment Consulting")	Security investment consulting services	100.00	100.00	100.00	

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

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

	March 31, 2022	December 31, 2021	March 31, 2021
Investments in unconsolidated subsidiaries	\$ 770,751	\$ 699,974	\$ 705,291
Investments in associates	<u>32,098,182</u>	<u>31,914,598</u>	<u>32,739,071</u>
	<u>\$ 32,868,933</u>	<u>\$ 32,614,572</u>	<u>\$ 33,444,362</u>



a. Investments in unconsolidated subsidiaries

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Cathay Securities Investment Consulting	<u>\$ 770,751</u>	<u>\$ 699,974</u>	<u>\$ 705,291</u>

b. Investments in associates

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Rizal Commercial Banking Corporation	\$ 15,971,741	\$ 15,974,154	\$ 16,465,626
Cathay Insurance Company Limited (China)	4,957,506	4,824,396	4,693,633
Taiwan Finance Corp.	1,732,213	1,736,374	1,796,439
Dasheng IV Venture Capital Co., Ltd.	1,283,699	1,254,083	847,715
PSS Co., Ltd.	974,150	935,422	950,246
Dasheng Venture Capital Co., Ltd.	897,868	1,023,946	2,022,752
Ding Teng Co., Ltd.	864,321	855,187	828,332
Cathay Power Inc.	688,191	728,975	742,835
Neo Cathay Power Corp.	687,631	731,593	724,298
CMG International One Corp.	667,800	668,836	673,833
CMG International Two Corp.	662,164	663,377	670,663
Greenhealth Water Resources Co., Ltd.	473,818	469,273	454,802
CM Energy Co., Ltd.	458,550	487,829	465,495
TaiYang Solar Power Co., Ltd.	417,431	417,152	145,940
Symphox Information Co., Ltd.	370,732	386,762	398,585
CDBS Cathay Asset Management Co., Ltd.	332,231	327,780	403,825
ThrivEnergy Co., Ltd.	216,000	-	-
Tien-Tai Optronics Corporation	139,228	137,144	144,605
Tien-Tai II Optoelectronics Co., Ltd.	135,245	133,369	139,421
Taiwan Real-estate Management Corp.	95,091	95,892	96,406
Lin Yuan Property Management Co., Ltd.	62,013	52,963	62,843
Tien-Tai Management Consulting Co., Ltd.	6,286	5,818	6,487
WK Technology Fund VI Co., Ltd.	4,273	4,273	4,290
PT Bank Mayapada Internasional Tbk	-	-	-
	<u>\$ 32,098,182</u>	<u>\$ 31,914,598</u>	<u>\$ 32,739,071</u>

Aggregate information of associates that are not individually material

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
The Group's share of:		
Net income	\$ 357,339	\$ 499,600
Other comprehensive income	<u>332,114</u>	<u>60,960</u>
Total comprehensive income for the period	<u>\$ 689,453</u>	<u>\$ 560,560</u>

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

2) Cathay Sunrise Corporation was renamed as Cathay Power Inc. on April 30, 2021.

- 3) Cathay Life lost significant influence on PT Bank Mayapada Internasional Tbk as the shareholding percentage decreased to less than 20% in March 2022, and reclassified the investment to financial assets at FVTPL.
- 4) The investments in associates were not pledged as collateral.

#### 14. INVESTMENT PROPERTY

	Land	Buildings	Investment Property Under Construction	Prepayments for Buildings and Land - Investments	Total
Balance at January 1, 2021	\$ 302,181,742	\$ 112,634,024	\$ 1,528,547	\$ 3,131,915	\$ 419,476,228
Additions	1,675,410	-	493,280	414,881	2,583,571
Other reclassification	3,279,159	5,440	(5,440)	(3,279,159)	-
Loss on changes in fair value of investment property	(6,299)	(5,440)	-	-	(11,739)
Foreign exchange	<u>87,192</u>	<u>131,688</u>	<u>-</u>	<u>-</u>	<u>218,880</u>
Balance at March 31, 2021	<u>\$ 307,217,204</u>	<u>\$ 112,765,712</u>	<u>\$ 2,016,387</u>	<u>\$ 267,637</u>	<u>\$ 422,266,940</u>
Balance at January 1, 2022	\$ 309,245,953	\$ 119,624,493	\$ 3,412,376	\$ 242,642	\$ 432,525,464
Additions	-	-	329,209	585	329,794
Disposals	(28,829)	(5,671)	-	-	(34,500)
Other reclassification	10,666	3,588	(41,236)	(10,666)	(37,648)
Gain on changes in fair value of investment property	559,611	28,620	-	-	588,231
Foreign exchange	90,286	397,499	-	-	487,785
Other	<u>-</u>	<u>(5,067)</u>	<u>-</u>	<u>-</u>	<u>(5,067)</u>
Balance at March 31, 2022	<u>\$ 309,877,687</u>	<u>\$ 120,043,462</u>	<u>\$ 3,700,349</u>	<u>\$ 232,561</u>	<u>\$ 433,854,059</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Rental income from investment properties	\$ 3,005,460	\$ 2,771,925
Direct operating expenses from investment properties that generate rental income	(155,399)	(128,612)
Direct operating expenses from investment properties that do not generate rental income	<u>(145,922)</u>	<u>(28,852)</u>
	<u>\$ 2,704,139</u>	<u>\$ 2,614,461</u>

- a. Certain properties are held to earn rental or for capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component could not be sold separately, it would be classified as investment property only when owner occupation is lower than 5% of the property.
- b. As of March 31, 2022, the investment properties (excluding investment property under construction and prepayment for buildings and land - investments) belonging to Cathay Life amounted to \$390,240,589 thousand. Investment properties are held mainly for lease business. All the lease agreements are operating leases and the primary terms of the lease agreements are the same as general lease agreements. Rents from investment property are received annually, semi-annually, quarterly, monthly or in one lump sum.

- c. The ownership of the Group’s investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other’s debts; the ownership of its trust property is not subject to restrictions. Besides, the Group is not involved in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.
- d. Valuation on the investment property of Cathay Life and its subsidiaries has been carried out by the following appraisers of the joint appraisal firms meeting the qualification requirements for real estate appraisers in the R.O.C., with valuations on December 31, 2021 and 2020. The appraisers had reviewed the effectiveness of the original valuation reports and clarified that the fair values at December 31, 2021 and 2020 were still in effect on March 31, 2022 and 2021, respectively.

As of March 31, 2022, the appraisers evaluated and reissued formal valuation reports of certain buildings due to the completion of the investment properties:

Name of Appraiser Firm	March 31, 2022	December 31, 2021	December 31, 2020
DTZ Real Estate Appraiser Firm	-	Gen-yuan, Li; Chia-ho, Tsai; Chun-chun, Hu	Chang-da, Yang; Gen-yuan, Li; Chun-chun, Hu; Chia-ho, Tsai
Savills plc Real Estate Appraiser Firm	-	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang
REPro KnightFrank Real Estate Appraiser Firm	-	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu
V-LAND Real Estate Appraiser Firm	-	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin; Xi-zhong, Wang; Hong-zhi, Li	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin
Shang-shang Real Estate Appraiser Firm	Hong-yuan, Wang	Hong-yuan, Wang	Hong-yuan, Wang
Sinyi Real Estate Appraiser Firm	-	Jian-hao, Huang Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang
Elite Real Estate Appraiser Firm	-	Yu-lin, Chen; Yi-huei Luo	Yu-lin, Chen Yi-huei Luo
CBRE Real Estate Appraiser Firm	-	Fu-xue, Shi; Chih-wei, Li	Fu-xue, Shi; Chih-wei, Li
China Credit Information Service Ltd.	-	Zhi-Hao, Wu; Wei-Ru, Li	-
LinkU Real Estate Appraisal and Consulting Services	-	Lin-Yu, Lian; Sheng-Feng, Lai	-

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

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

The main inputs used are as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Direct capitalization rates (net)	-	0.61%-5.12%	0.84%-5.70%
Discount rates	2.77%	2.35%-4.26%	3.09%-3.94%

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

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

- e. Cathay United Bank's investment properties were appraised by qualified real estate appraisers in Taiwan according to the Technical Rules for Real Estate Valuation. The valuation dates were December 31, 2021 and 2020. The appraisers had reviewed the original valuation reports issued on December 31, 2021 and 2020 and clarified that the valuation reports were still in effect on March 31, 2022 and 2021, respectively.

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

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

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

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

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

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

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

The main inputs used are as follows:

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

- 2) The fair values of hillside conservation zones, farmlands and scenic areas had been determined mainly by the land development analysis and comparison approaches due to fewer market transactions in such areas as a result of legal restrictions and furthermore, no significant changes are expected in these areas that will affect the market in the near future.
- f. Valuation on the investment property of Cathay Securities and its subsidiaries has been performed by the appraiser from Elite Real Estate Appraiser Firm (Yi-huei Luo) that met the qualification requirements for real estate appraisers in the R.O.C., with valuations on December 31, 2021 and 2020. The appraiser reviewed the original valuation reports issued on December 31, 2021 and 2020 and clarified that the valuation reports were still in effect on March 31, 2022 and 2021, respectively.

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

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

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

The investment properties were entirely leased under operating leases, and generated rental income of \$1,950 thousand and \$1,789 thousand, respectively, for the three months ended March 31, 2022 and 2021.

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

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 405,850,441	\$ 398,420,117
Amount recognized in profit or loss		
Gain (loss) from investment property	588,231	(11,739)
Amount recognized in other comprehensive income		
Exchange differences resulting from translation of financial statements of foreign operations	487,785	218,880
Disposals	(34,500)	-
Transfer to property and equipment	(37,985)	-
Transfers from investment property under construction	41,573	5,440
Transfer from investment properties measured at cost	2,218,659	-
Other	(5,067)	-
Ending balance	<u>\$ 409,109,137</u>	<u>\$ 398,632,698</u>

The above amount excludes those measured at cost.

- h. Refer to Table 4 for the acquisition of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital.
- i. See Note 29 for information relating to investment properties pledged as collateral for short-term bank borrowings.

## 15. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvements	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ 68,732,685	\$ 46,246,545	\$ 9,188,997	\$ 1,227,787	\$ 124,239	\$ 12,732,934	\$ 1,039,671	\$ 139,292,858
Additions	-	120	201,029	59,991	3,630	103,769	265,049	633,588
Disposals	-	-	(340,239)	(22)	-	(49,701)	-	(389,962)
Reclassification	-	176	18,677	4,479	-	42,863	(114,347)	(48,152)
Others	(600)	-	-	-	-	-	-	(600)
Foreign exchange	435	(3,223)	(1,165)	(3,341)	96	(1,658)	(414)	(9,270)
Balance at March 31, 2021	<u>68,732,520</u>	<u>46,243,618</u>	<u>9,067,299</u>	<u>1,288,894</u>	<u>127,965</u>	<u>12,828,207</u>	<u>1,189,959</u>	<u>139,478,462</u>
<u>Depreciation and impairment</u>								
Balance at January 1, 2021	103,134	23,570,910	6,298,771	794,288	87,773	10,032,850	-	40,887,726
Depreciation	-	223,603	203,477	24,064	2,464	169,449	-	623,057
Disposals	-	-	(339,139)	(22)	-	(48,025)	-	(387,186)
Reclassification	-	-	198	4	-	(1,233)	-	(1,031)
Foreign exchange	-	(532)	7,277	(1,531)	70	(1,404)	-	3,880
Balance at March 31, 2021	<u>103,134</u>	<u>23,793,981</u>	<u>6,170,584</u>	<u>816,803</u>	<u>90,307</u>	<u>10,151,637</u>	<u>-</u>	<u>41,126,446</u>
Carrying amount at March 31, 2021	<u>\$ 68,629,386</u>	<u>\$ 22,449,637</u>	<u>\$ 2,896,715</u>	<u>\$ 472,091</u>	<u>\$ 37,658</u>	<u>\$ 2,676,570</u>	<u>\$ 1,189,959</u>	<u>\$ 98,352,016</u>
<u>Cost</u>								
Balance at January 1, 2022	\$ 69,524,895	\$ 44,614,486	\$ 10,154,047	\$ 1,383,785	\$ 125,651	\$ 12,855,198	\$ 1,541,462	\$ 140,199,524
Additions	-	905	190,235	8,906	-	199,517	495,998	895,561
Disposals	-	-	(10,928)	-	(1,259)	(56,783)	-	(68,970)
Reclassification	150,413	841,341	2,868	5,840	-	38,330	(1,010,133)	28,659
Foreign exchange	17,648	34,240	66,184	35,664	3,926	11,866	2,009	171,537
Balance at March 31, 2022	<u>69,692,956</u>	<u>45,490,972</u>	<u>10,402,406</u>	<u>1,434,195</u>	<u>128,318</u>	<u>13,048,128</u>	<u>1,029,336</u>	<u>141,226,311</u>
<u>Depreciation and impairment</u>								
Balance at January 1, 2022	103,134	24,072,492	6,907,169	878,153	87,261	10,299,049	-	42,347,258
Depreciation	-	215,823	247,151	30,084	2,226	168,608	-	663,892
Disposals	-	-	(10,895)	-	(875)	(55,088)	-	(66,858)
Reclassification	-	-	529	(285)	-	(529)	-	(285)
Foreign exchange	-	10,525	29,620	21,238	2,690	8,269	-	72,342
Balance at March 31, 2022	<u>103,134</u>	<u>24,298,840</u>	<u>7,173,574</u>	<u>929,190</u>	<u>91,302</u>	<u>10,420,309</u>	<u>-</u>	<u>43,016,349</u>
Carrying amount at December 31, 2021 and January 1, 2022	<u>\$ 69,421,761</u>	<u>\$ 20,541,994</u>	<u>\$ 3,246,878</u>	<u>\$ 505,632</u>	<u>\$ 38,390</u>	<u>\$ 2,556,149</u>	<u>\$ 1,541,462</u>	<u>\$ 97,852,266</u>
Carrying amount at March 31, 2022	<u>\$ 69,589,822</u>	<u>\$ 21,192,132</u>	<u>\$ 3,228,832</u>	<u>\$ 505,005</u>	<u>\$ 37,016</u>	<u>\$ 2,627,819</u>	<u>\$ 1,029,336</u>	<u>\$ 98,209,962</u>

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

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

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

## 16. LEASE AGREEMENTS

- a. Right-of-use assets

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Carrying amount</u>			
Buildings	\$ 4,405,013	\$ 4,262,741	\$ 4,055,114
Office equipment	8,323	10,652	18,916
Machine equipment	1,799	1,971	1,590
Transportation equipment	<u>88,583</u>	<u>87,412</u>	<u>69,596</u>
	<u>\$ 4,503,718</u>	<u>\$ 4,362,776</u>	<u>\$ 4,145,216</u>
Right-of-use assets presented as investment properties	<u>\$ 9,958,120</u>	<u>\$ 9,958,120</u>	<u>\$ 10,224,234</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 453,422</u>	<u>\$ 275,170</u>
Depreciation expense for right-of-use assets		
Buildings	\$ 366,954	\$ 338,131
Office equipment	2,663	1,342
Machine equipment	211	411
Transportation equipment	<u>12,026</u>	<u>14,986</u>
	<u>\$ 381,854</u>	<u>\$ 354,870</u>

b. Lease liabilities

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Carrying amount	<u>\$ 14,714,418</u>	<u>\$ 14,721,170</u>	<u>\$ 14,395,259</u>

Range of discount rates for lease liabilities is as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Buildings	0.04%-8.57%	0.04%-8.57%	0.04%-8.57%
Office equipment	0.42%-4.76%	0.42%-4.76%	0.42%-4.76%
Machine equipment	0.36%-4.15%	0.36%-4.15%	0.75%-4.15%
Transportation equipment	0.22%-4.35%	0.22%-4.35%	0.67%-4.35%
Investment property - superficies right	2.82%-4.00%	2.82%-4.00%	2.82%-4.00%

## 17. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Franchises</b>	<b>Trademarks</b>	<b>Customer Relationships</b>	<b>Goodwill</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<u>Cost</u>							
Balance at January 1, 2021	\$ 6,206,660	\$ 37,659,600	\$ 373,996	\$ 5,731,801	\$ 21,842,780	\$ 200,673	\$ 72,015,510
Addition - acquired separately	92,239	-	-	-	-	-	92,239
Others	-	-	-	(172,492)	368,174	-	195,682
Disposal	(16,869)	-	-	-	-	-	(16,869)
Reclassification	77,032	-	-	-	-	-	77,032
Exchange differences	(2,902)	-	302	11,190	(5,414)	158	3,334
Balance at March 31, 2021	<u>\$ 6,356,160</u>	<u>\$ 37,659,600</u>	<u>\$ 374,298</u>	<u>\$ 5,570,499</u>	<u>\$ 22,205,540</u>	<u>\$ 200,831</u>	<u>\$ 72,366,928</u>
<u>Amortization and impairment</u>							
Balance at January 1, 2021	\$ 4,422,597	\$ 11,436,607	\$ -	\$ 1,967,996	\$ -	\$ 185,903	\$ 18,013,103
Amortization	174,837	519,846	-	101,312	-	4,495	800,490
Disposal	(16,869)	-	-	-	-	-	(16,869)
Exchange differences	(1,540)	-	-	2,087	-	172	719
Balance at March 31, 2021	<u>\$ 4,579,025</u>	<u>\$ 11,956,453</u>	<u>\$ -</u>	<u>\$ 2,071,395</u>	<u>\$ -</u>	<u>\$ 190,570</u>	<u>\$ 18,797,443</u>
Carrying amount at January 1, 2021	<u>\$ 1,777,135</u>	<u>\$ 25,703,147</u>	<u>\$ 374,298</u>	<u>\$ 3,499,104</u>	<u>\$ 22,205,540</u>	<u>\$ 10,261</u>	<u>\$ 53,569,485</u>

(Continued)



	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 6,698,107	\$ 37,659,600	\$ 363,265	\$ 5,406,299	\$ 21,880,593	\$ 194,906	\$ 72,202,770
Addition - acquired separately	119,887	-	-	-	-	-	119,887
Disposal	(15,090)	-	-	-	-	-	(15,090)
Reclassification	53,213	-	-	-	-	-	53,213
Exchange differences	23,118	-	12,227	181,967	360,109	6,552	583,973
Balance at March 31, 2022	<u>\$ 6,879,235</u>	<u>\$ 37,659,600</u>	<u>\$ 375,492</u>	<u>\$ 5,588,266</u>	<u>\$ 22,240,702</u>	<u>\$ 201,458</u>	<u>\$ 72,944,753</u>
<u>Amortization and impairment</u>							
Balance at January 1, 2022	\$ 4,670,668	\$ 13,515,990	\$ -	\$ 2,279,391	\$ -	\$ 193,138	\$ 20,659,187
Amortization	205,403	447,104	-	88,308	-	-	740,815
Disposal	(15,090)	-	-	-	-	-	(15,090)
Exchange differences	23,193	-	-	78,595	-	6,500	108,288
Balance at March 31, 2022	<u>\$ 4,884,174</u>	<u>\$ 13,963,094</u>	<u>\$ -</u>	<u>\$ 2,446,294</u>	<u>\$ -</u>	<u>\$ 199,638</u>	<u>\$ 21,493,200</u>
Carrying amount at December 31, 2021 and January 1 2022	<u>\$ 2,027,439</u>	<u>\$ 24,143,610</u>	<u>\$ 363,265</u>	<u>\$ 3,126,908</u>	<u>\$ 21,880,593</u>	<u>\$ 1,768</u>	<u>\$ 51,543,583</u>
Carrying amount at March 31, 2021	<u>\$ 1,995,061</u>	<u>\$ 23,696,506</u>	<u>\$ 375,492</u>	<u>\$ 3,141,972</u>	<u>\$ 22,240,702</u>	<u>\$ 1,820</u>	<u>\$ 51,451,553</u>

(Concluded)

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

Computer software	1-10 years
Franchises	6.5 or 20 years
Customer relationships	5-15 years
Other intangible assets	3-7 years

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

1) Cathay Life

Cathay Life and its subsidiaries recognized goodwill in the acquisitions (1) of all assets, liabilities and operations except reserved assets and liabilities of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. on July 1, 2015; (2) of 100% interest in Conning Holdings Limited on September 18, 2015; (3) of 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of the Group) on February 1, 2016; and (4) of 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020. As of December 31, 2021 and 2020, the carrying amounts of goodwill were \$13,324,628 thousand, \$13,278,169 thousand, respectively. As of March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amounts of goodwill were \$13,674,885 thousand, \$13,324,628 thousand and \$13,640,686 thousand, respectively.

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

2) Cathay United Bank

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

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

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

#### 18. COMMERCIAL PAPER PAYABLE, NET

	March 31, 2022	December 31, 2021	March 31, 2021
Nominal amount	\$ 63,570,000	\$ 63,470,000	\$ 42,610,000
Less: Discount on short-term bills payable	<u>(1,200)</u>	<u>(834)</u>	<u>(331)</u>
	<u>\$ 63,568,800</u>	<u>\$ 63,469,166</u>	<u>\$ 42,609,669</u>
Interest rate range	0.34%-0.77%	0.28%-0.50%	0.27%-0.56%

#### 19. DEPOSITS AND REMITTANCES

	March 31, 2022	December 31, 2021	March 31, 2021
Checking deposits	\$ 14,275,912	\$ 17,580,377	\$ 13,280,659
Demand deposits	816,687,915	795,879,514	700,971,494
Demand savings deposits	1,295,374,577	1,267,338,737	1,148,057,406
Time deposits	440,667,849	429,061,978	426,536,927
Time savings deposits	358,487,227	354,855,029	356,689,684
Negotiable certificates of deposit	8,327,689	4,665,005	6,708,820
Outward remittances and remittances payable	<u>2,268,096</u>	<u>2,579,413</u>	<u>2,457,805</u>
	<u>\$ 2,936,089,265</u>	<u>\$ 2,871,960,053</u>	<u>\$ 2,654,702,795</u>

#### 20. BONDS PAYABLE

	March 31, 2022	December 31, 2021	March 31, 2021
Subordinated financial debentures	\$ 47,360,991	\$ 46,800,000	\$ 52,300,000
Cumulative perpetual subordinated corporate bonds	45,000,000	45,000,000	45,000,000
Unsecured corporate bonds	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
	<u>\$ 142,360,991</u>	<u>\$ 141,800,000</u>	<u>\$ 147,300,000</u>

a. Subordinated financial debentures

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
2nd issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: June 2021	\$ -	\$ -	\$ 2,500,000
1st issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	4,200,000	4,200,000	4,200,000
2nd issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: August 2022	5,600,000	5,600,000	5,600,000
1st issue of subordinated financial debentures in 2013; fixed rate at 1.7%; maturity: April 2023	9,900,000	9,900,000	9,900,000
1st issue of subordinated financial debentures in 2014; fixed rate at 1.7%; maturity: May 2021	-	-	3,000,000
1st issue of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000	12,000,000
2nd issue of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000	12,700,000
2nd issue of subordinated financial debentures in 2017; fixed rate at 1.5%; maturity: April 2024	2,400,000	2,400,000	2,400,000
6-month USD linked structured note; fixed rate at 1.00%; maturity: August 2022 (US\$19,600 thousand)	<u>560,991</u>	<u>-</u>	<u>-</u>
	<u>\$ 47,360,991</u>	<u>\$ 46,800,000</u>	<u>\$ 52,300,000</u>

b. Cumulative perpetual subordinated corporate bonds

- 1) Pursuant to Order No. Securities-TPEX-Bond-10600099421 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on May 12, 2017 through public offering. Key terms and conditions are as follows:
  - a) Issue amount: \$35,000,000 thousand.
  - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
  - c) Years to maturity: Perpetual.
  - d) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year from the issue date.
  - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.

- f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
  - g) Form of bonds: Book-entry securities.
- 2) Pursuant to Order No. Securities-TPEX-Bond-10800055731 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on June 26, 2019 through public offering. Key terms and conditions are as follows:
- a) Issue amount: \$10,000,000 thousand.
  - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
  - c) Years to maturity: Perpetual.
  - d) Coupon rate: Fixed rate of 3%.
  - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
  - f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
  - g) Form of bonds: Book-entry securities.
- c. Unsecured corporate bonds
- 1) Pursuant to Order No. Securities-TPEX-Bond-10800038242 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on May 8, 2019 through public offering. Key terms and conditions are as follows:
- a) Issue amount: \$20,000,000 thousand, which is divided into A Note of \$4,000,000 thousand, B Note of \$4,000,000 thousand and C Note of \$12,000,000 thousand by issue periods.
  - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
  - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
  - d) Coupon rate: Fixed rate of 0.83% for A Note, 0.93% for B Note and 1.04% for C Note.
  - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
  - f) Form of bonds: Book-entry securities.

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

## 21. PROVISIONS

	March 31, 2022	December 31, 2021	March 31, 2021
Insurance liability			
Unearned premium reserve	\$ 33,967,700	\$ 34,802,057	\$ 31,863,872
Loss reserve	24,536,076	23,598,653	23,179,179
Policy reserve	6,457,615,410	6,334,959,642	6,103,638,104
Special reserve	13,672,706	13,674,763	13,675,227
Premium deficiency reserve	9,590,963	9,808,215	12,843,779
Reserve for insurance contracts with the nature of financial products	16,673,261	15,188,788	14,245,677
			(Continued)

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Reserve for foreign exchange valuation	\$ 23,044,650	\$ 9,053,726	\$ 13,522,294
Other reserve	<u>1,863,925</u>	<u>1,865,925</u>	<u>1,873,925</u>
	6,580,964,691	6,442,951,769	6,214,842,057
Provisions for employee benefits	3,879,246	4,091,659	4,047,270
Other reserve	<u>1,190,528</u>	<u>1,215,928</u>	<u>1,133,344</u>
	<u>\$ 6,586,034,465</u>	<u>\$ 6,448,259,356</u>	<u>\$ 6,220,022,671</u> (Concluded)

As of March 31, 2022, policy reserve belonging to Cathay Life amounted to \$6,400,729,817 thousand.

a. Cathay Life and its subsidiaries

As of March 31, 2022, December 31, 2021 and March 31, 2021 the details and changes of Cathay Life and its subsidiaries' insurance contracts and financial instruments with discretionary participation features are summarized below:

1) Unearned premium reserve

	<b>March 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 64,900	\$ -	\$ 64,900
Individual injury insurance	7,201,415	-	7,201,415
Individual health insurance	10,037,490	-	10,037,490
Group insurance	1,296,077	-	1,296,077
Investment-linked insurance	<u>118,724</u>	<u>-</u>	<u>118,724</u>
	<u>18,718,606</u>	<u>-</u>	<u>18,718,606</u>
Less ceded unearned premium reserve			
Individual life insurance	812,050	-	812,050
Individual injury insurance	21,471	-	21,471
Individual health insurance	211,307	-	211,307
Group insurance	<u>337</u>	<u>-</u>	<u>337</u>
	<u>1,045,165</u>	<u>-</u>	<u>1,045,165</u>
	<u>\$ 17,673,441</u>	<u>\$ -</u>	<u>\$ 17,673,441</u>

	<b>December 31, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 64,522	\$ -	\$ 64,522
Individual injury insurance	7,539,766	-	7,539,766
Individual health insurance	10,584,652	-	10,584,652
Group insurance	1,188,450	-	1,188,450
Investment-linked insurance	<u>118,841</u>	-	<u>118,841</u>
	<u>19,496,231</u>	-	<u>19,496,231</u>
Less ceded unearned premium reserve			
Individual life insurance	880,519	-	880,519
Individual injury insurance	21,575	-	21,575
Individual health insurance	229,227	-	229,227
Group insurance	-	-	-
	<u>1,131,321</u>	-	<u>1,131,321</u>
	<u>\$ 18,364,910</u>	<u>\$ -</u>	<u>\$ 18,364,910</u>
	<b>March 31, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 72,401	\$ -	\$ 72,401
Individual injury insurance	7,051,695	-	7,051,695
Individual health insurance	9,540,952	-	9,540,952
Group insurance	1,351,658	-	1,351,658
Investment-linked insurance	<u>114,064</u>	-	<u>114,064</u>
	<u>18,130,770</u>	-	<u>18,130,770</u>
Less ceded unearned premium reserve			
Individual life insurance	797,818	-	797,818
Individual injury insurance	23,210	-	23,210
Individual health insurance	189,614	-	189,614
Group insurance	968	-	968
	<u>1,011,610</u>	-	<u>1,011,610</u>
	<u>\$ 17,119,160</u>	<u>\$ -</u>	<u>\$ 17,119,160</u>

The changes in unearned premium reserve are summarized below:

	<b>For the Three Months Ended March 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 19,496,231	\$ -	\$ 19,496,231
Provision	18,403,680	-	18,403,680
Recovery	(19,198,810)	-	(19,198,810)
Foreign exchange	<u>17,505</u>	<u>-</u>	<u>17,505</u>
Ending balance	<u>18,718,606</u>	<u>-</u>	<u>18,718,606</u>
Less ceded unearned premium reserve			
Beginning balance	1,131,321	-	1,131,321
Decrease	<u>(86,156)</u>	<u>-</u>	<u>(86,156)</u>
Ending balance	<u>1,045,165</u>	<u>-</u>	<u>1,045,165</u>
Net ending balance	<u>\$ 17,673,441</u>	<u>\$ -</u>	<u>\$ 17,673,441</u>
	<b>For the Three Months Ended March 31, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 18,775,949	\$ -	\$ 18,775,949
Provision	17,827,794	-	17,827,794
Recovery	(18,472,392)	-	(18,472,392)
Foreign exchange	<u>(581)</u>	<u>-</u>	<u>(581)</u>
Ending balance	<u>18,130,770</u>	<u>-</u>	<u>18,130,770</u>
Less ceded unearned premium reserve			
Beginning balance	1,113,039	-	1,113,039
Decrease	<u>(101,429)</u>	<u>-</u>	<u>(101,429)</u>
Ending balance	<u>1,011,610</u>	<u>-</u>	<u>1,011,610</u>
Net ending balance	<u>\$ 17,119,160</u>	<u>\$ -</u>	<u>\$ 17,119,160</u>



2) Loss reserve

	<b>March 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance			
Filed but not paid	\$ 3,251,294	\$ 4,354	\$ 3,255,648
Not yet filed	21,785	-	21,785
Individual injury insurance			
Filed but not paid	66,108	-	66,108
Not yet filed	2,008,815	-	2,008,815
Individual health insurance			
Filed but not paid	1,575,706	-	1,575,706
Not yet filed	3,385,171	-	3,385,171
Group insurance			
Filed but not paid	100,677	-	100,677
Not yet filed	1,504,221	-	1,504,221
Investment-linked insurance			
Filed but not paid	210,412	-	210,412
Not yet filed	<u>264</u>	<u>-</u>	<u>264</u>
	<u>12,124,453</u>	<u>4,354</u>	<u>12,128,807</u>
Less ceded loss reserve			
Individual life insurance	35,705	-	35,705
Individual injury insurance	-	-	-
Individual health insurance	11,329	-	11,329
Group insurance	<u>5,585</u>	<u>-</u>	<u>5,585</u>
	<u>52,619</u>	<u>-</u>	<u>52,619</u>
	<u>\$ 12,071,834</u>	<u>\$ 4,354</u>	<u>\$ 12,076,188</u>
	<b>December 31, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance			
Filed but not paid	\$ 2,964,152	\$ 31,747	\$ 2,995,899
Not yet filed	44,557	-	44,557
Individual injury insurance			
Filed but not paid	88,214	-	88,214
Not yet filed	1,978,486	-	1,978,486
Individual health insurance			
Filed but not paid	1,534,710	-	1,534,710
Not yet filed	3,398,768	-	3,398,768
Group insurance			
Filed but not paid	92,359	-	92,359
Not yet filed	1,422,405	-	1,422,405

(Continued)

	<b>December 31, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Investment-linked insurance			
Filed but not paid	\$ 207,053	\$ -	\$ 207,053
Not yet filed	<u>930</u>	<u>-</u>	<u>930</u>
	<u>11,731,634</u>	<u>31,747</u>	<u>11,763,381</u>
Less ceded loss reserve			
Individual life insurance	35,496	-	35,496
Individual injury insurance	12	-	12
Individual health insurance	11,607	-	11,607
Group insurance	<u>4,382</u>	<u>-</u>	<u>4,382</u>
	<u>51,497</u>	<u>-</u>	<u>51,497</u>
	<u>\$ 11,680,137</u>	<u>\$ 31,747</u>	<u>\$ 11,711,884</u>
			(Concluded)

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

The changes in loss reserve are summarized below:

	<b>For the Three Months Ended March 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 11,731,634	\$ 31,747	\$ 11,763,381
Provision	11,921,523	4,354	11,925,877
Recovery	(11,565,878)	(31,747)	(11,597,625)
Foreign exchange	<u>37,174</u>	<u>-</u>	<u>37,174</u>
Ending balance	<u>12,124,453</u>	<u>4,354</u>	<u>12,128,807</u>
Less ceded loss reserve			
Beginning balance	51,497	-	51,497
Increase	12,911	-	12,911
Decrease	(12,278)	-	(12,278)
Foreign exchange	<u>489</u>	<u>-</u>	<u>489</u>
Ending balance	<u>52,619</u>	<u>-</u>	<u>52,619</u>
Net ending balance	<u>\$ 12,071,834</u>	<u>\$ 4,354</u>	<u>\$ 12,076,188</u>
	<b>For the Three Months Ended March 31, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 12,128,263	\$ 35,590	\$ 12,163,853
Provision	11,535,450	15,780	11,551,230
Recovery	(11,773,893)	(35,590)	(11,809,483)
Foreign exchange	<u>(739)</u>	<u>-</u>	<u>(739)</u>
Ending balance	<u>11,889,081</u>	<u>15,780</u>	<u>11,904,861</u>
Less ceded loss reserve			
Beginning balance	71,723	-	71,723
Increase	14,530	-	14,530
Decrease	(10,414)	-	(10,414)
Foreign exchange	<u>(30)</u>	<u>-</u>	<u>(30)</u>
Ending balance	<u>75,809</u>	<u>-</u>	<u>75,809</u>
Net ending balance	<u>\$ 11,813,272</u>	<u>\$ 15,780</u>	<u>\$ 11,829,052</u>

3) Policy reserve

	<b>March 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Life insurance (Note 1)	\$ 5,550,556,896	\$ 3,770	\$ 5,550,560,666
Injury insurance	7,531,760	-	7,531,760
Health insurance	886,185,712	-	886,185,712
Annuity insurance	1,302,478	9,844,774	11,147,252
Investment-linked insurance	<u>1,722,997</u>	<u>-</u>	<u>1,722,997</u>
Total (Note 2)	<u>6,447,299,843</u>	<u>9,848,544</u>	<u>6,457,148,387</u>
Less ceded policy reserve			
Life insurance	387,348	-	387,348
Health insurance	<u>21,474</u>	<u>-</u>	<u>21,474</u>
	<u>408,822</u>	<u>-</u>	<u>408,822</u>
	<u>\$ 6,446,891,021</u>	<u>\$ 9,848,544</u>	<u>\$ 6,456,739,565</u>
	<b>December 31, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Life insurance (Note 1)	\$ 5,443,891,473	\$ 3,673	\$ 5,443,895,146
Injury insurance	7,497,332	-	7,497,332
Health insurance	869,807,903	-	869,807,903
Annuity insurance	1,312,175	10,396,632	11,708,807
Investment-linked insurance	<u>1,564,260</u>	<u>-</u>	<u>1,564,260</u>
Total (Note 2)	<u>6,324,073,143</u>	<u>10,400,305</u>	<u>6,334,473,448</u>
Less ceded policy reserve			
Life insurance	376,139	-	376,139
Health insurance	<u>18,976</u>	<u>-</u>	<u>18,976</u>
	<u>395,115</u>	<u>-</u>	<u>395,115</u>
	<u>\$ 6,323,678,028</u>	<u>\$ 10,400,305</u>	<u>\$ 6,334,078,333</u>

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

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

Note 2: Total policy reserve including policy reserve-payables to the insured amounted to \$6,457,615,328 thousand, \$6,334,959,547 thousand and \$6,103,637,991 thousand as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

The changes in policy reserve are summarized below:

	<b>For the Three Months Ended March 31, 2022</b>		
	<b>Financial Instruments with Discretionary Participation</b>		
	<b>Insurance Contracts</b>	<b>Features</b>	<b>Total</b>
Beginning balance	\$ 6,324,073,143	\$ 10,400,305	\$ 6,334,473,448
Provision	128,492,318	19,318	128,511,636
Recovery	(57,596,761)	(571,177)	(58,167,938)
Reclassification	(33,427)	-	(33,427)
Foreign exchange	52,364,570	98	52,364,668
Ending balance	<u>6,447,299,843</u>	<u>9,848,544</u>	<u>6,457,148,387</u>
Less ceded policy reserve			
Beginning balance	395,115	-	395,115
Increase	23,774	-	23,774
Decrease	(24,703)	-	(24,703)
Foreign exchange	14,636	-	14,636
Ending balance	<u>408,822</u>	<u>-</u>	<u>408,822</u>
Net ending balance	<u>\$ 6,446,891,021</u>	<u>\$ 9,848,544</u>	<u>\$ 6,456,739,565</u>

**For the Three Months Ended March 31, 2021**

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

4) Special reserve

**March 31, 2022**

	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Participating policies dividends reserve	\$ (29,742)	\$ -	\$ -	\$ (29,742)
Dividend risk reserve	31,782	-	-	31,782
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 2,040</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,364</u>

**December 31, 2021**

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

	<b>March 31, 2021</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Participating policies dividends reserve	\$ (51,240)	\$ -	\$ -	\$ (51,240)
Dividend risk reserve	52,847	-	-	52,847
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,607</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,931</u>

The changes in special reserve are summarized below:

	<b>For the Three Months Ended March 31, 2022</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 1,735	\$ -	\$ 11,083,324	\$ 11,085,059
Provision for participating policies dividends reserve	12,112	-	-	12,112
Recovery of dividend risk reserve	<u>(11,807)</u>	<u>-</u>	<u>-</u>	<u>(11,807)</u>
Ending balance	<u>\$ 2,040</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,364</u>

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

5) Premium deficiency reserve

	<b>March 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 8,305,937	\$ -	\$ 8,305,937
Individual injury insurance	3,140	-	3,140
Individual health insurance	1,281,712	-	1,281,712
Group insurance	<u>56</u>	<u>-</u>	<u>56</u>
	<u>\$ 9,590,845</u>	<u>\$ -</u>	<u>\$ 9,590,845</u>
	<b>December 31, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 8,570,062	\$ -	\$ 8,570,062
Individual injury insurance	3,300	-	3,300
Individual health insurance	1,234,787	-	1,234,787
Group insurance	<u>66</u>	<u>-</u>	<u>66</u>
	<u>\$ 9,808,215</u>	<u>\$ -</u>	<u>\$ 9,808,215</u>
	<b>March 31, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 11,558,972	\$ -	\$ 11,558,972
Individual injury insurance	881	-	881
Individual health insurance	1,213,133	-	1,213,133
Group insurance	<u>66,149</u>	<u>-</u>	<u>66,149</u>
	<u>\$ 12,839,135</u>	<u>\$ -</u>	<u>\$ 12,839,135</u>



The changes in premium deficiency reserve are summarized below:

	<b>For the Three Months Ended March 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 9,808,215	\$ -	\$ 9,808,215
Provision	-	-	-
Recovery	(318,281)	-	(318,281)
Foreign exchange	<u>100,911</u>	<u>-</u>	<u>100,911</u>
Ending balance	<u>\$ 9,590,845</u>	<u>\$ -</u>	<u>\$ 9,590,845</u>

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

6) Other reserve

	<b>March 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Others	<u>\$ 1,863,925</u>	<u>\$ -</u>	<u>\$ 1,863,925</u>

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

	<b>March 31, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Others	<u>\$ 1,873,925</u>	<u>\$ -</u>	<u>\$ 1,873,925</u>

The changes in other reserve are summarized below:

	<b>For the Three Months Ended March 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 1,865,925	\$ -	\$ 1,865,925
Recovery	<u>(2,000)</u>	<u>-</u>	<u>(2,000)</u>
Ending balance	<u>\$ 1,863,925</u>	<u>\$ -</u>	<u>\$ 1,863,925</u>

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

7) Liability adequacy reserve

	<b>Insurance Contracts and Financial Instruments with Discretionary Participation Features</b>		
	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Unearned premium reserve	\$ 18,718,606	\$ 19,496,231	\$ 18,130,770
Policy reserve	6,457,615,328	6,334,959,547	6,103,637,991
Premium deficiency reserve	9,590,845	9,808,215	12,839,135
Other reserve	<u>1,863,925</u>	<u>1,865,925</u>	<u>1,873,925</u>
Book value of insurance liabilities	<u>\$ 6,487,788,704</u>	<u>\$ 6,366,129,918</u>	<u>\$ 6,136,481,821</u>
Estimated present value of cash flows	<u>\$ 5,797,277,221</u>	<u>\$ 5,607,152,746</u>	<u>\$ 5,510,207,863</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Information of policies	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date
b. Discount rate	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2021, with neutral assumptions for the discount rate after 30 years	Under the asset allocation situation on September 30, 2021, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2020, with neutral assumptions for the discount rate after 30 years.	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2020; with neutral assumptions for the discount rate after 30 years

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

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Information of policies	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date
b. Discount rate	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2021, with neutral assumptions for the discount rate after 30 years	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2020, with neutral assumptions for the discount rate after 30 years.	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2020, with neutral assumptions for the discount rate after 30 years

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

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date
b. Discount rate	Discount rates are calculated using Vietnam government bond rates in secondary market with neutral assumption for discount rates after 15 years	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.	Discount rates are calculated using Vietnam government bond rates in secondary market with neutral assumption for discount rates after 15 years

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

Cathay Life and its subsidiaries issued financial instruments without discretionary participation features and recognized a reserve for insurance contracts with the nature of financial products. As of March 31, 2022, December 31, 2021 and March 31, 2021, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Life insurance	\$ 15,535,756	\$ 14,095,296	\$ 13,256,837
Investment-linked insurance	<u>1,137,505</u>	<u>1,093,492</u>	<u>988,840</u>
	<u>\$ 16,673,261</u>	<u>\$ 15,188,788</u>	<u>\$ 14,245,677</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2022</b>	<b>2021</b>
Beginning balance		\$ 15,188,788	\$ 13,731,508
Premiums received		1,404,265	1,247,049
Claims and payments		(757,330)	(944,701)
Net provision of statutory reserve		254,293	237,217
Foreign exchange		<u>583,245</u>	<u>(25,396)</u>
Ending balance		<u>\$ 16,673,261</u>	<u>\$ 14,245,677</u>

9) Reserve for foreign exchange valuation

a) The hedging strategy and risk exposure

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

b) Reconciliation for reserve for foreign exchange valuation

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 9,053,726	\$ 14,820,865
Provision:		
Compulsory reserve	1,693,854	1,731,336
Additional reserve	<u>12,297,070</u>	<u>560,436</u>
	13,990,924	2,291,772
Recovery	<u>-</u>	<u>(3,590,343)</u>
Ending balance	<u>\$ 23,044,650</u>	<u>\$ 13,522,294</u>

c) Effects due to reserve for foreign exchange valuation

Item	For the Three Months Ended March 31, 2022		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 45,399,502	\$ 34,206,762	\$ (11,192,740)
Earnings per share	3.45	2.60	(0.85)
Reserve for foreign exchange valuation	-	23,044,650	23,044,650
Equity attributable to owners of the Company	769,559,749	754,726,925	(14,832,824)

  

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

b. Century Insurance and its subsidiaries

1) Unearned insurance premium reserve

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

Insurance Type	March 31, 2022			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ 1,777,761	\$ 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

(Continued)

<b>March 31, 2022</b>				
<b>Insurance Type</b>	<b>Unearned Premium Reserve</b>		<b>Ceded Unearned Premium Reserve</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Direct Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	
	Policy-oriented residential earthquake insurance	\$ 228,735	\$ 32,138	
Compulsory automobile liability insurance	<u>1,240,864</u>	<u>456,886</u>	<u>744,518</u>	<u>953,232</u>
	<u>\$ 14,515,721</u>	<u>\$ 733,373</u>	<u>\$ 4,356,477</u>	<u>\$ 10,892,617</u> (Concluded)

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

<b>March 31, 2021</b>				
<b>Insurance Type</b>	<b>Unearned Premium Reserve</b>		<b>Ceded Unearned Premium Reserve</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Direct Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	
	Fire insurance	\$ 1,551,898	\$ 260,890	
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 automobile liability insurance	<u>1,228,417</u>	<u>463,626</u>	<u>737,050</u>	<u>954,993</u>
	<u>\$ 12,859,716</u>	<u>\$ 873,386</u>	<u>\$ 3,543,004</u>	<u>\$ 10,190,098</u>

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

	<b>For the Three Months Ended March 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Unearned Premium Reserve</b>	<b>Ceded Unearned Premium Reserve</b>	<b>Unearned Premium Reserve</b>	<b>Ceded Unearned Premium Reserve</b>
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	<u>44,022</u>	<u>19,342</u>	<u>28,600</u>	<u>8,416</u>
Ending balance	<u>\$ 15,249,094</u>	<u>\$ 4,356,477</u>	<u>\$ 13,733,102</u>	<u>\$ 3,543,004</u>



2) Loss reserve

a) Loss reserve and ceded loss reserve

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

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

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

b) Net changes in loss reserve and ceded loss reserve

For the three months ended March 31, 2022

<b>Items</b>	<b>Direct Underwriting Business</b>		<b>Reinsurance Inward Business</b>		<b>Net Changes in Loss Reserve (5)=(1)-(2)+ (3)-(4)</b>
	<b>Provision (1)</b>	<b>Recovery (2)</b>	<b>Provision (3)</b>	<b>Recovery (4)</b>	
Filed not yet paid	\$ 5,972,022	\$ 5,955,958	\$ 1,150,619	\$ 1,129,732	\$ 36,951
Not yet filed	<u>4,719,781</u>	<u>4,301,045</u>	<u>561,225</u>	<u>450,325</u>	<u>529,636</u>
	<u>\$ 10,691,803</u>	<u>\$ 10,257,003</u>	<u>\$ 1,711,844</u>	<u>\$ 1,580,057</u>	<u>\$ 566,587</u>

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

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 not yet paid	\$ 5,919,046	\$ 4,597,775	\$ 840,269	\$ 786,091	\$ 1,375,449
Not yet filed	<u>4,079,459</u>	<u>4,023,236</u>	<u>434,847</u>	<u>455,069</u>	<u>36,001</u>
	<u>\$ 9,998,505</u>	<u>\$ 8,621,011</u>	<u>\$ 1,275,116</u>	<u>\$ 1,241,160</u>	<u>\$ 1,411,450</u>

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

The claims incurred on the pandemic insurance contracts that Century Insurance issued for COVID-19 for the three months ended March 31, 2022 and 2021 were \$43,108 thousand and \$0, respectively. The loss reserves of those pandemic insurance contracts 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.

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

Insurance Type	March 31, 2022		
	Filed 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 automobile liability insurance	449,057	1,855,143	2,304,200
	<u>\$ 7,099,893</u>	<u>\$ 5,307,376</u>	<u>\$ 12,407,269</u>
Insurance Type	December 31, 2021		
	Filed Not Yet		
	Paid	Not Yet Filed	Total
Fire insurance	\$ 3,279,459	\$ 28,876	\$ 3,308,335
Marine insurance	408,187	167,516	575,703
Land and air insurance	1,683,367	1,310,307	2,993,674
Liability insurance	585,673	690,307	1,275,980
Guarantee insurance	53,279	33,866	87,145
Other property insurance	461,388	116,077	577,465
Accident insurance	134,164	508,005	642,169
Health insurance	7,923	110,734	118,657
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	446,683	1,809,461	2,256,144
	<u>\$ 7,060,123</u>	<u>\$ 4,775,149</u>	<u>\$ 11,835,272</u>

Insurance Type	March 31, 2021		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 2,957,079	\$ 23,524	\$ 2,980,603
Marine insurance	252,984	120,520	373,504
Land and air insurance	1,722,819	1,316,965	3,039,784
Liability insurance	632,689	663,308	1,295,997
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 automobile liability insurance	<u>508,885</u>	<u>1,726,748</u>	<u>2,235,633</u>
	<u>\$ 6,742,337</u>	<u>\$ 4,531,981</u>	<u>\$ 11,274,318</u>

d) 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 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 automobile liability insurance	<u>130,068</u>	<u>853,100</u>	<u>983,168</u>
	<u>\$ 2,719,909</u>	<u>\$ 1,553,942</u>	<u>\$ 4,273,851</u>

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

Insurance Type	March 31, 2021		
	Filed	Not Yet	Total
	Not Yet	Filed	
	Paid	Filed	
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 automobile liability insurance	157,803	799,496	957,299
	<u>\$ 2,679,500</u>	<u>\$ 1,279,719</u>	<u>\$ 3,959,219</u>

e) 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	<u>\$ 12,407,269</u>	<u>\$ 4,273,851</u>	<u>\$ 11,274,318</u>	<u>\$ 3,959,219</u>

3) Special reserve

a) Special reserve for compulsory automobile liability insurance

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

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

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

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

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

If the notice for the improvement of the reserves of natural disaster insurance (commercial-business earthquake, typhoon and flood insurances) for property insurance enterprises, notice for enhancing the reserves of residential earthquake insurance pool members and regulations governing the reserves of nuclear energy insurance are not applied, there is no significant impact on Cathay Insurance and its subsidiaries' pre-tax income/loss and earnings per share, the special reserve under liabilities and equity would decrease by \$1,429,782 thousand and \$1,448,509 thousand and increase by \$310,139 thousand and \$371,511 thousand for the three months ended March 31, 2022 and 2021, respectively.

4) Premium deficiency reserve

a) Premium deficiency reserve and ceded premium deficiency reserve

Insurance Type	March 31, 2022			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ -	\$ -	\$ -	\$ -
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 automobile liability insurance	-	-	-	-
	<u>\$ 105</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 118</u>

**December 31, 2021**

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

**March 31, 2021**

<b>Insurance Type</b>	<b>Premium Deficiency Reserve</b>		<b>Ceded Premium Deficiency Reserve</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Direct Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	
	Fire insurance	\$ -	\$ -	
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 automobile liability insurance	-	-	-	-
	<u>\$ 3,769</u>	<u>\$ 875</u>	<u>\$ -</u>	<u>\$ 4,644</u>



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

Insurance Type	For the Three Months Ended March 31, 2022								
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve (5)=(1)-(2)+ (3)-(4)	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve (8)=(6)-(7)	Net Loss Recognized for Premium Deficiency Reserve (9)=(5)-(8)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)		Provision (6)	Recovery (7)		
Fire insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marine insurance	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118</u>

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

c) Reconciliation of 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	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 4,644</u>	<u>\$ -</u>

5) Policy reserve

a) Details of policy reserve and ceded policy reserve

March 31, 2022

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

December 31, 2021

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

March 31, 2021

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

b) 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	\$ -	\$ -	\$ -

## 22. RETIREMENT BENEFIT PLANS

The pension expense of defined benefit plans was calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2021 and 2020 and recognized as follows:

	For the Three Months Ended March 31	
	2022	2021
Employee benefit expenses	\$ 111,809	\$ 121,109

## 23. OTHER FINANCIAL ASSETS AND LIABILITIES

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Other financial assets</u>			
Separate account insurance product assets	\$ 714,689,756	\$ 724,210,234	\$ 671,114,953
Others	15,646,616	16,896,792	15,540,521
	<u>\$ 730,336,372</u>	<u>\$ 741,107,026</u>	<u>\$ 686,655,474</u>
<u>Other financial liabilities</u>			
Separate account insurance product liabilities	\$ 714,689,756	\$ 724,210,234	\$ 671,114,953
Principal received from the sale of structured products	34,358,564	31,603,958	37,437,242
Others	7,786,229	8,094,006	10,579,006
	<u>\$ 756,834,549</u>	<u>\$ 763,908,198</u>	<u>\$ 719,131,201</u>

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

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
<u>Separate account insurance product assets</u>			
Cash in bank	\$ 614,587	\$ 536,869	\$ 432,388
Financial assets at FVTPL	704,538,650	716,214,583	661,223,032
Other receivables	<u>9,420,820</u>	<u>7,345,361</u>	<u>9,332,000</u>
	<u>\$ 714,574,057</u>	<u>\$ 724,096,813</u>	<u>\$ 670,987,420</u>
<u>Separate account insurance product liabilities</u>			
Other payables	\$ 230,976	\$ 319,598	\$ 391,492
Reserve for separate accounts - insurance contracts	298,582,096	306,089,604	302,910,377
Reserve for separate accounts - investment contracts	<u>415,760,985</u>	<u>417,687,611</u>	<u>367,685,551</u>
	<u>\$ 714,574,057</u>	<u>\$ 724,096,813</u>	<u>\$ 670,987,420</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2022</b>	<b>2021</b>
<u>Separate account insurance product income</u>			
Premium income		\$ 8,289,400	\$ 32,375,384
Interest income		156	1,308
(Losses) gains from financial assets at FVTPL		(15,898,787)	5,344,354
Foreign exchange gains		<u>7,300,629</u>	<u>1,512,094</u>
		<u>\$ (308,602)</u>	<u>\$ 39,233,140</u>
<u>Separate account insurance product expenses</u>			
Claims and payments		\$ 3,163,125	\$ 2,568,578
Cash surrender value		4,715,029	10,042,316
(Recovery) provision of separate account reserve		(9,276,939)	25,490,825
Administrative expenses		1,124,426	1,161,723
Non-operating income and expenses		<u>(34,243)</u>	<u>(30,302)</u>
		<u>\$ (308,602)</u>	<u>\$ 39,233,140</u>

For the three months ended March 31, 2022 and 2021, the rebates earned from counterparties due to the business of separate account insurance products were \$203,917 thousand and \$206,034 thousand, respectively, which were recorded under fee income.

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

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
<u>Separate account insurance product assets</u>			
Cash in bank	\$ 10,842	\$ 10,758	\$ 5,096
Financial assets at FVTPL	104,841	102,651	122,394
Others	<u>16</u>	<u>12</u>	<u>43</u>
	<u>\$ 115,699</u>	<u>\$ 113,421</u>	<u>\$ 127,533</u>
<u>Separate account insurance product liabilities</u>			
Other payables	\$ -	\$ 7	\$ 1,626
Reserve for separate accounts - insurance contracts	<u>115,699</u>	<u>113,414</u>	<u>125,907</u>
	<u>\$ 115,699</u>	<u>\$ 113,421</u>	<u>\$ 127,533</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2022</b>	<b>2021</b>
<u>Separate account insurance product income</u>			
Premium income		\$ 13	\$ 13
Losses from financial assets at FVTPL		(1,818)	(625)
Interest income		<u>8</u>	<u>5</u>
		<u>\$ (1,797)</u>	<u>\$ (607)</u>
<u>Separate account insurance product expenses</u>			
Recovery of separate account reserve		\$ (2,147)	\$ (1,015)
Other		<u>350</u>	<u>408</u>
		<u>\$ (1,797)</u>	<u>\$ (607)</u>

## 24. EQUITY

### a. Share capital

	March 31, 2022	December 31, 2021	March 31, 2021
Number of shares authorized (in thousands)	18,000,000	18,000,000	18,000,000
Shares authorized	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>
Number of shares issued and fully paid (in thousands)			
Ordinary shares	<u>13,169,210</u>	<u>13,169,210</u>	<u>13,169,210</u>
Preference shares	<u>1,533,300</u>	<u>1,533,300</u>	<u>1,533,300</u>
Shares issued	<u>\$ 147,025,102</u>	<u>\$ 147,025,102</u>	<u>\$ 147,025,102</u>

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

#### Issuance of preference shares

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

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

- c) The Company has the sole discretion to distribute dividend of the Series B Preference Shares, including its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for Series B Preference Share dividends, or preference share dividend distribution would render the Company's CAR ratio below the level required by law or by the authorities. The Company's cancellation of preference share dividend distribution shall not be deemed an event of default. Series B Preference Shares are non-cumulative. Undeclared or under-declared dividends are not cumulative, and are not paid in subsequent years with profit.
- d) Dividends for Series A Preference Shares are distributed once a year in cash. After shareholders' approval of the issuer's financial statements at its annual shareholders' meeting, the board of directors may set the record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption (such as the shareholders' approval of dividends declaration on shareholders meeting) shall be calculated pursuant to the actual issued days of the given year.
- e) Except for receipt of dividends at the aforementioned dividend rate in Paragraph (a), holders of Preference Shares cannot participate in the distribution of cash or stock dividends to holders of common shares from the profit or additional paid-in capital.
- f) Holders of Series B Preference Shares shall have the same priority as holders of all subsequently issued preference share in liquidation, which are prior to holders of ordinary shares but subordinated to general creditors, to the extent of the issuance amount.
- g) Holders of Series B Preference Shares have no voting rights at the annual shareholders' meeting, and cannot elect directors. However, holders of Series B Preference Shares have voting rights at the shareholders' meeting of Series B Preference Shareholders, and at the annual shareholders' meeting on items relating to rights of Series B Preference Shareholders.
- h) Holders of Series B Preference Shares cannot convert the said preference shares to ordinary shares, and have no right to request the Company for redemption of Series B Preference Shares.
- i) Through the issuance of perpetual preferred stock, on the day after the 7th year from the issue date, the Company may redeem all or part of the outstanding Series B Preference Shares at the issue price. Rights and obligations of the unredeemed Series B Preference Shares shall remain the same as mentioned above.

#### Issuance of overseas depositary receipts

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



b. Capital surplus

1) Capital surplus comprises the following:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Additional paid-in capital	\$ 172,905,009	\$ 172,905,009	\$ 172,905,009
Treasury share transactions	2,539,377	2,539,377	2,539,377
Additional paid-in capital - employee stock options	497,629	497,629	497,629
Conversion of convertible bonds	1,144,486	1,144,486	1,144,486
Others	<u>37,650</u>	<u>157,887</u>	<u>169,870</u>
	<u>\$ 177,124,151</u>	<u>\$ 177,244,388</u>	<u>\$ 177,256,371</u>

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

c. Retained earnings and dividends policy

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

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

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

The appropriations of earnings for 2021 that were proposed by the board of directors on May 4, 2022 and the appropriations of earnings of 2020 that had been resolved by the shareholders in their meeting on July 23, 2021, were as follows:

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

The appropriations of earnings for 2021 will be resolved by the shareholders in their meeting.

d. Special reserves

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Special reserve transferred from reserve for trading default and for trading loss (1)	\$ 333,598	\$ 333,598	\$ 333,598
Special reserve reclassified from liability (2)	3,744,467	3,744,467	3,744,467
Special reserve appropriated at the first-time adoption of IFRSs (3)	2,994,565	2,994,565	2,994,565
Special reserve for investment properties at fair value model in subsequent measurement (4)	108,879,082	108,879,082	108,057,969
Special reserve transferred from insurance liabilities (5)	<u>34,764,311</u>	<u>34,764,311</u>	<u>34,764,311</u>
	<u>\$ 150,716,023</u>	<u>\$ 150,716,023</u>	<u>\$ 149,894,910</u>

- 1) Cathay United Bank, Cathay Securities and Cathay Futures reclassified the appropriated default losses reserve and trading losses reserve as of December 31, 2010 as special reserve according to the relevant regulations. The special reserve can only be used to offset the accumulated deficit or transferred to capital stock (limited to 50% of the special reserve) once the special reserve reaches one-half of the paid-in capital. The Company set aside a special reserve of \$333,598 thousand in 2011.
- 2) According to the Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises, for the special reserves for catastrophic event and for fluctuation of risk as of January 1, 2012, amounting to \$9,022,812 thousand, Cathay Life transferred half of the reserves amounting to \$4,511,405 thousand, net of tax effect, to special reserve under retained earnings amounting to \$3,744,467 thousand; half of the reserves were kept as the initial amount of reserve for foreign exchange valuation. The Company set aside a special reserve of \$3,744,467 thousand in 2013.

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	<u>\$ (18,652,251)</u>	<u>\$ (15,464,009)</u>
Recognized for the period	3,126,219	123,591
Share of associates accounted for using the equity method	902,119	(108,784)
Tax effects	<u>(374,951)</u>	<u>51,439</u>
Other comprehensive income recognized for the period	<u>3,653,387</u>	<u>66,246</u>
Ending balance	<u>\$ (14,998,864)</u>	<u>\$ (15,397,763)</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	<u>\$ 47,131,473</u>	<u>\$ 106,207,840</u>
Recognized for the period	(125,800,355)	(73,750,264)
Share of associates accounted for using the equity method	(571,374)	181,710
Reclassification adjustments		
Disposal of debt instruments	(2,703,994)	(8,603,166)
Tax effects	<u>24,343,462</u>	<u>16,010,202</u>
Other comprehensive loss recognized for the period	<u>(104,732,261)</u>	<u>(66,161,518)</u>
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(76,897)</u>	<u>(636,578)</u>
Ending balance	<u>\$ (57,677,685)</u>	<u>\$ 39,409,744</u>

3) Gain (loss) on hedging instruments

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 335,851	\$ 347,871
Recognized for the period	(99,709)	(134,517)
Reclassification adjustments		
Hedged item that affects profit or loss	109,805	(11,873)
Tax effects	436	30,196
Other comprehensive income (loss) recognized for the period	<u>10,532</u>	<u>(116,194)</u>
Ending balance	<u>\$ 346,383</u>	<u>\$ 231,677</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ (889,397)	\$ (1,478,705)
Recognized for the period	333,517	456,692
Tax effects	(66,704)	(91,338)
Other comprehensive income recognized for the period	<u>266,813</u>	<u>365,354</u>
Ending balance	<u>\$ (622,584)</u>	<u>\$ (1,113,351)</u>

5) Remeasurement of defined benefit plans

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ (966,130)	\$ (1,966,279)
Recognized for the period	(826)	(655)
Share of associate accounted for using the equity method	1,863	(11,607)
Tax effects	29	2,624
Other comprehensive income (loss) recognized for the period	<u>1,066</u>	<u>(9,638)</u>
Ending balance	<u>\$ (965,064)</u>	<u>\$ (1,975,917)</u>

6) Property revaluation surplus

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 11,281,909	\$ 11,097,089
Recognized for the period	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 11,281,909</u>	<u>\$ 11,097,089</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 64,764,671	\$ 102,511,617
Recognized for the period		
Unrealized (loss) gain	(71,032,650)	13,786,505
Reclassification adjustments		
Disposal of financial instruments	(16,520,122)	(46,905,972)
Tax effects	<u>6,955,489</u>	<u>2,313,477</u>
Other comprehensive loss recognized for the period	<u>(80,597,283)</u>	<u>(30,805,990)</u>
Ending balance	<u>\$ (15,832,612)</u>	<u>\$ 71,705,627</u>

8) Other equity - other

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ (3,224,389)	\$ (3,944,303)
Others	<u>-</u>	<u>(11,186)</u>
Ending balance	<u>\$ (3,224,389)</u>	<u>\$ (3,955,489)</u>

f. Non-controlling interests

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 12,000,581	\$ 11,714,465
Attributed to non-controlling interests		
Net profit for the period	168,521	200,574
Exchange differences on translation of financial statements of foreign operations	419,841	(32,928)
Unrealized (loss) gain on financial assets at FVTOCI	(171,496)	64,520
Other comprehensive income (loss) on reclassification using the overlay approach	44,409	(9,324)
Others	<u>(309,745)</u>	<u>(866,866)</u>
Ending balance	<u>\$ 12,152,111</u>	<u>\$ 11,070,441</u>

## 25. NET PROFIT FOR THE PERIOD

### a. Net gain on service fee and commission fee

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Service fee revenue	\$ 8,870,891	\$ 7,952,079
Commission fee revenue	<u>2,575,360</u>	<u>2,329,646</u>
	<u>11,446,251</u>	<u>10,281,725</u>
Service fee expense	(2,616,440)	(2,420,692)
Commission fee expense	<u>(4,566,671)</u>	<u>(5,129,161)</u>
	<u>(7,183,111)</u>	<u>(7,549,853)</u>
	<u>\$ 4,263,140</u>	<u>\$ 2,731,872</u>

### b. Net income on insurance operations

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Retained premiums earned	\$ 107,007,942	\$ 132,175,956
Separate account insurance product income	<u>(310,399)</u>	<u>39,232,533</u>
	<u>106,697,543</u>	<u>171,408,489</u>
Claims and payments	(77,052,080)	(66,677,902)
Separate account insurance product expenses	310,399	(39,232,533)
Others	<u>(216,506)</u>	<u>(267,265)</u>
	<u>(76,958,187)</u>	<u>(106,177,700)</u>
	<u>\$ 29,739,356</u>	<u>\$ 65,230,789</u>

### c. Net changes in insurance liability reserves

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Net change in loss reserve	\$ (743,947)	\$ (10,847)
Net change in policy reserve	(70,344,614)	(104,589,570)
Net change in premium deficiency reserve	318,164	954,964
Net change in special reserve	2,057	31,597
Net change in other reserves	2,000	3,000
Net change in reserve for insurance contracts with the nature of financial products	<u>(254,293)</u>	<u>(237,217)</u>
	<u>\$ (71,020,633)</u>	<u>\$ (103,848,073)</u>

d. Employee benefit expenses

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term benefits		
Salaries	\$ 14,448,866	\$ 14,414,806
Labor and health insurance expenses	1,351,835	1,358,411
Post-employment benefits	571,331	605,998
Remuneration of directors	88,913	79,893
Others	<u>308,908</u>	<u>347,163</u>
	<u>\$ 16,769,853</u>	<u>\$ 16,806,271</u>
 An analysis of employee benefit expenses by function		
Profit from operations	\$ 2,684,831	\$ 3,148,520
Operating expenses	<u>14,085,022</u>	<u>13,657,751</u>
	<u>\$ 16,769,853</u>	<u>\$ 16,806,271</u>

For the three months ended March 31, 2022 and 2021, the average of the Group's employees was 56,759 and 57,648, respectively, including 44 and 38 directors not concurrently serving as employees.

e. Compensation of employees and remuneration of directors

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 3,429	\$ 5,733
Remuneration of directors	675	675

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

The compensation of employees and remuneration of directors for 2021 and 2020 which were resolved by the Company's board of directors on March 11, 2022 and March 10, 2021, respectively, were as follows:

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

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

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

f. Depreciation and amortization

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Right-of-use assets	\$ 381,854	\$ 354,870
Property and equipment	663,892	623,057
Intangible assets	<u>740,815</u>	<u>800,490</u>
	<u>\$ 1,786,561</u>	<u>\$ 1,778,417</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 1,045,746</u>	<u>\$ 977,927</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 740,815</u>	<u>\$ 800,490</u>

## 26. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
In respect of the current period	\$ 181,731	\$ 9,139,062
Adjustments for prior years	(30,141)	24,735
Others	400,413	503,498
Deferred tax		
In respect of the current period	<u>4,881,147</u>	<u>(3,370,365)</u>
Income tax expense recognized in profit or loss	<u>\$ 5,433,150</u>	<u>\$ 6,296,930</u>



b. Income tax recognized directly in equity

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
Derecognition of equity instruments at FVTOCI	\$ (2,665)	\$ 15,975
Deferred tax		
Derecognition of equity instruments at FVTOCI	2,665	(15,975)
Capital surplus	<u>30,088</u>	<u>-</u>
Income tax recognized directly in equity	<u>\$ 30,088</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Deferred tax</u>		
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ (66,704)	\$ (91,338)
Exchange differences on the translation of financial statements of foreign operations	(374,951)	51,439
Unrealized loss on financial assets at FVTOCI	24,286,221	16,009,893
Loss on hedging instruments	436	30,196
Remeasurement of defined benefit plans	165	131
Shares of other comprehensive loss of associates accounted for using the equity method	57,105	2,802
Other comprehensive loss on reclassification using overlay approach	<u>6,955,489</u>	<u>2,313,477</u>
Income tax benefit recognized in other comprehensive income	<u>\$ 30,857,761</u>	<u>\$ 18,316,600</u>

d. Income tax assessments

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

	<b>Year of Assessment</b>	<b>Note</b>
The Company	2016	-
Cathay Life	2016	In the process of administrative remedy for 2015; applying for administrative remedy for 2016 before statutory time limit
Cathay United Bank	2016	In the process of administrative remedy for 2014 and 2015; applying for administrative remedy for 2016 before statutory time limit
Cathay Century	2016	-
Cathay Securities	2016	In the process of administrative remedy for 2014 and 2015

(Continued)

	<u>Year of Assessment</u>	<u>Note</u>
Cathay Venture	2020	In the process of administrative remedy for 2016
Cathay Securities Investment Trust	2016	-
Cathay Futures	2020	-
Cathay Private Equity	2020	-

(Concluded)

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

## 27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Basic earnings per share	<u>\$ 2.60</u>	<u>\$ 4.36</u>

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

### Net Income for the Period

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Net income for the period attributable to owners of the Company	<u>\$ 34,206,762</u>	<u>\$ 57,366,026</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>13,169,210</u>	<u>13,169,210</u>

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

## 28. RELATED-PARTY TRANSACTIONS

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

<u>Related Party Name</u>	<u>Related Party Category</u>
Cathay Life	Subsidiary
Cathay United Bank	Subsidiary
Cathay Century	Subsidiary
Cathay Securities	Subsidiary
Cathay Securities Investment Trust	Subsidiary
Cathay Venture	Subsidiary
Cathay Lujiazui Life	Subsidiary
Cathay Life (Vietnam)	Subsidiary
Conning Asia Pacific Ltd.	Subsidiary
Cathay Securities Investment Consulting	Subsidiary
Cathay Investment	Subsidiary before February 2022
Lin Yuan	Subsidiary
Conning Holdings Limited	Subsidiary
Cathay Woolgate Exchange Holding 1 Limited	Subsidiary
Cathay Woolgate Exchange Holding 2 Limited	Subsidiary
Cathay Walbrook Holding 1 Limited	Subsidiary
Cathay Walbrook Holding 2 Limited	Subsidiary
Octagon Credit Investors, LLC	Subsidiary
Cathay Insurance (Vietnam)	Subsidiary
Indovina Bank	Subsidiary
CUBC Bank	Subsidiary
CUBCN Bank	Subsidiary
Cathay Futures	Subsidiary
Cathay Private Equity	Subsidiary
Cathay Industrial R&D Center	Subsidiary
Cathay Securities (Hong Kong) Limited	Subsidiary
Cathay Capital (Asia)	Subsidiary
Taiwan Real-estate Management Corp.	Associate
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
CM Energy Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate
Cathay Power Inc.	Associate
Neo Cathay Power Corp.	Associate
CMG International One Corp.	Associate
CMG International Two Corp.	Associate
ThrivEnergy Co., Ltd.	Associate
Seaward Card Co., Ltd.	Other related party
Vietinbank	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Cathay Real Estate Management Co., Ltd.	Other related party

(Continued)

Related Party Name	Related Party Category
Funds managed by Cathay Securities Investment Trust	Other related party
Private Equity Funds managed by Cathay Private Equity	Other related party
Funds managed by Global Evolution Holding ApS	Other related party
Funds managed by Octagon Credit Investors, LLC	Other related party
Bonds managed by Octagon Credit Investors, LLC	Other related party
San Ching Engineering Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party
ThinkPower Information Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Hong-Sui Co., Ltd.	Other related party
Bowl Cut Entertainment Co., Ltd.	Other related party
Cymlin Co., Ltd.	Other related party
Retail Forest Co., Ltd.	Other related party before July 2021
Sino Greenergy Group	Other related party
Cathay Cultural Foundation	Other related party
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cathay Real Estate Development Employees' Welfare Committee	Other related party
Cathay Life Insurance Employees' Welfare Committee	Other related party
Cathay United Bank Employees' Welfare Committee	Other related party
Hsin Chung Co., Ltd.	Other related party
Tian-Ji Power Co., Ltd.	Other related party
Jinhua Realty Co., Ltd.	Other related party
Pai Hsing Investment Co., Ltd.	Other related party
Bannan Realty Co., Ltd.	Other related party
De Jin Co., Ltd.	Other related party
Yi Ru Capital Co., Ltd.	Other related party
FundRich Securities Co., Ltd.	Other related party
Daiwa - Cathay Capital Markets Co., Ltd.	Other related party
CDIB & PARTNERS Investment Holding Corporation	Other related party
Lin Yuan Investment Co., Ltd.	Other related party
Bioengine Capital Inc.	Other related party
Tai Lung Capital Inc.	Other related party
Sanchong Realty Co., Ltd.	Other related party
Others	Other related party

(Concluded)

b. Significant transactions with related parties were as follows:

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

1) Transactions with banks

a) Due from commercial banks

Name	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party						
Vietinbank	\$ 60,848	\$ 6	\$ 53,977	\$ 372	\$ 30,767	\$ 232

b) Due to commercial banks

Name	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party Vietinbank	\$ 18,279	\$ -	\$ 17,825	\$ 1	\$ 19,526	\$ -

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

Name	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party Vietinbank	\$ 375,781	\$ 5,889	\$ 365,738	\$ 24,885	\$ 370,854	\$ 6,759

2) Balance of shares issued by related parties

Name	March 31, 2022	December 31, 2021	March 31, 2021
Associate PSS Co., Ltd.	\$ 15,728	\$ 14,038	\$ 16,513
Other related party Cathay Real Estate Development Co., Ltd.	1,297,420	1,321,447	1,356,461
CDIB & PARTNERS Investment Holding Corporation	799,740	880,740	881,280
Daiwa - Cathay Capital Markets Co., Ltd.	145,800	144,600	140,400
Cathay Healthcare Management Co., Ltd.	97,845	106,920	143,963
	<u>2,340,805</u>	<u>2,453,707</u>	<u>2,522,104</u>
	\$ 2,356,533	\$ 2,467,745	\$ 2,538,617

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

3) Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Three Months Ended March 31	
		2022	2021
Associate ThrivEnergy Co., Ltd.	Ordinary shares	\$ 216,000	\$ -
CM Energy Co., Ltd.	Ordinary shares	-	135,000
		<u>\$ 216,000</u>	<u>\$ 135,000</u>

#### 4) Receivable

Name	March 31, 2022	December 31, 2021	March 31, 2021
Associate			
Cathay Power Inc.	\$ -	\$ 4,316	\$ 187
Neo Cathay Power Corp.	<u>-</u>	<u>3,182</u>	<u>-</u>
	<u>-</u>	<u>7,498</u>	<u>187</u>
Other related party			
Funds managed by Cathay Securities Investment Trust	265,061	255,172	224,019
Tian-Ji Power Co., Ltd.	<u>-</u>	<u>5,121</u>	<u>459</u>
	<u>265,061</u>	<u>260,293</u>	<u>224,478</u>
	<u>\$ 265,061</u>	<u>\$ 267,791</u>	<u>\$ 224,665</u>

#### 5) Loans

Name	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Associate						
TaiYang Solar Power Co., Ltd.	\$ 58,613	\$ 291	\$ 59,939	\$ 1,258	\$ 63,918	\$ 328
Taiwan Real-estate Management Corp.	<u>33,000</u>	<u>130</u>	<u>33,000</u>	<u>528</u>	<u>33,000</u>	<u>130</u>
	<u>91,613</u>	<u>421</u>	<u>92,939</u>	<u>1,786</u>	<u>96,918</u>	<u>458</u>
Other related party						
Sino Greenergy Group. Yua-Yung Marketing (Taiwan) Co., Ltd.	73,579	382	75,465	1,647	81,125	421
Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>111</u>	<u>10,000</u>	<u>29</u>
	<u>3,127,888</u>	<u>10,484</u>	<u>3,112,399</u>	<u>41,092</u>	<u>3,075,438</u>	<u>10,164</u>
	<u>3,201,467</u>	<u>10,866</u>	<u>3,187,864</u>	<u>42,850</u>	<u>3,166,563</u>	<u>10,614</u>
	<u>\$ 3,293,080</u>	<u>\$ 11,287</u>	<u>\$ 3,280,803</u>	<u>\$ 44,636</u>	<u>\$ 3,263,481</u>	<u>\$ 11,072</u>

#### 6) Deposits

Name	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary						
Cathay Securities Investment Consulting	\$ 639,210	\$ 66	\$ 563,928	\$ 173	\$ 562,405	\$ 39
Associate						
Lin Yuan Property Management Co., Ltd.	200,513	308	267,301	1,178	184,648	322
Symphox Information Co., Ltd.	146,273	25	156,393	132	182,437	41
CM Energy Co., Ltd.	77,228	3	116,468	24	310,162	6
CMG International Two Corp.	75,240	2	167,291	2	8,484	1
CMG International One Corp.	<u>65,645</u>	<u>2</u>	<u>120,208</u>	<u>1</u>	<u>3,031</u>	<u>-</u>
	<u>564,899</u>	<u>340</u>	<u>827,661</u>	<u>1,337</u>	<u>688,762</u>	<u>370</u>

(Continued)

Name	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party						
Cathay Life Insurance Employees' Welfare Committee	\$ 2,394,710	\$ 4,632	\$ 2,381,744	\$ 16,982	\$ 2,298,127	\$ 4,183
Cathay United Bank Employees' Welfare Committee	762,703	7,095	760,605	30,847	763,165	7,494
Funds managed by Cathay Securities Investment Trust	675,751	15	695,215	35	63,299	-
Cathay United Bank Foundation	538,664	1,102	541,531	4,189	530,447	1,038
Sanchong Realty Co., Ltd.	495,207	10	-	-	-	-
Cathay Real Estate Development Employees' Welfare Committee	437,539	977	438,380	3,506	415,470	847
Cathay Medical Care Corp.	301,107	24	218,988	48	148,512	10
Cathay Charity Foundation	292,938	525	281,451	1,918	275,092	473
Bannan Realty Co., Ltd.	238,683	6	190,289	30	299,239	8
Cathay Cultural Foundation	208,651	435	210,741	1,598	227,698	395
Pai Hsing Investment Co., Ltd.	153,622	5	142,416	129	3,043	25
Lin Yuan Investment Co., Ltd.	140,797	1	4,490	-	571	-
Bioengine Capital Inc.	137,292	4	26,454	22	-	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	116,971	21	121,802	211	127,412	69
Cathay Hospitality Management Co., Ltd.	113,795	4	163,365	10	33,237	2
Cathay Real Estate Development Co., Ltd.	111,159	5	290,378	28	258,515	4
Cathay Real Estate Management Co., Ltd.	105,579	163	100,559	580	102,194	137
Tai Lung Capital Inc.	104,410	127	91,854	452	78,539	112
Jinhua Realty Co., Ltd.	64,346	1	34,274	23	166,199	4
Ally Logistic Property Co., Ltd.	19,338	1	95,032	10	125,709	3
De Jin Co., Ltd.	-	-	28,972	12	152,663	5
Others	9,024,321	13,732	8,242,474	46,574	7,917,882	12,663
	<u>16,437,583</u>	<u>28,885</u>	<u>15,061,014</u>	<u>107,204</u>	<u>13,987,013</u>	<u>27,472</u>
	<u>\$ 17,641,692</u>	<u>\$ 29,291</u>	<u>\$ 16,452,603</u>	<u>\$ 108,714</u>	<u>\$ 15,238,180</u>	<u>\$ 27,881</u>

(Concluded)

7) Property transactions

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

Name	For the Three Months Ended March 31			
	2022		2021	
	Items	Amount	Items	Amount
Other related party				
San Ching Engineering Co., Ltd.	Tucheng East Building etc.	\$ 251,440	Tucheng East Building, etc.	\$ 260,489
Ally Logistic Property Co., Ltd.	-	-	Ruifang Logistics Park, etc.	54,228
		<u>\$ 251,440</u>		<u>\$ 314,717</u>

As of March 31, 2022, December 31, 2021 and March 31, 2021, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$3,342,857 thousand, \$2,607,361 thousand and \$2,569,290 thousand, respectively.

As of March 31, 2022, December 31, 2021 and March 31, 2021, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$15,770,200 thousand, \$7,316,509 thousand and \$7,396,324 thousand, respectively.

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

Name	Rental Income	
	For the Three Months Ended March 31	
	2022	2021
Associate		
Symphox Information Co., Ltd.	\$ 8,210	\$ 8,220
Lin Yuan Property Management Co., Ltd.	<u>4,831</u>	<u>4,867</u>
	<u>13,041</u>	<u>13,087</u>
Other related party		
Ally Logistic Property Co., Ltd.	218,549	196,805
Cathay Hospitality Management Co., Ltd.	50,627	37,802
Cathay Medical Care Corp.	49,094	46,646
Cathay Hospitality Consulting Co., Ltd.	46,766	42,519
Cathay Healthcare Management Co., Ltd.	21,827	17,584
Yua-Yung Marketing (Taiwan) Co., Ltd.	10,967	9,712
Hong-Sui Co., Ltd.	7,091	7,467
Cathay Real Estate Development Co., Ltd.	4,297	4,628
Hsin Chung Co., Ltd.	<u>3,226</u>	<u>3,226</u>
	<u>412,444</u>	<u>366,389</u>
	<u>\$ 425,485</u>	<u>\$ 379,476</u>



Name	Guarantee Deposits Received		
	March 31, 2022	December 31, 2021	March 31, 2021
Associate			
Symphox Information Co., Ltd.	\$ 8,000	\$ 8,000	\$ 8,000
Other related party			
Cathay Hospitality Management Co., Ltd.	189,709	188,597	187,682
Cathay Hospitality Consulting Co., Ltd.	182,277	182,277	180,473
Ally Logistic Property Co., Ltd.	181,387	143,424	143,270
Cathay Medical Care Corp.	63,583	11,447	11,435
Cathay Healthcare Management Co., Ltd.	21,113	21,113	20,384
Yua-Yung Marketing (Taiwan) Co., Ltd.	4,915	4,552	3,532
Hong-Sui Co., Ltd.	4,740	4,740	5,145
Cathay Real Estate Development Co., Ltd.	4,313	4,215	4,090
Cymlin Co., Ltd.	4,081	4,081	4,081
Hsin Chung Co., Ltd.	3,072	3,072	3,072
Retail Forest Co., Ltd.	-	5,745	5,745
	<u>659,190</u>	<u>573,263</u>	<u>568,909</u>
	<u>\$ 667,190</u>	<u>\$ 581,263</u>	<u>\$ 576,909</u>

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

c) Lease arrangements

i. Acquisition of right-to-use assets

Name	For the Three Months Ended March 31	
	2022	2021
Other related party		
Cathay Real Estate Development Co., Ltd.	\$ 7,844	\$ -

ii. Lease liabilities

Name	March 31, 2022	December 31,	
		2021	March 31, 2021
Other related party			
Cathay Real Estate Development Co., Ltd.	\$ 16,718	\$ 13,152	\$ 25,760
Ally Logistic Property Co., Ltd.	5,414	6,022	-
Yi Ru Capital Co., Ltd.	<u>4,226</u>	<u>5,271</u>	<u>-</u>
	<u>\$ 26,358</u>	<u>\$ 24,445</u>	<u>\$ 25,760</u>

iii. Guarantee deposits paid

Name	March 31, 2022	December 31, 2021	March 31, 2021
Other related party Cathay Real Estate Development Co., Ltd.	\$ 4,482	\$ 4,446	\$ 4,446

d) Acquisition of computer equipment and software

Name	For the Three Months Ended March 31	
	2022	2021
Other related party ThinkPower Information Co., Ltd.	\$ 6,763	\$ 676

8) Guarantee deposits received

Name	March 31, 2022	December 31, 2021	March 31, 2021
Associate Lin Yuan Property Management Co., Ltd.	\$ 5,000	\$ 5,000	\$ 5,000
Other related party San Ching Engineering Co., Ltd.	1,870,877	968,577	982,804
Ally Logistic Property Co., Ltd.	<u>1,486,507</u>	<u>1,486,507</u>	<u>293,285</u>
	<u>3,357,384</u>	<u>2,455,084</u>	<u>1,276,089</u>
	<u>\$ 3,362,384</u>	<u>\$ 2,460,084</u>	<u>\$ 1,281,089</u>

9) Payables

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary Cathay Securities Investment Consulting	\$ 30,840	\$ 30,963	\$ 30,788
Associate Symphox Information Co., Ltd.	57,229	44,693	75,447
Lin Yuan Property Management Co., Ltd.	<u>19,243</u>	<u>1,189</u>	<u>46,069</u>
	<u>76,472</u>	<u>45,882</u>	<u>121,516</u>
Other related party Seaward Card Co., Ltd.	22,410	30,880	19,167
Funds managed by Cathay Securities Investment Trust	<u>6,791</u>	<u>5,096</u>	<u>4,079</u>
	<u>29,201</u>	<u>35,976</u>	<u>23,246</u>
	<u>\$ 136,513</u>	<u>\$ 112,821</u>	<u>\$ 175,550</u>

10) Balances of bonds managed by related parties

Name	March 31, 2022	December 31, 2021	March 31, 2021
Other related party			
Bonds managed by Octagon Credit Investors, LLC	\$ <u>5,026,963</u>	\$ <u>4,888,088</u>	\$ <u>5,070,505</u>

11) Balances of funds managed by related parties

Name	March 31, 2022	December 31, 2021	March 31, 2021
Other related party			
Funds managed by Cathay Securities Investment Trust	\$ 78,940,789	\$ 72,281,682	\$ 69,907,405
Funds managed by Global Evolution Holding ApS	2,753,293	2,782,079	2,769,402
Funds managed by Octagon Credit Investors, LLC	2,138,938	2,075,270	743,480
Private Equity Funds managed by Cathay Private Equity	<u>1,264,427</u>	<u>1,251,757</u>	<u>1,040,171</u>
	<u>\$ 85,097,447</u>	<u>\$ 78,390,788</u>	<u>\$ 74,460,458</u>

12) Balances of related parties' discretionary management investment

Name	March 31, 2022	December 31, 2021	March 31, 2021
Other related party			
Cathay Charity Foundation	\$ 126,451	\$ 134,136	\$ 118,657
Cathay Cultural Foundation	<u>60,522</u>	<u>61,874</u>	<u>61,020</u>
	<u>\$ 186,973</u>	<u>\$ 196,010</u>	<u>\$ 179,677</u>

13) Service fee income

Name	For the Three Months Ended March 31	
	2022	2021
Subsidiary		
Cathay Securities Investment Consulting	\$ 9,619	\$ 6,980
Other related party		
Cathay Real Estate Development Co., Ltd.	<u>3,846</u>	<u>4,290</u>
	<u>\$ 13,465</u>	<u>\$ 11,270</u>

## 14) Premium income

Name	For the Three Months Ended March 31	
	2022	2021
Other related party		
Cathay Medical Care Corp.	\$ 9,916	\$ 8,977
San Ching Engineering Co., Ltd.	6,994	1,041
Cathay Hospitality Management Co., Ltd.	4,279	304
Others	<u>47,701</u>	<u>62,102</u>
	<u>\$ 68,890</u>	<u>\$ 72,424</u>

## 15) Net other non-interest income

Name	For the Three Months Ended March 31	
	2022	2021
<u>Other non-interest income</u>		
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ 750,831	\$ 642,507
Private Equity Funds managed by Cathay Private Equity	<u>20,055</u>	<u>15,916</u>
	<u>\$ 770,886</u>	<u>\$ 658,423</u>

## 16) Operating expenses

Name	For the Three Months Ended March 31	
	2022	2021
Subsidiary		
Cathay Securities Investment Consulting	\$ 30,306	\$ 30,653
Associate		
Lin Yuan Property Management Co., Ltd.	237,345	197,233
Symphox Information Co., Ltd.	<u>150,097</u>	<u>199,459</u>
	<u>387,442</u>	<u>396,692</u>
Other related party		
Seaward Card Co., Ltd.	69,701	70,174
Bowl Cut Entertainment Co., Ltd.	19,630	18,870
ThinkPower Information Co., Ltd.	19,205	3,008
FundRich Securities Co., Ltd.	3,102	1,510
Cathay Healthcare Management Co., Ltd.	<u>2,301</u>	<u>3,536</u>
	<u>113,939</u>	<u>97,098</u>
	<u>\$ 531,687</u>	<u>\$ 524,443</u>

17) Guarantees on duties and contracts

March 31, 2022

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 63,513</u>	<u>\$ 63,513</u>	<u>\$ 45</u>	0.65%- 0.8%	Demand deposits

December 31, 2021

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 63,513</u>	<u>\$ 63,513</u>	<u>\$ 43</u>	0.65%- 0.8%	Demand deposits

March 31, 2021

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

18) Remuneration of key management personnel

Name	For the Three Months Ended March 31	
	2022	2021
Short-term employee benefits	\$ 517,830	\$ 418,139
Post-employment benefits	6,493	6,155
Other long-term employee benefits	<u>20</u>	<u>-</u>
	<u>\$ 524,343</u>	<u>\$ 424,294</u>

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

c. The Company

1) Cash in banks

Name	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary Cathay United Bank	<u>\$ 33,276</u>	<u>\$ 2</u>	<u>\$ 47,839</u>	<u>\$ 78</u>	<u>\$ 15,099</u>	<u>\$ 3</u>

2) Receivables

Name	Nature of Transaction	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary Cathay United Bank	Integrated income tax, etc.	\$ 1,832,933	\$ 513,935	\$ 1,822,086
Cathay Securities	Integrated income tax	488,520	373,017	287,881
Cathay Life	Integrated income tax, etc.	381,674	70,989	14,315,777
Cathay Securities Investment Trust	Integrated income tax	379,528	269,811	271,435
Cathay Century	Integrated income tax, etc.	<u>349,704</u>	<u>238,909</u>	<u>445,073</u>
		<u>\$ 3,432,359</u>	<u>\$ 1,466,661</u>	<u>\$ 17,142,252</u>

3) Guarantee deposits paid

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary Cathay Life	<u>\$ 33,633</u>	<u>\$ 33,301</u>	<u>\$ 30,038</u>

4) Financial assets at FVTPL

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary Cathay Life	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

5) Payable

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary Cathay Life	<u>\$ 7,175,025</u>	<u>\$ 5,253,915</u>	<u>\$ -</u>

6) Lease agreements

a) Lease liabilities

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary			
Cathay Life	\$ 82,326	\$ 113,076	\$ 204,656
Other related party			
Ally Logistic Property Co., Ltd.	<u>5,414</u>	<u>6,022</u>	<u>-</u>
	<u>\$ 87,740</u>	<u>\$ 119,098</u>	<u>\$ 204,656</u>

b) Lease expense

Name	For the Three Months Ended March 31	
	2022	2021
Subsidiary		
Cathay Life	<u>\$ 5,816</u>	<u>\$ 1,420</u>

7) Interest income

Name	For the Three Months Ended March 31	
	2022	2021
Subsidiary		
Cathay Life	<u>\$ 310,685</u>	<u>\$ 310,685</u>

8) Operating expenses

Name	For the Three Months Ended March 31	
	2022	2021
Other related party		
Bowl Cut Entertainment Co., Ltd.	\$ 19,630	\$ 18,870
ThinkPower Information Co., Ltd.	<u>14,640</u>	<u>47</u>
	<u>\$ 34,270</u>	<u>\$ 18,917</u>

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

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

1) Cathay Life and its subsidiaries

a) Property transactions

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

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

Name	For the Three Months Ended March 31			
	2022		2021	
	Items	Amount	Items	Amount
Other related party San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	<u>\$ 251,440</u>	Tucheng East Building, etc.	<u>\$ 260,489</u>

As of March 31, 2022, December 31, 2021 and March 31, 2021, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$3,342,857 thousand, \$2,607,361 thousand and \$2,569,290 thousand, respectively.

As of March 31, 2022, December 31, 2021 and March 31, 2021, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$15,770,200 thousand, \$7,316,509 thousand and \$7,396,324 thousand, respectively.

- ii. Real-estate rental

Name	Rental Income	
	For the Three Months Ended March 31	
	2022	2021
Subsidiary Cathay United Bank	\$ 154,829	\$ 153,938
Other related party Ally Logistic Property Co., Ltd.	<u>218,549</u>	<u>196,805</u>
	<u>\$ 373,378</u>	<u>\$ 350,743</u>



Name	Guarantee Deposits Received		
	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary			
Cathay United Bank	\$ 187,398	\$ 187,202	\$ 186,551
Other related party			
Cathay Hospitality Management Co., Ltd.	189,709	188,597	187,682
Cathay Hospitality Consulting Co., Ltd.	182,277	182,277	180,473
Ally Logistic Property Co., Ltd.	<u>181,387</u>	<u>143,424</u>	<u>143,270</u>
	<u>553,373</u>	<u>514,298</u>	<u>511,425</u>
	\$ 740,771	\$ 701,500	\$ 697,976

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

b) Shares transactions

Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Three Months Ended March 31	
		2022	2021
Associate			
ThrivEnergy Co., Ltd.	Ordinary shares	\$ 216,000	\$ -
CM Energy Co., Ltd.	Ordinary shares	-	<u>135,000</u>
		<u>\$ 216,000</u>	<u>\$ 135,000</u>

c) Balance of shares issued by related parties

Name	Nature of Transaction	March 31, 2022	December 31, 2021	March 31, 2021
Other related party				
Cathay Real Estate Development Co., Ltd.	Ordinary shares	\$ 1,297,420	\$ 1,321,447	\$ 1,355,770
CDIB & PARTNERS Investment Holding Corporation	Ordinary shares	799,740	880,740	881,280
Daiwa - Cathay Capital Markets Co., Ltd.	Ordinary shares	<u>145,800</u>	<u>144,600</u>	<u>140,400</u>
		<u>\$ 2,242,960</u>	<u>\$ 2,346,787</u>	<u>\$ 2,377,450</u>

d) Cash in banks

Name	Nature of Transaction	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary				
Cathay United Bank	Time deposits	\$ 1,419,563	\$ 1,280,477	\$ 1,194,424
	Demand deposits	39,102,019	42,819,111	31,219,871
	Checking deposits	186,544	209,910	214,601
	Security deposits	<u>6</u>	<u>6</u>	<u>6</u>
		<u>40,708,132</u>	<u>44,309,504</u>	<u>32,628,902</u>
Indovina Bank	Time deposits	1,875,649	1,817,844	3,036,728
	Demand deposits	<u>11,893</u>	<u>12,382</u>	<u>137,602</u>
		<u>1,887,542</u>	<u>1,830,226</u>	<u>3,174,330</u>
		<u>\$ 42,595,674</u>	<u>\$ 46,139,730</u>	<u>\$ 35,803,232</u>

e) Loans

Name	For the Three Months Ended March 31, 2022		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 832,231</u>	0.75%-3.13%	<u>\$ 817,555</u>

Name	For the Three Months Ended March 31, 2021		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 925,220</u>	0.75%-3.17%	<u>\$ 864,097</u>

f) Balance of bonds managed by related parties

Name	March 31, 2022	December 31, 2021	March 31, 2021
Other related party			
Bonds managed by Octagon Credit Investors, LLC	<u>\$ 5,026,963</u>	<u>\$ 4,888,088</u>	<u>\$ 5,070,505</u>

g) Balance of funds managed by related parties

Name	Item	March 31, 2022	December 31, 2021	March 31, 2021
Other related party				
Funds managed by				
Octagon Credit Investors, LLC	Market value	\$ 2,138,938	\$ 2,075,270	\$ 743,480
	Cost	\$ 2,151,577	\$ 2,041,381	\$ 751,393
Funds managed by				
Global Evolution Holding ApS	Market value	\$ 2,753,293	\$ 2,782,079	\$ 2,769,402
	Cost	\$ 2,506,634	\$ 2,440,596	\$ 2,554,528
Funds managed by				
Cathay Securities Investment Trust	Market value	\$ 77,716,646	\$ 70,780,361	\$ 68,364,924
	Cost	\$ 83,310,132	\$ 71,263,962	\$ 69,536,318
Private Equity Funds managed by Cathay Private Equity				
	Market value	\$ 1,227,610	\$ 1,215,634	\$ 1,018,933
	Cost	\$ 1,190,055	\$ 1,190,055	\$ 989,445

h) Balance of discretionary management investments

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary			
Cathay Securities Investment Trust	\$ 289,321,313	\$ 343,737,780	\$ 320,693,663

i) Other receivables

Name	March 31, 2022	December 31, 2021	March 31, 2021
The Company			
Cathay Financial Holdings (Note)	\$ 7,175,025	\$ 5,253,915	\$ -
Subsidiary			
Indovina Bank	114,263	83,628	36,191
	\$ 7,289,288	\$ 5,337,543	\$ 36,191

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

j) Guarantee deposits paid (for future transactions)

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary			
Cathay Futures	\$ 2,706,989	\$ 2,234,611	\$ 1,938,256

k) Guarantee deposits received

Name	March 31, 2022	December 31, 2021	March 31, 2021
Other related party			
San Ching Engineering Co., Ltd.	\$ 1,870,877	\$ 968,577	\$ 982,804
Ally Logistic Property Co., Ltd.	<u>1,486,507</u>	<u>1,486,507</u>	<u>293,285</u>
	<u>\$ 3,357,384</u>	<u>\$ 2,455,084</u>	<u>\$ 1,276,089</u>

l) Other payables

Name	March 31, 2022	December 31, 2021	March 31, 2021
The Company			
Cathay Financial Holdings (Note)	\$ 381,674	\$ 70,989	\$ 14,315,777
Subsidiary			
Cathay United Bank	<u>671,918</u>	<u>185,415</u>	<u>421,537</u>
	<u>\$ 1,053,592</u>	<u>\$ 256,404</u>	<u>\$ 14,737,314</u>

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

m) Bonds payable

Name	March 31, 2022	December 31, 2021	March 31, 2021
The Company			
Cathay Financial Holdings	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

n) Insurance expense

Name	For the Three Months Ended March 31	
	2022	2021
Subsidiary		
Cathay Century	<u>\$ 102,512</u>	<u>\$ 93,153</u>

o) Other operating costs

Name	For the Three Months Ended March 31	
	2022	2021
Subsidiary		
Cathay United Bank	\$ 262,193	\$ 311,356
Cathay Securities Investment Trust	<u>115,054</u>	<u>115,937</u>
	<u>\$ 377,247</u>	<u>\$ 427,293</u>

p) Finance costs

Name	For the Three Months Ended March 31	
	2022	2021
The Company		
Cathay Financial Holdings	<u>\$ 310,685</u>	<u>\$ 310,685</u>

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

q) Operating expenses

Name	For the Three Months Ended March 31	
	2022	2021
Subsidiary		
Cathay United Bank	\$ 1,932,888	\$ 1,532,434
Associate		
Lin Yuan Property Management Co., Ltd.	<u>224,523</u>	<u>188,149</u>
	<u>\$ 2,157,411</u>	<u>\$ 1,720,583</u>

r) Non-operating income

Name	For the Three Months Ended March 31	
	2022	2021
Subsidiary		
Cathay Century	<u>\$ 163,029</u>	<u>\$ 156,953</u>

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

s) Others

As of March 31, 2022, December 31, 2021 and March 31, 2021, the nominal amounts of the financial instruments transacted between Cathay Life and Cathay United Bank are summarized as follows (in thousands of each currency):

Name	March 31, 2022	December 31, 2021	March 31, 2021
SWAP	<u>US\$ 2,485,000</u>	<u>US\$ 2,885,000</u>	<u>US\$ 2,720,000</u>
Exchange Rate Swap Contracts	<u>NT\$ 100,000</u>	<u>NT\$ 100,000</u>	<u>NT\$ -</u>

2) Cathay United Bank and its subsidiaries

a) Loans and Deposits

March 31, 2022

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-03.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	21	\$ 169,722	\$ 13,826	V	\$ -	None	None	\$ (164)	\$ 200
Self-used housing mortgage loans	251	2,453,178	2,272,739	V	-	Real estate, stocks and certificates of deposits	None	432	28,614

December 31, 2021

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

March 31, 2021

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

Deposits

Name	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary						
Cathay Life	\$ 38,568,504	\$ 3,567	\$ 42,128,322	\$ 6,003	28,420,531	1,396
Cathay Securities	3,929,416	500	14,241,811	1,846	2,609,322	463
Cathay Century	3,021,477	149	2,432,503	415	1,839,633	166
Cathay Life (Vietnam)	1,887,542	27,799	1,830,226	131,557	6,027,516	14,554
Lin Yuan	1,511,675	10,043	1,395,380	38,262	1,280,542	9,348
Cathay Securities						
Investment Consulting	639,210	66	563,928	173	562,405	39
Cathay Industrial R&D Center	552,964	55	713,251	228	723,326	51
Cathay Futures	552,113	34	360,353	643	822,005	522
Cathay Securities						
Investment Trust	468,803	19	159,611	69	155,415	17
Cathay Insurance (Vietnam)	249,671	3,135	243,871	14,584	235,270	3,952
Cathay Venture	39,563	1	55,273	20	160,114	7
	<u>51,420,938</u>	<u>45,368</u>	<u>64,124,529</u>	<u>193,800</u>	<u>42,836,079</u>	<u>30,515</u>
Associate						
Lin Yuan Property Management Co., Ltd.	200,513	308	267,301	1,178	184,648	322
Symphox Information Co., Ltd.	146,273	25	156,393	132	182,437	41
CM Energy Co., Ltd.	77,228	3	116,468	24	310,162	6
CMG International Two Corp.	75,240	2	167,291	2	8,484	1
CMG International One Corp.	65,645	2	120,208	1	3,031	-
	<u>564,899</u>	<u>340</u>	<u>827,661</u>	<u>1,337</u>	<u>688,762</u>	<u>370</u>

(Continued)

Name	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party						
Cathay Life Insurance Employees' Welfare Committee	\$ 2,394,710	\$ 4,632	\$ 2,381,744	\$ 16,982	\$ 2,298,127	\$ 4,183
Cathay United Bank Employees' Welfare Committee	762,703	7,095	760,605	30,847	763,165	7,494
Funds managed by Cathay Securities Investment Trust	675,751	15	695,215	35	63,299	-
Cathay United Bank Foundation	538,664	1,102	541,531	4,189	530,447	1,038
Sanchong Realty Co., Ltd.	495,207	10	-	-	-	-
Cathay Real Estate Development Employees' Welfare Committee	437,539	977	438,380	3,506	415,470	847
Cathay Medical Care Corp.	301,107	24	218,988	48	148,512	10
Cathay Charity Foundation	292,938	525	281,451	1,918	275,092	473
Bannan Realty Co., Ltd.	238,683	6	190,289	30	299,239	8
Cathay Cultural Foundation	208,651	435	210,741	1,598	227,698	395
Pai Hsing Investment Co., Ltd.	153,622	5	142,416	129	3,043	25
Lin Yuan Investment Co., Ltd.	140,797	1	4,490	-	571	-
Bioengine Capital Inc.	137,292	4	26,454	22	-	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	116,971	21	121,802	211	127,412	69
Cathay Hospitality Management Co., Ltd.	113,795	4	163,365	10	33,237	2
Cathay Real Estate Development Co., Ltd.	111,159	5	290,378	28	258,515	4
Cathay Real Estate Management Co., Ltd.	105,579	163	100,559	580	102,194	137
Tai Lung Capital Inc.	104,410	127	91,854	452	78,539	112
Jinhua Realty Co., Ltd.	64,346	1	34,274	23	166,199	4
Ally Logistic Property Co., Ltd.	19,338	1	95,032	10	125,709	3
De Jin Co., Ltd.	-	-	28,972	12	152,663	5
Others	<u>9,024,321</u>	<u>13,732</u>	<u>8,242,474</u>	<u>46,574</u>	<u>7,917,882</u>	<u>12,663</u>
	<u>16,437,583</u>	<u>28,885</u>	<u>15,061,014</u>	<u>107,204</u>	<u>13,987,013</u>	<u>27,472</u>
	<u>\$ 68,423,420</u>	<u>\$ 74,593</u>	<u>\$ 80,013,204</u>	<u>\$ 302,341</u>	<u>\$ 57,511,854</u>	<u>\$ 58,357</u>

(Concluded)

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

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

Name	March 31, 2022		December 31, 2021		March 31, 2021	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party						
Vietinbank	<u>\$ 375,781</u>	<u>\$ 5,889</u>	<u>\$ 365,738</u>	<u>\$ 24,885</u>	<u>\$ 370,854</u>	<u>\$ 6,759</u>

c) Derivatives

March 31, 2022

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2021.04.07-2022.09.28	\$ 71,125,670	\$ 1,792,569	Valuation adjustment for financial assets at FVTPL	\$ 1,692,144
					Valuation adjustment for FVTPL financial liabilities	-
	SWAP - exchange between customers (USD)	2021.04.29-2023.05.04	2,862,200	(13,878)	Valuation adjustment for financial assets at FVTPL	24,222
					Valuation adjustment for FVTPL financial liabilities	(38,100)
Cathay Century	SWAP - exchange between customers (USD)	2021.04.20-2023.03.13	2,724,814	68,727	Valuation adjustment for financial assets at FVTPL	67,450
					Valuation adjustment for FVTPL financial liabilities	-

December 31, 2021

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

March 31, 2021

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

d) Lease agreements

i. Acquisition of right-to-use assets

**For the Three Months Ended  
March 31**

**2022                      2021**

Subsidiary  
Cathay Life

\$ 633,982                      \$ 1,973

ii. Lease liabilities

**March 31, 2022                      December 31, 2021                      March 31, 2021**

Subsidiary  
Cathay Life

\$ 1,595,972                      \$ 1,114,777                      \$ 1,675,434



iii. Guarantee deposits paid

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Subsidiary			
Cathay Life	\$ <u>187,398</u>	\$ <u>187,202</u>	\$ <u>186,551</u>
e) Others			

<b>Item/Name</b>	<b>For the Three Months Ended March 31</b>		
	<b>2022</b>	<b>2021</b>	
<u>Service fee revenue</u>			
Subsidiary			
Cathay Life	\$ 2,195,075	\$ 1,843,341	
<u>General expenses</u>			
Associate			
Symphox Information Co., Ltd.	101,938	140,692	
<b>Item/Name</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
<u>Receivables for insurance commission</u>			
Subsidiary			
Cathay Life	\$ 671,918	\$ 185,415	\$ 421,537
<u>Guarantee deposits paid</u>			
Subsidiary			
Cathay Futures	1,042,569	559,180	530,776
<u>Payables for integrated tax</u>			
The Company			
Cathay Financial Holdings	1,826,933	507,935	1,816,086

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

3) Cathay Century and its subsidiaries

a) Business transactions

Item	Name	For the Three Months Ended March 31	
		2022	2021
Premium income	Subsidiary Cathay Life	<u>\$ 102,512</u>	<u>\$ 93,153</u>
Operating costs			
Marketing expenses	Subsidiary Cathay Life	<u>\$ 161,487</u>	<u>\$ 155,603</u>

b) Payables to related parties

Item	Name	March 31, 2022	December 31, 2021	March 31, 2021
Other payables	The Company Cathay Financial Holdings (Note)	<u>\$ 349,704</u>	<u>\$ 238,909</u>	<u>\$ 445,073</u>

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

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

c) Cash in bank

Item	Name	March 31, 2022	December 31, 2021	March 31, 2021
Checking deposits and demand deposits	Subsidiary Cathay United Bank	\$ 3,001,461	\$ 2,412,487	\$ 1,816,725
	Indovina Bank	8,868	10,489	5,748
Time deposits	Subsidiary Indovina Bank	240,803	233,382	229,523
	Cathay United Bank	<u>20,016</u>	<u>20,016</u>	<u>22,907</u>
		<u>\$ 3,271,148</u>	<u>\$ 2,676,374</u>	<u>\$ 2,074,903</u>

d) Financial assets at FVTPL (beneficiary certificates)

Name	March 31, 2022	December 31, 2021	March 31, 2021
Other related party			
Funds managed by Cathay Securities Investment Trust	<u>\$ 825,177</u>	<u>\$ 1,112,216</u>	<u>\$ 1,211,336</u>

e) Balance of discretionary management investments

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary Cathay Securities Investment Trust	<u>\$ 1,593,216</u>	<u>\$ 1,673,486</u>	<u>\$ 1,462,000</u>

f) Lease agreements

Lease liabilities

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary Cathay Life	<u>\$ 173,304</u>	<u>\$ 203,745</u>	<u>\$ 44,764</u>

g) SWAP

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

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary Cathay United Bank	US\$ 95,200 EUR 1,750	US\$ 95,200 EUR 750	US\$ 95,200 EUR 750

4) Cathay Securities and its subsidiaries

a) Cash in bank

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary Cathay United Bank	<u>\$ 4,022,923</u>	<u>\$ 14,336,986</u>	<u>\$ 2,785,584</u>

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

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

b) Customer's margin accounts

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary Cathay United Bank	<u>\$ 458,772</u>	<u>\$ 265,339</u>	<u>\$ 645,837</u>

c) Futures trader's equity

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary			
Cathay Life	\$ 2,706,989	\$ 2,234,611	\$ 1,938,256
Cathay Securities Investment Trust (Note)	1,265,895	1,151,933	1,073,660
Cathay United Bank	<u>1,042,569</u>	<u>559,180</u>	<u>530,776</u>
	<u>\$ 5,015,453</u>	<u>\$ 3,945,724</u>	<u>\$ 3,542,692</u>

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

d) Other payables

Name	March 31, 2022	December 31, 2021	March 31, 2021
The Company			
Cathay Financial Holdings (Note)	<u>\$ 488,520</u>	<u>\$ 373,017</u>	<u>\$ 287,881</u>

Note: The payables are tax payables under the integrated income tax system.

e) Lease Agreement

Lease liabilities

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary			
Cathay Life	<u>\$ 153,371</u>	<u>\$ 143,275</u>	<u>\$ 43,829</u>

5) Cathay Securities Investment Trust

a) Cash and cash equivalents

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary			
Cathay United Bank	<u>\$ 477,647</u>	<u>\$ 141,266</u>	<u>\$ 132,374</u>

b) Accounts receivable

Name	March 31, 2022	December 31, 2021	March 31, 2021
Other related party			
Funds managed by Cathay Securities Investment Trust	<u>\$ 265,061</u>	<u>\$ 255,172</u>	<u>\$ 224,019</u>

c) Accounts payable

Name	March 31, 2022	December 31, 2021	March 31, 2021
The Company			
Cathay Financial Holdings (Note)	<u>\$ 379,528</u>	<u>\$ 269,811</u>	<u>\$ 271,435</u>

Note: The payables are tax payables under the integrated income tax system.

d) Balance of discretionary management investments

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary			
Cathay Life	\$ 289,321,313	\$ 343,737,780	\$ 320,693,663
Cathay Century	<u>1,593,216</u>	<u>1,673,486</u>	<u>1,462,000</u>
	<u>290,914,529</u>	<u>345,411,266</u>	<u>322,155,663</u>
Other related party			
Cathay Charity Foundation	<u>126,451</u>	<u>134,136</u>	<u>118,657</u>
	<u>\$ 291,040,980</u>	<u>\$ 345,545,402</u>	<u>\$ 322,274,320</u>

e) Management fee income

Name	For the Three Months Ended March 31	
	2022	2021
Subsidiary		
Cathay Life	\$ 115,054	\$ 115,937
Other related party		
Funds managed by Cathay Securities Investment Trust	<u>750,831</u>	<u>642,507</u>
	<u>\$ 865,885</u>	<u>\$ 758,444</u>

6) Cathay Venture

a) Cash and cash equivalents

Name	March 31, 2022	December 31, 2021	March 31, 2021
Subsidiary			
Cathay United Bank	<u>\$ 39,563</u>	<u>\$ 55,273</u>	<u>\$ 160,114</u>

b) Financial assets at FVTPL

Name	March 31, 2022	December 31, 2021	March 31, 2021
Other related party			
Funds managed by Cathay Securities Investment Trust	\$ 307,563	\$ 307,563	\$ 267,563
Cathay Healthcare Management Co., Ltd.	<u>97,845</u>	<u>106,920</u>	<u>143,963</u>
	<u>\$ 405,408</u>	<u>\$ 414,483</u>	<u>\$ 411,526</u>

## 29. PLEDGED ASSETS

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

Item	Description	March 31, 2022	December 31, 2021	March 31, 2021
Time deposits and guarantee deposits paid	Capital guarantee, serving as deposits paid, settlement accounts, overdraft guarantee, collateral for lease of real estate, collateral for court guarantees, provisions for business and collateral	\$ 16,007,075	\$ 15,654,179	\$ 15,376,918
Due from the Central Bank (deposit reserves - general accounts)	(Note)	6,000,000	6,000,000	6,000,000
Financial assets at FVTPL	Collateral for securities lending and guarantee for future transactions	-	-	1,044,981
Financial assets at FVTOCI	Provisions for business and collateral	-	-	12,006,486
Debt instruments at amortized cost	Provisions for business and collateral	57,670,810	57,689,894	45,527,443
Investment properties	Short-term loans	<u>291,175</u>	<u>291,175</u>	<u>291,175</u>
		<u>\$ 79,969,060</u>	<u>\$ 79,635,248</u>	<u>\$ 80,247,003</u>

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

### 30. COMMITMENTS AND CONTINGENT LIABILITIES

#### a. Cathay United Bank

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

#### b. As of March 31, 2022, December 31, 2021 and March 31, 2021 Cathay United Bank and its subsidiaries had the following material commitments for entrusted items and guarantees:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Trust and security held for safekeeping	\$ 916,168,721	\$ 912,272,287	\$ 831,130,974
Collection and payment on behalf of customers	30,863,335	30,506,950	32,295,650
Book-entry for government bonds and depository for short-term marketable securities under management	372,001,054	388,239,044	414,495,150
Entrusted financial management business	25,801,493	11,589,694	12,072,920
Guarantees on duties and contracts	18,547,175	18,242,569	17,043,919
Unused commercial letters of credit	11,440,335	8,182,407	7,552,815
Irrevocable loan commitments	165,775,844	172,956,246	193,834,703
Unused credit card line commitments	696,659,370	686,356,039	671,679,025
Underwritten securities	-	-	3,220,000
Financial guarantee contracts	1,513,526	1,568,438	1,549,099

#### c. As of March 31, 2022, the remaining capital commitments for the contracted private equity fund of Cathay Life were in the amount of NT\$829,500 thousand, US\$4,719,964 thousand, EUR427,376 thousand and GBP1,542 thousand.

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

Cathay Financial Holding Co., Ltd.

Balance Sheets  
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2022 (Reviewed)	December 31, 2021 (Audited)	March 31, 2021 (Reviewed)	LIABILITIES AND EQUITY	March 31, 2022 (Reviewed)	December 31, 2021 (Audited)	March 31, 2021 (Reviewed)
CASH AND CASH EQUIVALENTS	\$ 38,863	\$ 633,233	\$ 220,648	COMMERCIAL PAPER PAYABLE, NET	\$ 58,730,000	\$ 58,510,000	\$ 38,270,000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	35,763,000	36,260,000	36,921,500	PAYABLES	7,723,926	6,024,616	516,480
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	147,234	143,491	129,425	CURRENT TAX LIABILITIES	7,057,511	7,057,511	28,563,689
RECEIVABLES, NET	3,432,360	1,466,748	17,147,774	BONDS PAYABLE	50,000,000	50,000,000	50,000,000
CURRENT TAX ASSETS	4,294,817	4,102,282	4,305,450	PROVISIONS	753,099	749,874	739,733
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	835,380,032	981,855,958	913,422,544	LEASE LIABILITIES	92,659	124,980	214,196
PROPERTY AND EQUIPMENT, NET	52,375	55,225	55,838	DEFERRED TAX LIABILITIES	266,714	266,714	266,714
RIGHT-OF-USE ASSETS	91,242	123,677	213,467	OTHER LIABILITIES	638	579	163,916
DEFERRED TAX ASSETS	33,885	35,604	27,030	Total liabilities	<u>124,624,547</u>	<u>122,734,274</u>	<u>118,734,728</u>
OTHER ASSETS	<u>117,664</u>	<u>96,202</u>	<u>45,686</u>	EQUITY			
				Share capital			
				Ordinary shares	131,692,102	131,692,102	131,692,102
				Preference shares	15,333,000	15,333,000	15,333,000
				Capital surplus	177,124,151	177,244,388	177,256,371
				Retained earnings			
				Legal reserve	59,471,895	59,471,895	51,967,688
				Special reserve	150,716,023	150,716,023	149,894,910
				Unappropriated earnings	302,082,660	267,799,001	227,608,946
				Other equity	<u>(81,692,906)</u>	<u>99,781,737</u>	<u>100,001,617</u>
				Total equity	<u>754,726,925</u>	<u>902,038,146</u>	<u>853,754,634</u>
TOTAL	<u>\$ 879,351,472</u>	<u>\$1,024,772,420</u>	<u>\$ 972,489,362</u>	TOTAL	<u>\$ 879,351,472</u>	<u>\$1,024,772,420</u>	<u>\$ 972,489,362</u>



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

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

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>REVENUE</b>		
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 35,045,800	\$ 57,048,498
Other operating income	<u>310,826</u>	<u>797,424</u>
Total revenue	<u>35,356,626</u>	<u>57,845,922</u>
<b>EXPENSES AND LOSSES</b>		
Operating expenses	(415,658)	(392,090)
Other expenses and losses	<u>(658,896)</u>	<u>(126,849)</u>
Total expenses and losses	<u>(1,074,554)</u>	<u>(518,939)</u>
<b>INCOME BEFORE TAX</b>	34,282,072	57,326,983
<b>INCOME TAX (EXPENSE) BENEFIT</b>	<u>(75,310)</u>	<u>39,043</u>
<b>NET INCOME</b>	<u>34,206,762</u>	<u>57,366,026</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified subsequently to profit or loss:		
Gain on equity instruments at fair value through other comprehensive income	3,743	13,225
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	5,503,441	9,798,063
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	<u>(186,904,930)</u>	<u>(106,473,028)</u>
Other comprehensive loss for the period, net of income tax	<u>(181,397,746)</u>	<u>(96,661,740)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u>\$(147,190,984)</u>	<u>\$(39,295,714)</u>
<b>EARNINGS PER SHARE</b>		
Basic	<u>\$2.60</u>	<u>\$4.36</u>

Cathay Financial Holding Co., Ltd.

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

	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Other Equity		Gains on Property Revaluation	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach	Others	Total Equity
	Ordinary Shares	Preference Shares		Legal Reserve	Special Reserve	Unappropriated Earnings				Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement Of Defined Benefit Plans				
BALANCE AT JANUARY 1, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,256,053	\$ 51,967,688	\$ 149,894,910	\$ 169,606,342	\$ (15,464,009)	\$ 106,207,840	\$ 347,871	\$ (1,478,705)	\$ (1,966,279)	\$ 11,097,089	\$ 102,511,617	\$ (3,944,303)	\$ 893,061,216
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	318	-	-	-	-	-	-	-	-	-	-	-	318
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,186)	(11,186)
Net income for the three months ended March 31, 2021	-	-	-	-	-	57,366,026	-	-	-	-	-	-	-	-	57,366,026
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	66,246	(66,161,518)	(116,194)	365,354	(9,638)	-	(30,805,990)	-	(96,661,740)
Total comprehensive income (loss) for three months ended March 31, 2021	-	-	-	-	-	57,366,026	66,246	(66,161,518)	(116,194)	365,354	(9,638)	-	(30,805,990)	-	(39,295,714)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	636,578	-	(636,578)	-	-	-	-	-	-	-
BALANCE AT MARCH 31, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,256,371	\$ 51,967,688	\$ 149,894,910	\$ 227,608,946	\$ (15,397,763)	\$ 39,409,744	\$ 231,677	\$ (1,113,351)	\$ (1,975,917)	\$ 11,097,089	\$ 71,705,627	\$ (3,955,489)	\$ 853,754,634
BALANCE AT JANUARY 1, 2022	\$ 131,692,102	\$ 15,333,000	\$ 177,244,388	\$ 59,471,895	\$ 150,716,023	\$ 267,799,001	\$ (18,652,251)	\$ 47,131,473	\$ 335,851	\$ (889,397)	\$ (966,130)	\$ 11,281,909	\$ 64,764,671	\$ (3,224,389)	\$ 902,038,146
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(120,237)	-	-	-	-	-	-	-	-	-	-	-	(120,237)
Net income for the three months ended March 31, 2022	-	-	-	-	-	34,206,762	-	-	-	-	-	-	-	-	34,206,762
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	-	3,653,387	(104,732,261)	10,532	266,813	1,066	-	(80,597,283)	-	(181,397,746)
Total comprehensive income (loss) for three months ended March 31, 2022	-	-	-	-	-	34,206,762	3,653,387	(104,732,261)	10,532	266,813	1,066	-	(80,597,283)	-	(147,190,984)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	76,897	-	(76,897)	-	-	-	-	-	-	-
BALANCE AT MARCH 31, 2022	\$ 131,692,102	\$ 15,333,000	\$ 177,124,151	\$ 59,471,895	\$ 150,716,023	\$ 302,082,660	\$ (14,998,864)	\$ (57,677,685)	\$ 346,383	\$ (622,584)	\$ (965,064)	\$ 11,281,909	\$ (15,832,612)	\$ (3,224,389)	\$ 754,726,925

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

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

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 34,282,072	\$ 57,326,983
Adjustments for:		
Depreciation expenses	35,879	35,335
Loss (gain) on of financial assets at fair value through profit or loss	497,000	(476,000)
Interest income	(310,797)	(321,414)
Interest expenses	153,347	121,499
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(35,045,800)	(57,048,498)
Changes in operating assets and liabilities		
Other assets	221	(4,664)
Payables	(318,265)	(276,064)
Provisions	3,225	(3,966)
Other liabilities	59	30
Cash used in operations	(703,059)	(646,759)
Interest received	200	10,781
Interest paid	(54,225)	(22,695)
Income tax paid	(31)	(23,806)
Net cash used in operating activities	(757,115)	(682,479)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(594)	(53)
Increase in other assets	(24,340)	(256)
Net cash used in investing activities	(24,934)	(309)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in commercial paper payable	220,000	20,000
Repayments of the principal portion of lease liabilities	(32,321)	(31,838)
Net cash generated from (used in) financing activities	187,679	(11,838)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(594,370)	(694,626)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNINGS OF THE PERIOD</b>	633,233	915,274
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	\$ 38,863	\$ 220,648

## 32. INFORMATION OF THE COMPANY'S SUBSIDIARIES

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

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

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

Assets	March 31	
	2022	2021
Cash and cash equivalents	\$ 276,279,862	\$ 395,705,088
Receivables	78,708,282	79,701,139
Financial assets at fair value through profit or loss	1,539,527,952	1,409,405,638
Financial assets at fair value through other comprehensive income	1,350,475,200	1,282,491,694
Financial assets at amortized cost	2,780,975,109	2,644,806,486
Financial assets for hedging	251,542	146,269
Investments accounted for using the equity method	106,397,739	104,180,478
Investment property	476,589,276	465,424,820
Loans	482,470,870	487,679,906
Reinsurance assets	1,920,081	2,068,691
Property and equipment	28,696,503	26,820,328
Right-of-use assets	333,338	472,886
Intangible assets	27,122,578	28,992,227
Deferred tax assets	65,642,698	56,058,507
Other assets	62,200,112	39,821,029
Separate account insurance product assets	<u>714,574,057</u>	<u>670,987,420</u>
Total	<u>\$ 7,992,165,199</u>	<u>\$ 7,694,762,606</u>
<b>Liabilities</b>		
Payables	\$ 22,861,504	\$ 48,304,379
Current tax liabilities	160,141	160,145
Financial liabilities at fair value through profit or loss	54,930,618	29,197,716
Financial liabilities for hedging	764,202	-
Bonds payable	80,000,000	80,000,000
Insurance liabilities	6,453,030,859	6,118,569,184
Reserve for insurance contracts with the nature of financial products	1,207,873	1,062,808
Reserve for foreign exchange valuation	23,044,650	13,522,294
Provisions	56,245	56,245
Lease liabilities	9,056,175	9,176,075
Deferred tax liabilities	34,487,001	45,637,913
Other liabilities	11,688,354	11,485,256
Separate account insurance product liabilities	<u>714,574,057</u>	<u>670,987,420</u>
Total liabilities	<u>7,405,861,679</u>	<u>7,028,159,435</u>
<b>Equity</b>		
Share capital	58,515,274	58,515,274
Capital surplus	60,474,631	60,606,851
Retained earnings	555,891,162	465,739,794
Other equity	<u>(88,577,547)</u>	<u>81,741,252</u>
Total equity	<u>586,303,520</u>	<u>666,603,171</u>
Total	<u>\$ 7,992,165,199</u>	<u>\$ 7,694,762,606</u>

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 184,258,873	\$ 273,803,680
Operating costs	(149,294,811)	(214,050,613)
Operating expenses	(5,879,010)	(5,472,906)
Operating income	29,085,052	54,280,161
Non-operating income and expenses	455,083	406,307
Profit before income tax	29,540,135	54,686,468
Income tax expense	(3,498,488)	(4,986,775)
Net income	26,041,647	49,699,693
Other comprehensive loss	(174,060,802)	(96,813,018)
 Total comprehensive loss	 \$(148,019,155)	 \$ (47,113,325)
 Basic earnings per share	 \$4.45	 \$8.49

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

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

	<b>March 31</b>	
<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 1,973,370	\$ 1,859,100
Receivables	1,415,902	1,583,123
Current tax assets	-	37,316
Financial assets at fair value through profit or loss	69,518,614	53,286,729
Financial assets at amortized cost	1,119,428	1,085,385
Loans	2,166,217	1,474,282
Reinsurance assets	151,557	137,526
Property and equipment	118,388	100,852
Right-of-use assets	460,468	258,018
Intangible assets	34,071	33,022
Other assets	2,770,110	2,693,062
Separate account insurance product assets	<u>115,699</u>	<u>127,533</u>
<b>Total</b>	<u>\$ 79,843,824</u>	<u>\$ 62,675,948</u>
<b>Liabilities</b>		
Payables	\$ 1,961,664	\$ 2,201,715
Insurance liabilities	48,001,966	34,632,795
Reserve for insurance contracts with the nature of financial instruments	15,465,388	13,182,869
Lease liabilities	462,135	243,653
Other liabilities	198,829	147,651
Separate account insurance product liabilities	<u>115,699</u>	<u>127,533</u>
<b>Total liabilities</b>	<u>66,205,681</u>	<u>50,536,216</u>
<b>Equity</b>		
Capital	13,497,155	13,497,155
Retained earnings	(678,164)	(1,252,650)
Other equity	<u>819,152</u>	<u>(104,773)</u>
<b>Total equity</b>	<u>13,638,143</u>	<u>12,139,732</u>
<b>Total</b>	<u>\$ 79,843,824</u>	<u>\$ 62,675,948</u>

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 5,847,706	\$ 5,436,951
Operating costs	(5,513,310)	(4,812,278)
Operating expenses	(473,182)	(469,811)
Operating (loss) income	(138,786)	154,862
Non-operating income and expenses	(266)	3,931
(Loss) profit before income tax	(139,052)	158,793
Income tax benefit (expense)	81,963	(10,620)
Net (loss) income	(57,089)	148,173
Other comprehensive income (loss)	606,942	(40,730)
 Total comprehensive income	 \$ 549,853	 \$ 107,443
 Basic earnings per share	 Note	 Note

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

**Cathay Life Insurance Company (Vietnam)**

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

	<b>March 31</b>	
<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 8,186,181	\$ 10,702,311
Receivables	838,829	471,493
Financial assets at fair value through profit or loss	20,072,070	15,909,708
Financial assets at amortized cost	4,712,408	2,760,482
Loans	144,036	102,153
Property and equipment	13,332	18,147
Right-of-use assets	148,778	123,986
Intangible assets	2,640	3,266
Other assets	<u>101,889</u>	<u>89,316</u>
<b>Total</b>	<b><u>\$ 34,220,163</u></b>	<b><u>\$ 30,180,862</u></b>
<b>Liabilities</b>		
Payables	\$ 217,669	\$ 186,635
Insurance liabilities	9,970,050	6,269,634
Lease liabilities	<u>147,740</u>	<u>119,627</u>
<b>Total liabilities</b>	<b><u>10,335,459</u></b>	<b><u>6,575,896</u></b>
<b>Equity</b>		
Capital	20,370,930	20,370,930
Retained earnings	(455,664)	95,745
Other equity	<u>3,969,438</u>	<u>3,138,291</u>
<b>Total equity</b>	<b><u>23,884,704</u></b>	<b><u>23,604,966</u></b>
<b>Total</b>	<b><u>\$ 34,220,163</u></b>	<b><u>\$ 30,180,862</u></b>



**Cathay Life Insurance Company (Vietnam)**

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

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 1,233,478	\$ 940,045
Operating costs	(590,147)	340,108
Operating expenses	<u>(253,221)</u>	<u>(248,839)</u>
Operating income	390,110	1,031,314
Non-operating income and expenses	<u>3,695</u>	<u>1,910</u>
Net income	393,805	1,033,224
Other comprehensive income	<u>714,999</u>	<u>310,005</u>
Total comprehensive income	<u>\$ 1,108,804</u>	<u>\$ 1,343,229</u>
Basic earnings per share	Note	Note

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

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

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

	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets	\$ 330,114	\$ 288,153
Financial assets at amortized cost	1,556,709	1,327,207
Investment property	7,328,934	7,026,882
Property and equipment	<u>2</u>	<u>2</u>
Total	<u>\$ 9,215,759</u>	<u>\$ 8,642,244</u>
<b>Liabilities</b>		
Current liabilities	\$ 11,688	\$ 13,213
Deferred tax liabilities	604,886	532,602
Other non-current liabilities	<u>96,521</u>	<u>94,429</u>
Total liabilities	<u>713,095</u>	<u>640,244</u>
<b>Equity</b>		
Capital	7,223,435	7,223,435
Retained earnings	1,573,589	1,376,010
Other equity	<u>(294,360)</u>	<u>(597,445)</u>
Total equity	<u>8,502,664</u>	<u>8,002,000</u>
Total	<u>\$ 9,215,759</u>	<u>\$ 8,642,244</u>

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 59,162	\$ 76,943
Operating expenses	<u>(16,719)</u>	<u>(10,267)</u>
Profit before income tax	42,443	66,676
Income tax expense	<u>(10,611)</u>	<u>(16,669)</u>
Net income	31,832	50,007
Other comprehensive income (loss)	<u>322,819</u>	<u>(14,391)</u>
Total comprehensive income	<u>\$ 354,651</u>	<u>\$ 35,616</u>
Basic earnings per share	Note	Note

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

**Cathay Woolgate Exchange Holding 1 Limited**

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

	<b>March 31</b>	
<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current assets	\$ 3,110,966	\$ 3,574,831
Investment property	<u>10,004,830</u>	<u>9,948,636</u>
<b>Total</b>	<u>\$ 13,115,796</u>	<u>\$ 13,523,467</u>
<b>Liabilities</b>		
Current liabilities	\$ 209	\$ 58,297
<b>Total liabilities</b>	<u>209</u>	<u>58,297</u>
<b>Equity</b>		
Capital	16,654,013	16,654,013
Retained earnings	1,099,962	887,442
Other equity	<u>(4,638,388)</u>	<u>(4,076,285)</u>
<b>Total equity</b>	<u>13,115,587</u>	<u>13,465,170</u>
<b>Total</b>	<u>\$ 13,115,796</u>	<u>\$ 13,523,467</u>

**Cathay Woolgate Exchange Holding 1 Limited**

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

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 1,341	\$ 1,175
Operating expenses	<u>(130,838)</u>	<u>(4,724)</u>
Net loss	(129,497)	(3,549)
Other comprehensive income	<u>102,495</u>	<u>97,025</u>
<b>Total comprehensive (loss) income</b>	<u>\$ (27,002)</u>	<u>\$ 93,476</u>
Basic earnings per share	Note	Note

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

**Cathay Woolgate Exchange Holding 2 Limited**

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

	<b>March 31</b>	
<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current assets	\$ 29,056	\$ 34,298
Investment property	<u>101,059</u>	<u>100,491</u>
<b>Total</b>	<u><b>\$ 130,115</b></u>	<u><b>\$ 134,789</b></u>
<b>Liabilities</b>		
Current liabilities	\$ 209	\$ 833
<b>Total liabilities</b>	<u>209</u>	<u>833</u>
<b>Equity</b>		
Capital	168,222	168,222
Retained earnings	8,495	6,957
Other equity	<u>(46,811)</u>	<u>(41,223)</u>
<b>Total equity</b>	<u>129,906</u>	<u>133,956</u>
<b>Total</b>	<u><b>\$ 130,115</b></u>	<u><b>\$ 134,789</b></u>

**Cathay Woolgate Exchange Holding 2 Limited**

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

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ -	\$ 10
Operating expenses	<u>(1,555)</u>	<u>(219)</u>
Net loss	(1,555)	(209)
Other comprehensive income	<u>1,017</u>	<u>966</u>
<b>Total comprehensive (loss) income</b>	<u><b>\$ (538)</b></u>	<u><b>\$ 757</b></u>
Basic earnings per share	Note	Note

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

**Cathay Walbrook Holding 1 Limited**

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

	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets	\$ 1,181,303	\$ 1,598,676
Investment property	19,384,087	20,464,898
Other non-current assets	<u>64</u>	<u>66</u>
Total	<u>\$ 20,565,454</u>	<u>\$ 22,063,640</u>
<b>Liabilities</b>		
Current liabilities	\$ 12,377	\$ 188,777
Non-current liabilities	<u>11,826,406</u>	<u>12,851,127</u>
Total liabilities	<u>11,838,783</u>	<u>13,039,904</u>
<b>Equity</b>		
Capital	10,189,090	10,189,090
Retained earnings	758,267	685,772
Other equity	<u>(2,220,686)</u>	<u>(1,851,126)</u>
Total equity	<u>8,726,671</u>	<u>9,023,736</u>
Total	<u>\$ 20,565,454</u>	<u>\$ 22,063,640</u>

**Cathay Walbrook Holding 1 Limited**

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

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 198,051	\$ 212,624
Operating costs	(91,860)	(92,626)
Operating expenses	<u>9,199</u>	<u>(6,038)</u>
Profit before income tax	115,390	113,960
Income tax expense	<u>(39,377)</u>	<u>(22,792)</u>
Net income	76,013	91,168
Other comprehensive income	<u>67,018</u>	<u>64,525</u>
Total comprehensive income	<u>\$ 143,031</u>	<u>\$ 155,693</u>
Basic earnings per share	Note	Note

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

**Cathay Walbrook Holding 2 Limited**

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

<b>Assets</b>	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Current assets	\$ 64,339	\$ 78,933
Investment property	1,020,215	1,077,100
Other non-current assets	64	66
Total	<u>\$ 1,084,618</u>	<u>\$ 1,156,099</u>
<b>Liabilities</b>		
Current liabilities	\$ 855	\$ 9,707
Non-current liabilities	629,764	676,375
Total liabilities	<u>630,619</u>	<u>686,082</u>
<b>Equity</b>		
Capital	536,268	536,268
Retained earnings	34,188	30,960
Other equity	(116,457)	(97,211)
Total equity	<u>453,999</u>	<u>470,017</u>
Total	<u>\$ 1,084,618</u>	<u>\$ 1,156,099</u>

**Cathay Walbrook Holding 2 Limited**

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

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 10,424	\$ 11,190
Operating costs	(4,892)	(4,875)
Operating expenses	172	(559)
Profit before income tax	5,704	5,756
Income tax expense	(2,013)	(1,151)
Net income	3,691	4,605
Other comprehensive income	3,488	3,362
Total comprehensive income	<u>\$ 7,179</u>	<u>\$ 7,967</u>
Basic earnings per share	Note	Note

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

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

	<b>March 31</b>	
<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current assets	\$ 6,073,853	\$ 5,264,366
Financial assets at fair value through profit or loss	1,319,561	1,066,291
Financial assets at fair value through other comprehensive income	6,067	4,484
Property and equipment	1,103,578	988,469
Right-of-use assets	734,240	849,411
Intangible assets	14,279,824	14,613,966
Deferred tax assets	286,962	142,316
Other non-current assets	569,324	349,982
Total	\$ 24,373,409	\$ 23,279,285
<b>Liabilities</b>		
Current liabilities	\$ 2,776,441	\$ 2,941,396
Lease liabilities	843,912	950,717
Financial liabilities for hedging	3,453	43,129
Deferred tax liabilities	949,304	829,779
Other non-current liabilities	4,119,874	4,448,607
Total liabilities	8,692,984	9,213,628
<b>Equity</b>		
Capital	99,314	99,343
Capital surplus	15,624,225	15,624,196
Retained earnings	4,300,848	3,373,304
Other equity	(5,237,909)	(6,075,735)
Non-controlling interests	893,947	1,044,549
Total equity	15,680,425	14,065,657
Total	\$ 24,373,409	\$ 23,279,285

**Conning Holdings Limited**

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

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 2,398,374	\$ 2,399,141
Operating costs	(256,640)	(211,759)
Operating expenses	<u>(1,728,337)</u>	<u>(1,686,877)</u>
Profit before income tax	413,397	500,505
Income tax expense	<u>(141,373)</u>	<u>(140,372)</u>
Net income	272,024	360,133
Other comprehensive income	<u>465,098</u>	<u>6,397</u>
Total comprehensive income	<u>\$ 737,122</u>	<u>\$ 366,530</u>
Basic earnings per share	Note	Note

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



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

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

	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets	\$ 404,455	\$ 574,629
Investment property	1,662,565	1,675,410
Deferred tax assets	15,185	-
Other assets	<u>169,616</u>	<u>161,819</u>
Total	<u>\$ 2,251,821</u>	<u>\$ 2,411,858</u>
 <b>Liabilities</b>		
Current liabilities	\$ 320	\$ 7
Leased liabilities	<u>1,345,760</u>	<u>1,427,976</u>
Total liabilities	<u>1,346,080</u>	<u>1,427,983</u>
 <b>Equity</b>		
Share capital	1,000,000	1,000,000
Retained earnings	<u>(94,259)</u>	<u>(16,125)</u>
Total equity	<u>905,741</u>	<u>983,875</u>
Total	<u>\$ 2,251,821</u>	<u>\$ 2,411,858</u>

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

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

	<b>From January 1 to March 31, 2022</b>	<b>From January 8 to March 31, 2021</b>
Operating revenue	\$ 45	\$ 30
Operating costs	(13,368)	(14,185)
Operating expenses	<u>(254)</u>	<u>(1,970)</u>
Operating loss	(13,577)	(16,125)
Non-operating income and expenses	<u>(519)</u>	<u>-</u>
Loss before income tax	(14,096)	(16,125)
Income tax benefits	<u>2,819</u>	<u>-</u>
Net loss	(11,277)	(16,125)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>\$ (11,277)</u>	<u>\$ (16,125)</u>
Basic loss per share	<u>\$ (0.11)</u>	<u>\$ (0.16)</u>

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

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

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

	<b>March 31</b>	
<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 13,251,692	\$ 10,362,728
Receivables	2,276,355	2,059,915
Financial assets at fair value through profit or loss	11,560,905	12,399,407
Financial assets at fair value through other comprehensive income	712,981	1,182,347
Financial assets at amortized cost	7,155,041	6,879,130
Investments accounted for using the equity method	3,030,378	2,858,924
Loans	177,934	205,557
Reinsurance assets	9,790,584	8,351,963
Property and equipment	203,026	178,922
Right-of-use assets	204,354	72,625
Intangible assets	81,264	84,210
Deferred tax assets	239,985	185,738
Other assets	<u>633,025</u>	<u>621,490</u>
<b>Total</b>	<u>\$ 49,317,524</u>	<u>\$ 45,442,956</u>
<b>Liabilities</b>		
Payables	\$ 2,815,399	\$ 2,784,534
Financial liabilities at fair value through profit or loss	123,011	22,438
Lease liabilities	204,368	72,592
Insurance liabilities	29,870,807	27,372,339
Provisions	464,214	453,959
Deferred tax liabilities	270,948	271,170
Other liabilities	<u>995,506</u>	<u>657,628</u>
<b>Total liabilities</b>	<u>34,744,253</u>	<u>31,634,660</u>
<b>Equity</b>		
Share capital	3,057,052	3,057,052
Capital surplus	518,326	518,326
Retained earnings	11,273,160	10,170,483
Other equity	<u>(275,267)</u>	<u>62,435</u>
<b>Total equity</b>	<u>14,573,271</u>	<u>13,808,296</u>
<b>Total</b>	<u>\$ 49,317,524</u>	<u>\$ 45,442,956</u>

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 5,926,393	\$ 5,105,860
Operating costs	(3,799,915)	(3,532,287)
Operating expenses	<u>(1,166,543)</u>	<u>(1,014,507)</u>
Operating profit	959,935	559,066
Non-operating income and expenses	<u>(1,588)</u>	<u>(354)</u>
Profit before income tax	958,347	558,712
Income tax expense	<u>(122,546)</u>	<u>(67,416)</u>
Net income	835,801	491,296
Other comprehensive (loss) income	<u>(709,843)</u>	<u>187,174</u>
Total comprehensive income	<u>\$ 125,958</u>	<u>\$ 678,470</u>
Basic earnings per share	<u>\$2.73</u>	<u>\$1.61</u>

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

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

<b>Assets</b>	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 268,452	\$ 234,787
Receivables	65,530	73,155
Financial assets at amortized cost	607,811	525,360
Reinsurance assets	212,676	94,190
Property and equipment	5,542	8,400
Right-of-use assets	11,882	18,197
Intangible assets	19,246	9,721
Other assets	<u>65,726</u>	<u>66,333</u>
Total	<u>\$ 1,256,865</u>	<u>\$ 1,030,143</u>
 <b>Liabilities</b>		
Payables	\$ 199,746	\$ 146,534
Insurance liabilities	373,098	230,132
Lease liabilities	12,665	18,608
Deferred tax liabilities	97	112
Other liabilities	<u>18,686</u>	<u>15,233</u>
Total liabilities	<u>604,292</u>	<u>410,619</u>
 <b>Equity</b>		
Capital	845,585	845,585
Retained earnings	(25,576)	(48,784)
Other equity	<u>(167,436)</u>	<u>(177,277)</u>
Total equity	<u>652,573</u>	<u>619,524</u>
Total	<u>\$ 1,256,865</u>	<u>\$ 1,030,143</u>

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

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

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 99,131	\$ 86,918
Operating costs	(21,850)	(20,077)
Operating expenses	<u>(70,629)</u>	<u>(53,533)</u>
Operating income	6,652	13,308
Non-operating income and expenses	<u>(21)</u>	<u>(905)</u>
Profit before income tax	6,631	12,403
Income tax expense	<u>(2,022)</u>	<u>(3,937)</u>
Net income	4,609	8,466
Other comprehensive income	<u>20,901</u>	<u>557</u>
Total comprehensive income	<u>\$ 25,510</u>	<u>\$ 9,023</u>
Basic earnings per share	Note	Note

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

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

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

	<b>March 31</b>	
<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 52,792,101	\$ 88,508,973
Due from the Central Bank and call loans to banks	239,558,280	126,288,620
Financial assets at fair value through profit or loss	294,943,939	290,400,636
Financial assets at fair value through other comprehensive income	288,415,481	258,686,458
Debt instruments at amortized cost	580,970,040	529,898,234
Notes and bonds purchased under resale agreements	41,826,106	14,679,752
Receivables	87,703,866	92,094,689
Assets held for sale	271,823	-
Loans	1,789,713,235	1,672,549,621
Investments accounted for using the equity method	26,767,939	25,307,813
Other financial assets	4,506,550	-
Property and equipment	23,289,318	24,084,791
Right-of-use assets	3,714,389	3,483,743
Investment property	622,940	646,445
Intangible assets	7,735,508	7,636,372
Deferred tax assets	4,110,325	4,218,037
Other assets	27,864,117	27,260,990
<b>Total</b>	<b>\$ 3,474,805,957</b>	<b>\$ 3,165,745,174</b>
<b>Liabilities</b>		
Deposits from the Central Bank and banks	\$ 98,138,532	\$ 78,727,814
Due to the Central Bank and banks	1,076,000	1,076,000
Financial liabilities at fair value through profit or loss	86,395,784	94,093,495
Notes and bonds under repurchase agreements	29,526,029	10,434,920
Payables	21,252,740	20,810,097
Current tax liabilities	49,163	261,188
Deposits and remittances	2,897,104,244	2,607,833,364
Financial debentures payable	47,360,991	52,300,000
Other financial liabilities	30,608,394	32,479,573
Provisions	3,540,609	3,670,837
Lease liabilities	3,766,719	3,537,716
Deferred tax liabilities	1,815,056	2,916,521
Other liabilities	7,806,763	9,150,504
<b>Total liabilities</b>	<b>3,228,441,024</b>	<b>2,917,292,029</b>
<b>Equity</b>		
Share capital	106,985,830	106,985,830
Capital surplus	38,687,276	38,687,276
Retained earnings	105,180,297	95,787,914
Other equity	(4,488,470)	6,992,125
<b>Total equity</b>	<b>246,364,933</b>	<b>248,453,145</b>
<b>Total</b>	<b>\$ 3,474,805,957</b>	<b>\$ 3,165,745,174</b>

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

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

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Interest income	\$ 11,216,998	\$ 10,426,199
Interest expense	<u>(1,873,760)</u>	<u>(1,908,259)</u>
Net interest income	9,343,238	8,517,940
Net income and gains other than interest income	<u>6,702,693</u>	<u>6,936,612</u>
Profit from operations	<u>16,045,931</u>	<u>15,454,552</u>
Provision for bad debt, commitments and guarantee reserve	(268,261)	(957,393)
Operating expenses	<u>(7,730,102)</u>	<u>(7,271,528)</u>
Profit before income tax	8,047,568	7,225,631
Income tax expense	<u>(1,315,000)</u>	<u>(860,000)</u>
Net income	6,732,568	6,365,631
Other comprehensive loss	<u>(6,718,747)</u>	<u>(209,358)</u>
 Total comprehensive income	 <u>\$ 13,821</u>	 <u>\$ 6,156,273</u>
 Basic earnings per share	 <u>\$0.63</u>	 <u>\$0.59</u>

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

	<b>March 31</b>	
<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 1,993,649	\$ 5,905,578
Due from the Central Bank and call loans to banks	5,690,531	5,262,264
Financial assets at fair value through profit or loss	1,875,494	2,056,981
Financial assets at fair value through other comprehensive income	11,405,949	9,713,559
Notes and bonds purchased under resale agreements	6,728,475	2,620,311
Receivables	497,156	533,957
Loans	40,402,688	41,576,858
Property and equipment	675,153	692,709
Right-of-use assets	149,194	157,478
Intangible assets	33,269	39,810
Other assets	<u>75,941</u>	<u>66,412</u>
<b>Total</b>	<u>\$ 69,527,499</u>	<u>\$ 68,625,917</u>
<b>Liabilities</b>		
Due to the Central Bank and banks	\$ 11,468,169	\$ 1,155,935
Financial liabilities at fair value through profit or loss	18,780	-
Payables	1,351,331	2,861,879
Current tax liabilities	113,815	73,734
Deposits and remittances	47,357,861	56,202,202
Provisions	9,928	12,172
Lease liabilities	121,651	145,069
Deferred tax liabilities	132,191	163,177
Other liabilities	<u>14,496</u>	<u>23,902</u>
<b>Total liabilities</b>	<u>60,588,222</u>	<u>60,638,070</u>
<b>Equity</b>		
Capital	6,094,911	6,094,911
Retained earnings	2,500,084	1,368,358
Other equity	<u>344,282</u>	<u>524,578</u>
<b>Total equity</b>	<u>8,939,277</u>	<u>7,987,847</u>
<b>Total</b>	<u>\$ 69,527,499</u>	<u>\$ 68,625,917</u>



**Indovina Bank Limited**

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Interest income	\$ 913,696	\$ 972,189
Interest expense	<u>(462,174)</u>	<u>(576,160)</u>
Net interest income	451,522	396,029
Net income and gains other than interest income	<u>37,943</u>	<u>102,350</u>
Profit from operations	<u>489,465</u>	<u>498,379</u>
Provision for bad debt, commitments, and guarantee reserve	27,745	(187,641)
Operating expenses	<u>(162,305)</u>	<u>(195,988)</u>
Profit before income tax	354,905	114,750
Income tax expense	<u>(75,632)</u>	<u>(38,967)</u>
Net income	279,273	75,783
Other comprehensive (loss) income	<u>(92,176)</u>	<u>136,782</u>
 Total comprehensive income	 <u>\$ 187,097</u>	 <u>\$ 212,565</u>
 Basic earnings per share	 Note	 Note

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

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

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

	<b>March 31</b>	
<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 1,208,922	\$ 1,225,162
Due from the Central Bank and call loans to banks	1,432,988	2,429,173
Financial assets at fair value through other comprehensive income	732	730
Receivables	88,898	87,573
Current tax assets	-	4,099
Loans	9,970,947	7,339,747
Property and equipment	155,768	177,221
Right-of-use assets	69,662	87,153
Intangible assets	25,474	35,403
Deferred tax assets	9,116	6,348
Other assets	<u>73,163</u>	<u>54,027</u>
<b>Total</b>	<b><u>\$ 13,035,670</u></b>	<b><u>\$ 11,446,636</u></b>
<b>Liabilities</b>		
Deposits from the Central Bank and banks	\$ 2,926,023	\$ 594,358
Payables	269,282	263,383
Current tax liabilities	12,611	25,277
Deposits and remittances	6,658,758	7,482,587
Provisions	1,343	1,501
Lease liabilities	74,765	91,838
Deferred tax liabilities	-	11,928
Other liabilities	<u>9,770</u>	<u>6,864</u>
<b>Total liabilities</b>	<b><u>9,952,552</u></b>	<b><u>8,477,736</u></b>
<b>Equity</b>		
Share capital	3,020,769	3,020,769
Retained earnings	238,628	135,883
Other equity	<u>(176,279)</u>	<u>(187,752)</u>
<b>Total equity</b>	<b><u>3,083,118</u></b>	<b><u>2,968,900</u></b>
<b>Total</b>	<b><u>\$ 13,035,670</u></b>	<b><u>\$ 11,446,636</u></b>

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Interest income	\$ 183,552	\$ 156,494
Interest expense	<u>(43,648)</u>	<u>(37,026)</u>
Net interest income	139,904	119,468
Net income and gains other than interest income	<u>12,814</u>	<u>7,387</u>
Profit from operations	<u>152,718</u>	<u>126,855</u>
Provision for bad debt, commitments, and guarantee reserve	(5,575)	8,429
Operating expenses	<u>(103,363)</u>	<u>(91,644)</u>
Profit before income tax	43,780	43,640
Income tax expense	<u>(9,699)</u>	<u>(10,182)</u>
Net income	34,081	33,458
Other comprehensive income	<u>100,348</u>	<u>2,526</u>
 Total comprehensive income	 <u>\$ 134,429</u>	 <u>\$ 35,984</u>
 Basic earnings per share	 <u>\$0.34</u>	 <u>\$0.33</u>

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

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

	<b>March 31</b>	
<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 1,180,111	\$ 567,993
Due from the Central Bank and call loans to banks	23,838,944	18,763,692
Financial assets at fair value through profit or loss	2,128,839	772,550
Financial assets at fair value through other comprehensive income	19,294,020	15,490,053
Debt instruments at amortized cost	1,422,705	458,324
Receivables	6,457,204	4,995,629
Current tax assets	7,483	-
Loans	30,537,350	22,134,522
Property and equipment	240,304	214,771
Right-of-use assets	381,213	316,297
Intangible assets	129,742	120,286
Deferred tax assets	-	75,793
Other assets	<u>234,360</u>	<u>3,518,169</u>
<b>Total</b>	<u>\$ 85,852,275</u>	<u>\$ 67,428,079</u>
<b>Liabilities</b>		
Deposits from the Central Bank and banks	\$ 14,191,325	\$ 9,994,851
Financial liabilities at fair value through profit or loss	1,817,268	881,936
Notes and bonds sold under repurchase agreements	5,718,812	4,552,415
Payables	6,746,138	5,857,859
Current tax liabilities	-	32,961
Deposits and remittances	35,938,405	24,888,783
Other financial liabilities	3,657,080	4,692,766
Provisions	15,172	53,734
Lease liabilities	408,907	341,563
Deferred tax liabilities	4,156	-
Other liabilities	<u>349,468</u>	<u>60,185</u>
<b>Total liabilities</b>	<u>68,846,731</u>	<u>51,357,053</u>
<b>Equity</b>		
Capital	14,377,562	14,377,562
Capital surplus	2,522,670	2,522,670
Retained earnings	847,846	523,470
Other equity	<u>(742,534)</u>	<u>(1,352,676)</u>
<b>Total equity</b>	<u>17,005,544</u>	<u>16,071,026</u>
<b>Total</b>	<u>\$ 85,852,275</u>	<u>\$ 67,428,079</u>

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Interest income	\$ 522,294	\$ 456,014
Interest expense	<u>(297,214)</u>	<u>(277,193)</u>
Net interest income	225,080	178,821
Net income and gains other than interest income	<u>166,635</u>	<u>105,390</u>
Profit from operations	<u>391,715</u>	<u>284,211</u>
Provision for bad debt and guarantee reserve	(50,236)	(108,093)
Operating expenses	<u>(235,588)</u>	<u>(197,311)</u>
Profit (loss) before income tax	105,891	(21,193)
Income tax (expense) benefit	<u>(32,070)</u>	<u>9,154</u>
Net income (loss)	73,821	(12,039)
Other comprehensive income (loss)	<u>347,459</u>	<u>(157,268)</u>
Total comprehensive income (loss)	<u>\$ 421,280</u>	<u>\$ (169,307)</u>
Basic earnings per share	Note	Note

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

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

	<b>March 31</b>	
<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current assets	\$ 46,236,574	\$ 44,140,644
Financial assets at fair value through other comprehensive income - non-current	419	264
Investments accounted for using the equity method	2,734,570	2,334,255
Property and equipment	250,460	215,564
Right-of-use assets	164,619	66,326
Intangible assets	57,821	72,415
Deferred tax assets	6,574	9,987
Other non-current assets	635,069	694,255
<b>Total</b>	<b>\$ 50,086,106</b>	<b>\$ 47,533,710</b>
<b>Liabilities</b>		
Current liabilities	\$ 36,414,880	\$ 35,397,429
Lease liabilities - non-current	99,761	26,687
Deferred tax liabilities	20,738	20,480
Other non-current liabilities	37,769	34,306
<b>Total liabilities</b>	<b>36,573,148</b>	<b>35,478,902</b>
<b>Equity</b>		
Share capital	7,300,000	7,300,000
Capital surplus	898,167	898,167
Retained earnings	4,169,002	3,150,407
Other equity	1,145,789	706,234
<b>Total equity</b>	<b>13,512,958</b>	<b>12,054,808</b>
<b>Total</b>	<b>\$ 50,086,106</b>	<b>\$ 47,533,710</b>

**Cathay Securities Corporation**

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Revenues	\$ 1,388,867	\$ 1,618,074
Service fee expenses	(91,269)	(83,018)
Employee benefit expenses	(408,446)	(433,322)
Operating expenses	(400,191)	(498,796)
Share of profit of subsidiaries and associates accounted for using the equity method	(26,327)	13,186
Non-operating income and expenses	7,444	12,654
Profit before income tax	470,078	628,778
Income tax expense	(74,820)	(104,614)
Net income	395,258	524,164
Other comprehensive income	72,666	160,702
Total comprehensive income	\$ 467,924	\$ 684,866
Basic earnings per share	\$0.54	\$0.72

**Cathay Futures Co., Ltd.**

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

<b>Assets</b>	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Current assets	\$ 13,123,820	\$ 14,541,491
Financial assets at fair value through other comprehensive income - non-current	1,285,964	808,398
Property and equipment	67,597	64,091
Investment property	291,175	291,175
Right-of-use assets	16,365	7,548
Intangible assets	11,335	15,885
Other non-current assets	<u>151,984</u>	<u>165,184</u>
Total	<u>\$ 14,948,240</u>	<u>\$ 15,893,772</u>
<b>Liabilities</b>		
Current liabilities	\$ 12,720,715	\$ 14,140,250
Deferred tax liabilities	6,554	6,765
Other non-current liabilities	<u>12,401</u>	<u>5,953</u>
Total liabilities	<u>12,739,670</u>	<u>14,152,968</u>
<b>Equity</b>		
Share capital	667,000	667,000
Capital surplus	680	680
Retained earnings	285,661	295,241
Other equity	<u>1,255,229</u>	<u>777,883</u>
Total equity	<u>2,208,570</u>	<u>1,740,804</u>
Total	<u>\$ 14,948,240</u>	<u>\$ 15,893,772</u>



**Cathay Futures Co., Ltd.**

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

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Revenues	\$ 101,740	\$ 99,752
Operating expenses	<u>(120,674)</u>	<u>(101,557)</u>
Operating loss	(18,934)	(1,805)
Non-operating income and expenses	<u>14,935</u>	<u>17,089</u>
(Loss) profit before income tax	(3,999)	15,284
Income tax benefit (expense)	<u>75</u>	<u>(3,026)</u>
Net (loss) income	(3,924)	12,258
Other comprehensive income	<u>79,076</u>	<u>165,241</u>
Total comprehensive income	<u>\$ 75,152</u>	<u>\$ 177,499</u>
Basic (loss) earnings per share	<u>\$(0.06)</u>	<u>\$0.18</u>

**Cathay Securities (Hong Kong) Limited**

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

	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets	\$ 1,131,143	\$ 1,984,642
Property and equipment	2,071	4,127
Right-of-use assets	27,135	5,860
Intangible assets	1,820	1,827
Investments accounted for using the equity method	(6,128)	13,159
Other non-current assets	<u>101,702</u>	<u>47,009</u>
 Total	 <u>\$ 1,257,743</u>	 <u>\$ 2,056,624</u>
 <b>Liabilities</b>		
Current liabilities	\$ 717,043	\$ 1,462,150
Non-current liabilities	<u>14,493</u>	<u>859</u>
Total liabilities	<u>731,536</u>	<u>1,463,009</u>
 <b>Equity</b>		
Capital	1,108,244	1,108,244
Retained earnings	(506,709)	(442,640)
Other equity	<u>(75,328)</u>	<u>(71,989)</u>
Total equity	<u>526,207</u>	<u>593,615</u>
 Total	 <u>\$ 1,257,743</u>	 <u>\$ 2,056,624</u>

**Cathay Securities (Hong Kong) Limited**

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Revenues	\$ 19,428	\$ 32,396
Service fee expenses	(615)	(844)
Employee benefit expenses	(12,483)	(15,831)
Operating expenses	(16,248)	(24,701)
Non-operating income and expenses	<u>(12,486)</u>	<u>9,910</u>
Net (loss) income	(22,404)	930
Other comprehensive income (loss)	<u>15,376</u>	<u>(1,177)</u>
 Total comprehensive loss	 <u>\$ (7,028)</u>	 <u>\$ (247)</u>
 Basic earnings per share	 Note	 Note

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

**Cathay Capital (Asia) Limited**  
**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets	\$ <u>1,380,517</u>	\$ <u>520,073</u>
Total	\$ <u>1,380,517</u>	\$ <u>520,073</u>
 <b>Liabilities</b>		
Current liabilities	\$ <u>1,386,645</u>	\$ <u>506,914</u>
Total liabilities	<u>1,386,645</u>	<u>506,914</u>
 <b>Equity</b>		
Capital	3,875	3,875
Retained earnings	(9,622)	9,444
Other equity	<u>(381)</u>	<u>(160)</u>
Total equity	<u>(6,128)</u>	<u>13,159</u>
Total	\$ <u>1,380,517</u>	\$ <u>520,073</u>

**Cathay Capital (Asia) Limited**  
**Condensed Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars)

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating (loss) revenues	\$ (152)	\$ 10,028
Operating costs	(4,352)	(26)
Operating expenses	(4,671)	(119)
Non-operating revenues (loss)	<u>4</u>	<u>-</u>
(Loss) profit before income tax	(9,171)	9,883
Income tax expense	<u>(3,320)</u>	<u>-</u>
Net (loss) income	(12,491)	9,883
Other comprehensive (loss) income	<u>(38)</u>	<u>22</u>
Total comprehensive (loss) income	\$ <u>(12,529)</u>	\$ <u>9,905</u>
Basic earnings per share	Note	Note

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

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

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

	<b>March 31</b>	
<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current assets	\$ 4,034,000	\$ 3,172,740
Financial assets at fair value through other comprehensive income - non-current	12,221	10,120
Investments accounted for using the equity method	437,291	476,993
Property and equipment	45,589	30,775
Right-of-use assets	94,354	37,427
Intangible assets	24,119	19,037
Deferred tax assets	36,544	28,458
Guarantee deposits paid	322,057	258,148
Other non-current assets	<u>16,203</u>	<u>49,450</u>
 Total	 <u>\$ 5,022,378</u>	 <u>\$ 4,083,148</u>
 <b>Liabilities</b>		
Current liabilities	\$ 811,378	\$ 667,898
Non-current liabilities	<u>222,173</u>	<u>150,429</u>
Total liabilities	<u>1,033,551</u>	<u>818,327</u>
 <b>Equity</b>		
Share capital	1,500,000	1,500,000
Capital surplus	16,453	16,453
Retained earnings	2,586,322	1,855,622
Other equity	<u>(113,948)</u>	<u>(107,254)</u>
Total equity	<u>3,988,827</u>	<u>3,264,821</u>
 Total	 <u>\$ 5,022,378</u>	 <u>\$ 4,083,148</u>

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 1,059,188	\$ 902,566
Operating expenses	<u>(511,916)</u>	<u>(467,341)</u>
Operating profit	547,272	435,225
Non-operating income and expenses	<u>(13,434)</u>	<u>(7,066)</u>
Profit before income tax	533,838	428,159
Income tax expense	<u>(110,219)</u>	<u>(87,140)</u>
Net income	423,619	341,019
Other comprehensive income (loss)	<u>13,240</u>	<u>(359)</u>
 Total comprehensive income	 <u>\$ 436,859</u>	 <u>\$ 340,660</u>
 Basic earnings per share	 <u>\$2.82</u>	 <u>\$2.27</u>

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

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

	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets	\$ 92,294	\$ 60,462
Other non-current assets	<u>53,134</u>	<u>29,465</u>
 Total	 <u>\$ 145,428</u>	 <u>\$ 89,927</u>
 <b>Liabilities</b>		
Current liabilities	\$ 38,240	\$ 16,353
Other non-current liabilities	<u>2,128</u>	<u>405</u>
Total liabilities	<u>40,368</u>	<u>16,758</u>
 <b>Equity</b>		
Share capital	150,000	100,000
Capital surplus	63	63
Retained earnings	<u>(45,003)</u>	<u>(26,894)</u>
Total equity	<u>105,060</u>	<u>73,169</u>
 Total	 <u>\$ 145,428</u>	 <u>\$ 89,927</u>

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 10,815	\$ 4,123
Operating expenses	<u>(10,527)</u>	<u>(8,859)</u>
Operating income (loss)	288	(4,736)
Non-operating income and expenses	<u>686</u>	<u>(448)</u>
Profit (loss) before income tax	974	(5,184)
Income tax (expense) benefit	<u>(56)</u>	<u>947</u>
Net income (loss)	<u>918</u>	<u>(4,237)</u>
Total comprehensive income (loss)	<u>\$ 918</u>	<u>\$ (4,237)</u>
Basic earnings (loss) per share	<u>\$ 0.06</u>	<u>\$ (0.42)</u>

**Cathay Venture Inc.**

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

	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets	\$ 1,290,545	\$ 1,212,562
Financial assets at fair value through profit or loss - non-current	4,953,614	4,590,545
Investments accounted for using the equity method	314,906	324,780
Property and equipment	3,216	2,486
Right-of-use assets	4,014	9,444
Deferred tax assets	68,036	69,140
Other non-current assets	<u>1,944</u>	<u>1,267</u>
Total	<u>\$ 6,636,275</u>	<u>\$ 6,210,224</u>
<b>Liabilities</b>		
Current liabilities	\$ 41,720	\$ 28,220
Non-current liabilities	<u>8,748</u>	<u>12,447</u>
Total liabilities	<u>50,468</u>	<u>40,667</u>
<b>Equity</b>		
Share capital	5,181,730	4,842,362
Capital surplus	576,667	576,667
Retained earnings	826,932	750,384
Other equity	<u>478</u>	<u>144</u>
Total equity	<u>6,585,807</u>	<u>6,169,557</u>
Total	<u>\$ 6,636,275</u>	<u>\$ 6,210,224</u>

**Cathay Venture Inc.**

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

	For the Three Months Ended March 31	
	2022	2021
Operating revenue	\$ 185,997	\$ 198,463
Operating costs	(12,203)	(9,380)
Operating expenses	(4,568)	(2,969)
Non-operating income and expenses	103	188
Profit before income tax	169,329	186,302
Income tax expense	(8,092)	(5,345)
Net income	161,237	180,957
Total comprehensive income	\$ 161,237	\$ 180,957
Basic earnings per share	\$ 0.31	\$ 0.37

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

For the three months ended March 31, 2022

Unit: %

	Return on Assets		Return on Equity		Net Income Ratio
	Before Tax	After Tax	Before Tax	After Tax	
The Group	0.34	0.30	4.74	4.09	26.03
The Company	3.60	3.59	4.14	4.13	98.59
Cathay Life	0.37	0.33	4.47	3.94	14.13
Cathay Century	1.94	1.69	6.60	5.76	14.10
Cathay United Bank	0.23	0.20	3.27	2.73	41.96
Cathay Securities	0.88	0.74	3.54	2.98	28.46

For the three months ended March 31, 2021

Unit: %

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

Note: Net income ratio = Net income/Net revenue

### 33. BUSINESS OR TRADING ACTIVITIES WITHIN SUBSIDIARIES

#### a. Integration of business activities

In order to improve the Group's competitiveness and enhance its operation synergy, the Company integrates various services, such as banking, insurance, and securities, and builds up a full-functioning financial platform; with 667 operating location all over Taiwan and about 30 thousand professional salesperson, the Company provides comprehensive financial planning and one-stop shopping services to its clients.

#### b. Cross utilization of information

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

#### c. Business facilities and locations

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

- 1) Cathay United Bank is engaged in co-selling activities for securities business through its 165 branches. Cathay United Bank has been engaged in insurance agency business since April 29, 2016 and promoted life insurance products in its 165 branches.
- 2) Cathay Life is engaged in co-selling activities for banking and property and casualty insurance businesses in its service units (58 locations).
- 3) Cathay Securities sets up co-selling offices in Cathay Life's 32 branches (Zhongxiao and others) to facilitate account opening services through sharing business facilities and locations.

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

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



### 34. SEGMENT INFORMATION

#### a. General information on operating segments

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

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

To determine allocation of resources and performance measure, the management monitors results of each operating segment. The accounting policies for each operating segment are the same as those stated in Note 4 the summary of significant accounting policies.

#### b. Information of reporting segment income was as follows:

For the three months ended March 31, 2022

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 10,206,312	\$ 39,712,156	\$ 149,118	\$ 146,789	\$ (171,940)	\$ 50,042,435
Net income and gains other than interest income	2,471,165	72,844,044	2,417,663	1,138,314	3,163,261	82,034,447
Profit from operations	12,677,477	112,556,200	2,566,781	1,285,103	2,991,321	132,076,882
Provision for bad debt, commitments and guarantee reserve	(296,329)	248,877	-	(113)	-	(47,565)
Net changes in insurance liability reserve	-	(70,606,563)	(414,070)	-	-	(71,020,633)
Operating expenses	(7,951,564)	(8,814,340)	(1,008,228)	(687,867)	(2,738,252)	(21,200,251)
Profit from continuing operations before taxes	4,429,584	33,384,174	1,144,483	597,123	253,069	39,808,433
Income tax expense	(1,438,416)	(3,408,820)	(124,608)	(74,876)	(386,430)	(5,433,150)
Net income (loss) from continuing operations	2,991,168	29,975,354	1,019,875	522,247	(133,361)	34,375,283

For the three months ended March 31, 2021

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 9,227,904	\$ 38,739,988	\$ 131,349	\$ 84,779	\$ (131,890)	\$ 48,052,130
Net income and gains other than interest income	4,248,653	131,174,055	1,583,935	1,440,100	3,108,980	141,555,723
Profit from operations	13,476,557	169,914,043	1,715,284	1,524,879	2,977,090	189,607,853
Provision for bad debt, commitments and guarantee reserve	(1,244,699)	(77,143)	-	75	-	(1,321,767)
Net changes in insurance liability reserve	-	(103,606,169)	(241,904)	-	-	(103,848,073)
Operating expenses	(7,466,469)	(8,954,565)	(850,712)	(810,565)	(2,492,172)	(20,574,483)
Profit from continuing operations before taxes	4,765,389	57,276,166	622,668	714,389	484,918	63,863,530
Income tax expense	(906,072)	(4,981,914)	(71,322)	(104,608)	(233,014)	(6,296,930)
Net income from continuing operations	3,859,317	52,294,252	551,346	609,781	251,904	57,566,600

Note: All intercompany transactions among the operating segments have been eliminated.

### 35. RISK MANAGEMENT FOR INSURANCE CONTRACTS AND FINANCIAL INSTRUMENTS

a. Cathay Life and its subsidiaries

1) Risk management objectives, policies, procedures and methods:

a) Objectives of risk management

Cathay Life's risk management policy aims to promote operational efficiency, ensure asset safety, increase shareholders' value, and comply with applicable domestic and overseas laws and regulations for the purpose of steady growth and sustainable management.

b) Framework, organizational structure and responsibilities

i. The board of directors

- i) The board of directors should establish appropriate risk management framework and culture, ratify appropriate risk management policy and review it regularly, and allocate resources in the most effective manner.
- ii) The board of directors and senior management should consistently promote, execute risk management and keep the consistency of the operational objectives of Cathay Life as well as operational strategies and operations management.
- iii) The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.
- iv) The board of directors should delegate authority to risk management department to deal with violation to risk limits by other departments.

ii. Risk management committee

- i) The committee should propose the risk management policies, framework and organizational functions and establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly and making necessary suggestions for improvement.
- ii) The committee should execute the risk management policies set by the board of directors and review the development, build-up and performance of overall management mechanisms regularly.
- iii) The committee should assist and monitor the risk management activities.
- 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.

iii. Chief risk officer

- i) The chief risk officer should maintain independence. Besides a position directly related to risk management and without conflict of interest, the chief risk officer should not hold a position in any profit center of Cathay Life.
- ii) The chief risk officer should be able to access any business information which may have an impact on risk overview of Cathay Life.
- iii) The chief risk officer should be in charge of overall risk management of Cathay Life.
- iv) The chief risk officer should participate in Cathay Life's important decision-making process and, as appropriate, provide opinions from a risk management perspective.

iv. Risk management department

- i) The department is responsible for operational affairs such as monitoring, measuring and evaluating daily risks, which should be performed independently to business units.
- ii) The department should perform the following functions with regard to different business activities:
  - Propose and execute the risk management policies set by the board of directors.
  - Propose the risk limits based on risk appetite.
  - Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.
  - Regularly present risk management reports.
  - Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.
  - Assist to execute stress testing.

- Execute back testing if necessary.
- Other risk management related issues.

v. Business units

- i) Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.
- ii) The duties of the risk management include the following:
  - Identify and measure risks and report risk exposures and potential impacts on time.
  - Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.
  - Assist to develop the risk model and ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.
  - Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
  - Assist to collect data related to operational risk.
  - Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to mitigate such risks.
  - Manager of a business unit should supervise the unit to submit risk management information regularly to the risk management department.

vi. Audit department

The department is responsible for the audit of each department's implementation status of risk management pursuant to the applicable laws and regulations and related rules and guidance of Cathay Life.

vii. Subsidiary

Each subsidiary's risk management department or related unit should develop risk management policies based on the nature of its business and needs and report to Cathay Life's risk management committee for future reference.

c) Range and nature of risk assessment or risk reporting

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

i. Market risk

Market risk is the risk of losses in value of Cathay Life's financial assets arising from the changes in market prices of financial instruments. Cathay Life adopts measurement indicators for market risk based on VaR and reviews regularly. In addition, Cathay Life performs back testing to ensure the accuracy of the market risk model regularly. Furthermore, Cathay Life applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly. In response to the implementation of foreign exchange valuation reserve, Cathay Life determines the ceiling of foreign exchange risk, implements warning system and monitors foreign exchange risk regularly.

ii. Credit risk

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

iii. Country risk

Country risk is the risk that Cathay Life suffers losses from loans, financial investments and long-term investments in a specific country as a result of market price fluctuation or default of security issuers or debtors stemming from local political and/or economic situations. Cathay Life adopts measurement indicators for country risk, which are calculated by total investments in a certain country or specific area divided by total foreign investments or adjusted net assets. Cathay Life reviews and adjusts the indicator on a regular basis.

iv. Liquidity risk

Liquidity risk is comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Cathay Life is not capable of performing matured commitment because it fails to realize assets or obtain sufficient funds. Cathay Life has established measurement indicators of funding liquidity risk and reviews the indicators regularly. In addition, a funding reporting system has been established under which the risk management department manages funding liquidity based on the information provided by relevant business units. Furthermore, the cash flow analysis model has been applied and monitored regularly, and improvements should be made once unusual events occur. The cash flow analysis model is also applied to set the annual assets allocation plan to maintain appropriate liquidity of assets. Market liquidity risk is the risk of significant changes in fair values when Cathay Life sells or offsets its positions during a market disorder or a lack of sufficient market depth. Cathay Life has established a liquidity threshold for investment positions. Each investment department evaluates the market trading volumes and adequacy of positions held according to the features and objectives of its investment positions.

v. Operational risk

Operational risk is the risk caused by improper conduct or errors of internal process, personnel, system or external issues that lead to losses. Operational risk includes legal risk but excludes strategic risk and reputation risk. Cathay Life has set the standard operating procedures based on the nature of the business and established reporting system for loss events of operation risk as well as to collect and manage information with respect to losses resulting from operational risk. To maintain Cathay Life's operation and ability to provide customer services while minimizing the losses under a major crisis, Cathay Life has established business continuity management system, emergency handling mechanism and information system damage responses.

vi. Insurance risk

Cathay Life assumes certain risks which is transferred from policyholders after the collection of premiums from policyholders, and Cathay Life may bear losses due to unexpected changes when paying claims and related expenses. This risk is involved with policy design and pricing risk, underwriting risk, reinsurance risk, catastrophe risk, claim risk and reserve-related risk.

vii. Asset and liability matching risk

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

viii. Capital adequacy

Cathay Life regards RBC ratio and equity ratio as a management indicator for capital adequacy. The RBC ratio is the total capital of Cathay Life divided by its risk-based capital, as regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies. The equity ratio is Cathay Life's equity audited (or reviewed) by the auditors divided by the total assets excluding the total assets recorded in separate accounts for investment type insurance policies.

ix. Risk of information security and personal data management

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

x. Emerging risks

Emerging risks refer to risks that are not currently revealed but may arise as a result of the changes of the environment, usually due to changes in politics, regulations, markets or the natural environment. Cathay Life conducts emerging risk management operations by reference to authority organizations, benchmarking enterprise reports, regularly identifying and measuring emerging risks as well as assessing risk response and control mechanism when compiling annual risk maps, and reports the status of emerging risk to senior management every year, which is incorporated into the risk management business implementation report and delivered to the Risk Management Committee for deliberation.

xi. ESG and climate risks

ESG risks refer to the financial losses that may be directly or indirectly incurred by Cathay Life due to the investees who fail to pay attention to ESG issues, and ESG risks include environmental, social and corporate governance risks. Climate risk is part of the environmental risks of ESG risks and refers to the potential negative impact of climate changes, including transformation risk (a wide range of risks resulting from the trend of low-carbon economy, including policy, legal, technology and market change risks) and physical risk (the risk of financial losses due to extreme weather events). Cathay Life has established related management measures as a response.

- d) The process of assuming, measuring, monitoring and controlling risks and the underwriting policies to determine the proper risk classification and premium levels
- i. The process of assuming, measuring, monitoring and controlling insurance risks
- i) Stipulate Cathay Life's insurance risk management standards including the definitions and range of risks, management structure, risk management indicators and other risk management measures.
- ii) Establish methods to evaluate insurance risks.
- iii) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and for developing insurance risk management strategies.
- iv) Regularly summarize the results of implementing risk management policies and report to the risk management committee. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of Cathay Life and that of the Company.
- ii. The underwriting policies to determine proper risk classification and premium levels
- i) Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from the insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.
- ii) Cathay Life has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards
- iii) Cathay Life has set up a special panel for large policies to enhance risk management over large policies and avoid adverse selection and moral hazard.
- e) The scope of insurance risk assessment and management from a company-wide perspective
- i. Insurance risk assessment covers the following risks:
- i) Product design and pricing risk: The risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.
- ii) Underwriting risk: Unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.

- iii) Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.
    - iv) Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect Cathay Life's credit rating or solvency.
    - v) Claim risk: This risk arises from mishandling claims.
    - vi) Reserve-related risk: This risk occurs when Cathay Life does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.
  - ii. The scope of management of insurance risk
    - i) Develop a risk control framework of Cathay Life's insurance risk to empower related development to execute risk management.
    - ii) Establish Cathay Life's insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.
    - iii) Develop related response in consideration of Cathay Life's growth strategy and changes in the domestic and global economic and financial environments.
    - iv) Determine methods to measure insurance risks.
    - v) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.
    - vi) Other insurance risk management issues.
- f) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

Cathay Life limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed considering Cathay Life's risk taking ability, risk profiling and legal issues factors to determine whether to retain or cede a policy. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, Cathay Life has established reinsurer selection standards.

- g) Asset/liability management
  - i. Cathay Life established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks Cathay Life faces.
  - ii. Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of Cathay Life. Furthermore, the annual report is delivered to the risk management committee of the Company.
  - iii. When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of Cathay Life and that of the Company.



- h) The procedures to manage, monitor and control a special event for which Cathay Life is committed to assuming additional liabilities or funding additional capital

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

- i. Capital adequacy management

- i) Regularly provide capital adequacy management reports and analysis to the finance department of the Company
- ii) Regularly provide the analysis report to the risk management committee.
- iii) Conduct simulation analysis to figure out the use of funding, the changes of the financial environment or the amendments to applicable laws and regulations affecting RBC ratio and equity ratio.
- iv) Regularly review RBC ratio, equity ratio and related control standards to ensure a solid capital adequacy management.

- ii. Exception management process

When RBC ratio or equity ratio exceeds the internal risk control criteria or other exceptions occur, Cathay Life is required to notify the risk management department and the finance department and the risk management department of Cathay Financial Holdings, and submits the capital adequacy analysis report and actions.

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

- i. Cathay Life enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from Cathay Life's investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.
- ii. Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. Cathay Life executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.
- iii. Cathay Life assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.

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

Considering the credit risk factors, Cathay Life has set up the measurement indicators for credit and investment positions by countries, industries and business groups. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, Cathay Life shall not grant loans or make investment in general. However, if Cathay Life has to undertake the business under certain circumstances, Cathay Life shall follow the internal regulations, including but not limited to “Guidelines for sovereign risk management”, “Guidelines for securities investment risk limit” and “Guidelines for credit and investment risk management on conglomerate and other juristic person institute”.

2) Information of insurance risk

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

i. Cathay Life

For the Three Months Ended March 31, 2022					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 812,247	Decrease (increase)	\$ 649,798
Expense	×1.05 (×0.95)	Decrease (increase)	744,116	Decrease (increase)	595,293
Surrender rate	×1.05 (×0.95)	Increase (decrease)	49,324	Increase (decrease)	39,459
Rate of return	+0.1%	Increase	1,746,911	Increase	1,397,529
Rate of return	-0.1%	Decrease	1,747,346	Decrease	1,397,876

For the Three Months Ended March 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 775,118	Decrease (increase)	\$ 620,094
Expense	×1.05 (×0.95)	Decrease (increase)	770,279	Decrease (increase)	616,224
Surrender rate	×1.05 (×0.95)	Increase (decrease)	75,587	Increase (decrease)	60,469
Rate of return	+0.1%	Increase	1,666,192	Increase	1,332,954
Rate of return	-0.1%	Decrease	1,666,605	Decrease	1,333,284

ii. Cathay Lujiazui Life

For the Three Months Ended March 31, 2022					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 42,029	Decrease (increase)	\$ 31,522
Expense	×1.05 (×0.95)	Decrease (increase)	27,025	Decrease (increase)	20,269
Surrender rate	×1.10 (×0.90)	Increase (decrease)	18,328	Increase (decrease)	13,746
Rate of return	+0.25%	Increase	187,204	Increase	140,403
Rate of return	-0.25%	Decrease	187,670	Decrease	140,753

For the Three Months Ended March 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 40,870	Decrease (increase)	\$ 30,653
Expense	×1.05 (×0.95)	Decrease (increase)	24,928	Decrease (increase)	18,696
Surrender rate	×1.10 (×0.90)	Increase (decrease)	19,770	Increase (decrease)	14,827
Rate of return	+0.25%	Increase	150,357	Increase	112,768
Rate of return	-0.25%	Decrease	150,731	Decrease	113,048

iii. Cathay Life (Vietnam)

For the Three Months Ended March 31, 2022					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 1,676	Decrease (increase)	\$ 1,341
Expense	×1.05 (×0.95)	Decrease (increase)	17,364	Decrease (increase)	13,891
Surrender rate	×1.05 (×0.95)	Increase (decrease)	3,917	Increase (decrease)	3,134
Rate of return	+0.1%	Increase	8,072	Increase	6,458
Rate of return	-0.1%	Decrease	8,074	Decrease	6,460

For the Three Months Ended March 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 777	Decrease (increase)	\$ 622
Expense	×1.05 (×0.95)	Decrease (increase)	17,309	Decrease (increase)	13,847
Surrender rate	×1.05 (×0.95)	Increase (decrease)	2,907	Increase (decrease)	2,326
Rate of return	+0.1%	Increase	5,853	Increase	4,683
Rate of return	-0.1%	Decrease	5,855	Decrease	4,684

- i) Changes in income before tax listed above referred to the effects of income before tax for the three months ended March 31, 2022 and 2021. The changes in equity of Cathay Life, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.
- ii) As an increase (decrease) of 0.1% in discount rates is applied to liability adequacy test, the result of the test is still adequate for Cathay Life and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.

iii) Sensitivity test

- Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.
- Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.
- Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.
- Rate of return sensitivity test is executed by adjusting the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

Note 1: Expense items includes underwriting expenses, commission expenses, other operating costs as well as general expenses, administration expenses, employee training expenses of operating expenses, and expected credit impairment losses and gains on reversal from non-investments.

Note 2: Rate of return is calculated as follows (to be annualized):

$$2 \times (\text{Net investment} - \text{Finance costs}) / (\text{The beginning balance of available funds} + \text{The ending balance of available funds, net incomes (losses) on investment} + \text{Finance costs})$$

b) Concentration of insurance risks

Cathay Life's insurance business is mainly from the R.O.C., and all the insurance policies have similar risk exposure; for example, the risk exposure to the unexpected changes in trend (mortality, morbidity, and surrender rate) or the risk exposure to multiple insurance contracts caused by a single incident (for example, simultaneous risk exposure to life insurance, health insurance, and casualty insurance caused by an earthquake). Cathay Life reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

In principle, Cathay Life performs an evaluation on the retained risks by considering the risk characteristics and its risk bearing capacity, which is submitted for approval by authority, and engages in reinsurance business for the excess of risks over the retained. At the same time, Cathay Life considers unexpected human and natural disasters in each year to estimate the reasonable maximum of losses based on the retained risks and determines according to the risk characteristics and its bearing capacity whether to adjust the reinsured amount or purchase catastrophe reinsurance. Therefore, the insurance risks to some extent are diversified to reduce the potential impact on unexpected losses.

Furthermore, according to Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, special reserve for catastrophic events should be provided for huge claims and payments due to future catastrophic events, and special reserve for fluctuation of risk should be provided for abnormal changes in loss ratio and claims of each insurance type. The annual increase of special reserve for catastrophic events and fluctuation of risks should be recorded in special reserve of equity, net of tax in accordance with IAS 12.

c) Claim development trend

i. Cathay Life

i) Direct business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2015Q2-2016Q1	15,615,418	19,060,569	19,414,149	19,490,509	19,535,269	19,565,981	19,588,558	-	-
2016Q2-2017Q1	16,022,652	19,698,946	20,049,004	20,144,517	20,181,975	20,209,649	20,233,288	23,639	23,687
2017Q2-2018Q1	18,053,937	22,165,777	22,599,673	22,725,720	22,788,855	22,821,526	22,847,210	58,355	58,472
2018Q2-2019Q1	19,772,694	24,473,328	24,935,985	25,060,296	25,122,380	25,158,290	25,185,695	125,399	125,650
2019Q2-2020Q1	21,630,150	26,416,592	26,911,792	27,049,326	27,116,546	27,155,325	27,184,230	272,438	272,983
2020Q2-2021Q1	21,519,459	26,402,424	26,888,635	27,017,775	27,081,372	27,120,261	27,150,330	747,906	749,401
2021Q2-2022Q1	19,881,672	24,315,322	24,752,277	24,865,924	24,922,735	24,958,294	24,987,628	5,105,956	5,116,168
					Expected future payment				\$ 6,346,361
					Add: Assumed reserve for incurred but not reported claim				19,940
					Reserve for unreported claim				6,366,301
					Add: Reported but not paid claim				5,141,418
					Claims reserve balance				<u>\$ 11,507,719</u>

ii) Retained business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2015Q2-2016Q1	15,734,806	19,228,641	19,586,570	19,663,817	19,708,692	19,739,521	19,762,218	-	-
2016Q2-2017Q1	16,103,354	19,813,468	20,168,320	20,264,138	20,301,761	20,329,575	20,353,320	23,745	23,792
2017Q2-2018Q1	18,179,256	22,338,184	22,773,159	22,899,499	22,962,809	22,995,720	23,021,611	58,802	58,920
2018Q2-2019Q1	19,868,021	24,577,826	25,041,707	25,166,385	25,228,915	25,265,320	25,293,152	126,767	127,021
2019Q2-2020Q1	21,660,481	26,456,342	26,953,337	27,091,235	27,158,708	27,197,766	27,226,912	273,575	274,123
2020Q2-2021Q1	21,550,230	26,449,238	26,937,150	27,066,733	27,130,643	27,169,882	27,200,250	751,012	752,514
2021Q2-2022Q1	19,915,345	24,359,840	24,798,387	24,912,444	24,969,545	25,005,426	25,035,037	5,119,692	5,129,931
					Expected future payments				\$ 6,366,301
					Add: Claims filed but not yet paid				5,101,993
					Retained loss reserve balance				<u>\$ 11,468,294</u>

In accordance with Jin Guan Bao Shou No. 10402133590 issued on December 22, 2015 by the FSC, reserve for claims not yet filed is provided as claims filed and adjusted for related expenses; reserve for claims filed but not yet paid is provided on a case-by-case basis. The loss reserve is the sum of the above reserve, and due to uncertainty, estimation, and judgment, there is a high degree of complexity in the provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Life may be delayed in certain cases, and estimates of the payments for cases not yet filed are involved with a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in a specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in a specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

ii. Cathay Lujiazui Life

i) Direct business development trend

Accident Year	Development Year							Expected Future Payment	
	1	2	3	4	5	6	7		
2015Q2-2016Q1	263,441	497,873	533,341	533,341	533,341	533,341	533,341	-	
2016Q2-2017Q1	297,858	538,411	569,352	575,809	575,809	575,809	575,809	-	
2017Q2-2018Q1	357,268	388,065	469,081	469,081	469,081	469,081	469,081	-	
2018Q2-2019Q1	418,861	780,723	867,470	867,470	867,470	867,470	867,470	-	
2019Q2-2020Q1	403,483	571,600	840,589	842,814	842,814	842,814	842,814	2,225	
2020Q2-2021Q1	535,563	767,640	906,745	909,145	909,145	909,145	909,145	141,505	
2021Q2-2022Q1	467,645	728,091	860,028	862,305	862,305	862,305	862,305	394,660	
								Expected future payment	\$ 538,390
								Less: Expected reported but not paid claim	(2,198)
								Reserve for unreported claim	536,192
								Add: Reported but not paid claim	35,864
								Claims reserve balance	<u>\$ 572,056</u>

ii) Retained business development trend

Accident Year	Development Year							Expected Future Payment	
	1	2	3	4	5	6	7		
2015Q2-2016Q1	251,320	483,191	518,595	518,595	518,595	518,595	518,595	-	
2016Q2-2017Q1	287,553	461,725	490,360	496,025	496,025	496,025	496,025	-	
2017Q2-2018Q1	344,907	371,096	449,497	449,497	449,497	449,497	449,497	-	
2018Q2-2019Q1	411,949	760,210	854,169	854,169	854,169	854,169	854,169	-	
2019Q2-2020Q1	403,483	571,600	828,406	830,435	830,435	830,435	830,435	2,029	
2020Q2-2021Q1	535,563	758,714	900,039	902,243	902,243	902,243	902,243	143,529	
2021Q2-2022Q1	467,645	712,846	845,626	847,698	847,698	847,698	847,698	380,053	
								Expected future payments	\$ 525,611
								Less: Expected claims filed but not yet paid	(2,198)
								Add: Claims filed but not yet paid	35,449
								Retained loss reserve balance	<u>\$ 558,862</u>

Cathay Lujiazui Life provides loss reserve for claims filed but not paid and claims not yet filed. Due to uncertainty, estimation, and judgment, there is a high degree of complexity in provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Lujiazui Life may be delayed in certain cases, and estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in a specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in a specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

iii. Cathay Life (Vietnam)

i) Direct business development trend

Accident Year	Development Year				
	1	2	3	4	5
2017Q2-2018Q1	19,136	27,721	27,783	27,831	27,831
2018Q2-2019Q1	87,944	99,822	110,884	110,884	110,884
2019Q2-2020Q1	113,622	165,967	165,967	166,024	166,024
2020Q2-2021Q1	307,414	353,676	366,666	366,793	366,793
2021Q2-2022Q1	340,257	417,357	432,686	432,835	432,835

ii) Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2017Q2-2018Q1	19,136	27,721	27,783	27,831	27,831
2018Q2-2019Q1	87,944	99,822	110,884	110,884	110,884
2019Q2-2020Q1	113,622	165,967	165,967	166,024	166,024
2020Q2-2021Q1	307,414	353,676	366,666	366,793	366,793
2021Q2-2022Q1	340,257	417,357	432,686	432,835	432,835

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

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

3) Credit risk, liquidity risk, and market risk for insurance contracts

a) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, Cathay Life chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with Cathay Life's Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of Cathay Life's reinsurers are above a certain level, complying with Cathay Life's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to Cathay Life's total assets; therefore, no significant credit risk exists.

b) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance payments and expenses of valid insurance contracts in the future, deducting total premium on the balance sheet date. The actual future payment amounts may differ due to the difference between the result and expected amount.

**Unit: In 100 Millions of NTD**

	<b>Insurance Contracts and Financial Instruments with Discretionary Participation Features</b>		
	<b>Within 1 Year</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>
March 31, 2022	\$ 475	\$ 4,382	\$ 181,570
December 31, 2021	622	4,829	175,742
March 31, 2021	(564)	4,747	178,205

Note: Separate account products were not included.

c) Market risk

Cathay Life measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for Cathay Life's valid insurance contracts are considered minor to profit or loss or equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of Cathay Life. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

b. Cathay Century and its subsidiaries

1) Risk management objectives, policies, procedures and methods:

a) Framework, organizational structure and responsibilities

i. Board of directors

- i) The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.
- ii) The board of directors should establish an appropriate risk management framework and culture, ratify the appropriate risk management policy and allocate resources in the most effective manner.
- iii) The board of directors should consider the effect of the aggregated risks from Cathay Century's overall perspective; the board of directors should also follow the legal capital requirement and the relevant financial or business operating regulations that affect capital allocation.

ii. Risk management department

i) Risk management committee

- The committee should propose the risk management policies, framework, and organization functions and establish quantitative and qualitative management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly, and making necessary suggestions for improvement.
- The committee should execute the risk management policies set by the board of directors and review development, build-up and performance of overall management mechanisms regularly.
- The committee should assist and monitor the risk management activities performed by each department.



- The committee should assist in deliberating related procedures for formulating risk limits.
- The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.
- The committee should enhance cross-department interaction and communication.

ii) Chief risk officer

The appointment of chief risk officers of Cathay Century and its subsidiaries should be approved by the board of directors, who should maintain independence and should not concurrently play a business or financial role nor has the right to access any information which may affect Cathay Century and its subsidiaries' risk overview.

- The chief risk officer should be in charge of the overall risk management.
- The chief risk officer should participate in the important decision making process and provide appropriate suggestions from a risk management perspective.
- The chief risk officer should be a member of the risk management committee.

iii) Risk management department

Cathay Century and its subsidiaries established a risk management department, which is responsible for monitoring, measuring and evaluating major risks, performed independently to business units.

Duties of risk management department are as follows:

- Propose and execute the risk management policies set by the board of directors.
- Propose the risk limits based on risk appetite.
- Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.
- Regularly present risk management reports.
- Regularly review the risk limits and its use of each business unit.
- Assist to execute stress testing and back testing if necessary.
- Other risk management related issues.

iii. Business unit

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

- Manage and report daily risk of the business unit and take necessary responsive actions.
- Supervise regular submission of risk management information to the risk management department.

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

- Identify and measure risks and report risk exposures.
- Evaluate the impacts (quantitative or qualitative) when risks occur and deliver the risk information in a timely and accurate manner.
- Regularly review the risks and their limits to ensure the effective execution of risk limits within business unit.
- Monitor risk exposures and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions of the business units.
- Assist to develop the risk model and ensure that the risk measurement, application of model, and the parameter settings are reasonable and consistent.
- Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
- Assist to collect data related to operational risk.

iv. Audit department

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

b) Risk reporting and the scope and nature of risk assessment for property insurance business

i. Risk management reports

- i) Each business unit should regularly deliver risk information to the risk management department, and report the excess of risk limits and responding measures when risk exposure exceeds the limit.
- ii) The risk management department summarizes the risk information provided by each department, tracks the uses of major risk limit, submits a monthly risk management report to the chairman, and makes quarterly report to the risk management committee and the board of directors.

ii. The scope and nature of risk assessment

The risk management department of Cathay Century and its subsidiaries and the Company collaborated in building the market risk management system. The system structure was developed in consideration of the system functionality, data source, completeness of data upload, and the safety of the environment of the system. The front-end of investment department has acquired the information system related to the investment market. The risk management system focuses on risk quantification, which is needed by middle-end, and would be only authorized to risk management personnel.

- c) Processes to undertake, evaluate, supervise and control insurance risk of property insurance business and underwriting policies to ensure proper risk classification and premium level

In Cathay Century and its subsidiaries, risk management department is responsible for monitoring and integrating insurance risks as a whole, and setting up risk indicators, risk limit, and managing mechanism. Each related department is the execution unit of insurance risk control and regularly reports execution to risk management department in accordance with laws and regulations, internal rules, and professional knowledge and experience related to its duties. The risk management department proposes the insurance risk management report to the risk management committee and the board of directors each quarter.

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

Insurance risk management of Cathay Century and its subsidiaries covers product design and pricing, underwriting, reinsurance, catastrophe, claim, and reserve. Proper management mechanisms are set up and executed thoroughly.

- e) Methods to limit insurance risk exposure and avoid inappropriate concentration risk

When Cathay Century and its subsidiaries implement business, the underwriter evaluates the quality of the business based on the underwriting criteria of each insurance to decide whether to undertake the business to properly hedge and control the risk and reduce the exposure.

In addition, for reinsurance business, risk management mechanism is set up in accordance with the Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms. The capabilities of undertaking risk is considered to develop reinsurance risk management plan and maximum of accumulated retained risks of each risk unit for execution.

Accumulated risk with the portfolio of direct written premiums and other inward-insurance business is conducted before an individual case of outward/inward reinsurance is executed. When the cumulative insurance amount exceeds contract limit or self-retain limit, risk is diversified through facultative reinsurance.

According to Cathay Century and its subsidiaries' reinsurance risk management policy, the basis for managing the maximum accumulated risk limit of each risk unit requires the risk management and each insurance department to jointly review and discuss the accumulated retained risk limit of a risk unit for each insurance type every year, which is submitted to the general manager for approval before implementation. The following table summarizes the maximum accumulated retained risk limit of a risk unit by insurance type:

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

f) Asset-liability management

i. Asset-liability coordinated with risk identification and measurement

Financial accounting and actuarial department should identify the possible market risk, liquidity risk and insurance risk that may occur during operation. The cash inflows from assets are measured by cash flow test method (or other method) to evaluate whether the amount of inflows is sufficient to cover the cash outflow for liabilities, that is, whether the asset allocation has reasonable liquidity to pay liabilities for expenditures in future years.

ii. Asset-liability coordinated with risk response

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

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

Cathay Century and its subsidiaries have established a set of capital adequacy management standards, including RBC management indicators for regular review, under which RBC is calculated each quarter and RBC management report is prepared every half year as implementation of RBC management.

If the RBC ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose a response to the risk management committee and inform the Company to review the impact on the Group's CAR.

2) Liability on policyholders' claims filed and losses not yet filed

Claims and payments recoverable for policyholders' claims filed and paid

Insurance Type	Claims Filed and Paid		
	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	<u>83,914</u>	<u>200,809</u>	<u>185,892</u>
	420,113	466,550	291,795
Less: Loss allowance	<u>(4,201)</u>	<u>(4,665)</u>	<u>(14,590)</u>
Net amount	<u>\$ 415,912</u>	<u>\$ 461,885</u>	<u>\$ 277,205</u>

3) Receivables and payables of insurance contracts

a) Receivables

Insurance Type	Premiums Receivable		
	March 31, 2022	December 31, 2021	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	<u>12,737</u>	<u>21,068</u>	<u>14,157</u>
	1,962,415	2,128,646	1,688,264
Less: Loss allowance	<u>(33,171)</u>	<u>(31,309)</u>	<u>(36,480)</u>
Net amount	<u>\$ 1,929,244</u>	<u>\$ 2,097,337</u>	<u>\$ 1,651,784</u>

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	<u>755,571</u>	<u>289,114</u>	<u>599,887</u>
	<u>\$ 1,962,415</u>	<u>\$ 2,128,646</u>	<u>\$ 1,688,264</u>

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.

b) Payables

<b>March 31, 2022</b>			
<b>Insurance Type</b>	<b>Commission Payable</b>	<b>Others</b>	<b>Total</b>
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 automobile liability insurance	<u>19,635</u>	<u>-</u>	<u>19,635</u>
	<u>\$ 272,228</u>	<u>\$ 230,216</u>	<u>\$ 502,444</u>
<b>December 31, 2021</b>			
<b>Insurance Type</b>	<b>Commission Payable</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 27,292	\$ 16,037	\$ 43,329
Marine insurance	15,061	14,224	29,285
Land and air insurance	144,015	110,874	254,889
Liability insurance	29,591	34,523	64,114
Guarantee insurance	2,650	893	3,543
Other property insurance	8,576	8,718	17,294
Accident insurance	10,400	30,735	41,135
Health insurance	1,462	1,095	2,557
Policy-oriented residential earthquake insurance	273	3,508	3,781
Compulsory automobile liability insurance	<u>19,870</u>	<u>-</u>	<u>19,870</u>
	<u>\$ 259,190</u>	<u>\$ 220,607</u>	<u>\$ 479,797</u>

Insurance Type	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 automobile liability insurance	<u>27,208</u>	<u>-</u>	<u>27,208</u>
	<u>\$ 227,841</u>	<u>\$ 188,640</u>	<u>\$ 416,481</u>

c) Due from (to) reinsurers and ceding companies - reinsurance

Items	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	159,892	131,152
Swiss Re	15,307	108,865
Willis	167,871	106,046
Others (individually below 5%)	<u>452,068</u>	<u>927,325</u>
	1,004,502	1,753,695
Less: Loss allowance	<u>(59,076)</u>	<u>-</u>
Net amount	<u>\$ 945,426</u>	<u>\$ 1,753,695</u>

Items	December 31, 2021	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 129,191	\$ 246,885
AON	76,758	174,100
Central Re	49,361	463,973
Marsh	249,530	94,038
Willis	79,626	336,647
Others (individually below 5%)	<u>412,096</u>	<u>958,154</u>
	996,562	2,273,797
Less: Loss allowance	<u>(58,751)</u>	<u>-</u>
Net amount	<u>\$ 937,811</u>	<u>\$ 2,273,797</u>

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

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.

#### 4) Reserve required for specific assets

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

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

- a) Government bonds, not including exchangeable government bonds
- b) Financial bonds, negotiable certificates of deposit, banker’s acceptances, and commercial paper guaranteed by a financial institution, provided that financial bonds shall be limited to ordinary financial bonds only

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

If the balance of the 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:

- a) Treasury bills
- b) Negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution
- c) Government bonds under repurchase agreement

The amounts 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 to 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 its 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 would 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.

5) Acquisition cost of insurance contracts

<b>For the Three Months Ended March 31, 2022</b>					
<b>Insurance Type</b>	<b>Commission Expenses</b>	<b>Service fee Charge</b>	<b>Reinsurance Commission Expenses</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 37,698	\$ 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
	<u>\$ 582,980</u>	<u>\$ 76,485</u>	<u>\$ 24,542</u>	<u>\$ 188,851</u>	<u>\$ 872,858</u>
<b>For the Three Months Ended March 31, 2021</b>					
<b>Insurance Type</b>	<b>Commission Expenses</b>	<b>Service fee Charge</b>	<b>Reinsurance Commission Expenses</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 38,596	\$ 4,606	\$ 33,388	\$ 4,053	\$ 80,643
Marine insurance	17,277	271	1,889	419	19,856
Land and air insurance	290,235	394	11,431	106,450	408,510
Liability insurance	50,566	15	164	7,840	58,585
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
	<u>\$ 508,738</u>	<u>\$ 100,429</u>	<u>\$ 53,709</u>	<u>\$ 139,246</u>	<u>\$ 802,122</u>

Acquisition costs of the insurance contracts were not deferred.

6) Profit and loss analysis of the insurance business

Direct underwriting business

<b>For the Three Months Ended March 31, 2022</b>						
<b>Insurance Type</b>	<b>Written Premium (Net of Premium Allowance)</b>	<b>Net Changes in Unearned Premium Reserve</b>	<b>Acquisition Cost of Insurance Contracts</b>	<b>Claims and Payments (Including Claim Expense)</b>	<b>Net Changes in Loss Reserve</b>	<b>Profit (Loss)</b>
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	<u>684,275</u>	<u>3,327</u>	<u>74,962</u>	<u>407,222</u>	<u>17,133</u>	<u>181,631</u>
	<u>\$ 6,615,646</u>	<u>\$ (11,161)</u>	<u>\$ 848,316</u>	<u>\$ 2,980,394</u>	<u>\$ 434,800</u>	<u>\$ 2,363,297</u>
<b>For the Three Months Ended March 31, 2021</b>						
<b>Insurance Type</b>	<b>Written Premium (Net of Premium Allowance)</b>	<b>Net Changes in Unearned Premium Reserve</b>	<b>Acquisition Cost of Insurance Contracts</b>	<b>Claims and Payments (Including Claim Expense)</b>	<b>Net Changes in Loss Reserve</b>	<b>Profit (Loss)</b>
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	<u>670,931</u>	<u>852</u>	<u>92,416</u>	<u>474,199</u>	<u>(28,054)</u>	<u>131,518</u>
	<u>\$ 5,573,730</u>	<u>\$ (149,235)</u>	<u>\$ 748,413</u>	<u>\$ 2,536,263</u>	<u>\$ 1,377,493</u>	<u>\$ 1,060,796</u>

## Reinsurance inward business

### **For the Three Months Ended March 31, 2022**

Insurance Type	Net Changes in					Profit (Loss)
	Reinsurance Premium	Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	
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	<u>193,886</u>	<u>3,858</u>	<u>-</u>	<u>191,976</u>	<u>30,922</u>	<u>(32,870)</u>
	<u>\$ 320,720</u>	<u>\$ (89,593)</u>	<u>\$ 24,542</u>	<u>\$ 257,448</u>	<u>\$ 131,787</u>	<u>\$ (3,464)</u>

### **For the Three Months Ended March 31, 2021**

Insurance Type	Net Changes in					Profit (Loss)
	Reinsurance Premium	Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	
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	<u>187,594</u>	<u>2,680</u>	<u>-</u>	<u>209,851</u>	<u>(287)</u>	<u>(24,650)</u>
	<u>\$ 482,855</u>	<u>\$ 116,081</u>	<u>\$ 53,709</u>	<u>\$ 397,694</u>	<u>\$ 33,957</u>	<u>\$ (118,586)</u>

Ceded reinsurance business

<b>For the Three Months Ended March 31, 2022</b>						
<b>Insurance Type</b>	<b>Reinsurance Expenses</b>	<b>Net Changes in Ceded Unearned Premium Reserve</b>	<b>Reinsurance Commission Income</b>	<b>Claims and Payments (Recovered from Reinsurers)</b>	<b>Net Changes in Ceded Loss Reserve</b>	<b>Profit (Loss)</b>
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	<u>285,549</u>	<u>1,996</u>	<u>-</u>	<u>237,655</u>	<u>4,246</u>	<u>41,652</u>
	<u>\$ 1,791,679</u>	<u>\$ (24,802)</u>	<u>\$ 209,979</u>	<u>\$ 716,072</u>	<u>\$ 150,260</u>	<u>\$ 740,170</u>
<b>For the Three Months Ended March 31, 2021</b>						
<b>Insurance Type</b>	<b>Reinsurance Expenses</b>	<b>Net Changes in Ceded Unearned Premium Reserve</b>	<b>Reinsurance Commission Income</b>	<b>Claims and Payments (Recovered from Reinsurers)</b>	<b>Net Changes in Ceded Loss Reserve</b>	<b>Profit (Loss)</b>
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	<u>279,582</u>	<u>511</u>	<u>-</u>	<u>273,999</u>	<u>(22,637)</u>	<u>27,709</u>
	<u>\$ 1,447,260</u>	<u>\$ (92,351)</u>	<u>\$ 142,084</u>	<u>\$ 459,980</u>	<u>\$ 1,138,234</u>	<u>\$ (200,687)</u>

7) Sensitivity to insurance risk

a) Cathay Century

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
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 automobile liability insurance	<u>684,275</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 6,523,207</u>		<u>\$ (291,947)</u>	<u>\$ (228,734)</u>

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
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 automobile liability insurance	<u>670,931</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 5,497,038</u>		<u>\$ (241,304)</u>	<u>\$ (197,781)</u>

Note: Expected loss rate is calculated based on the simple average loss rate of the past five years.

The above table shows that with 5% increase in the expected loss rate of every insurance contract of Cathay Century, profit or loss may be impacted to an extent; however, the impact has been mitigated through the arrangement of reinsurance to achieve the effect of risk diversification.

b) Cathay Insurance (Vietnam)

For the three months ended March 31, 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	<u>1,037</u>	8.27%	<u>(53)</u>	<u>(21)</u>
	<u>\$ 92,439</u>		<u>\$ (4,621)</u>	<u>\$ (3,131)</u>

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	<u>727</u>	12.16%	<u>(36)</u>	<u>(14)</u>
	<u>\$ 76,692</u>		<u>\$ (3,835)</u>	<u>\$ (2,651)</u>

Note: Expected loss rate is calculated based on the weighted average loss rate of the past five years.

The above table shows that with 5% increase in the expected loss rate of every insurance contract of Cathay Insurance (Vietnam), profit or loss may be impacted to an extent; however, the impact has been mitigated through the arrangement of reinsurance to achieve the effect of risk diversification.

## 8) Risk concentration

### a) Cathay Century

#### i. Situations that may cause concentration of insurance risk:

##### i) Single insurance contract or several related contracts

As of 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 changes in trend

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

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

“The Regulations for Assisting in Filing Lawsuit Cases of Cathay Century Insurance” were set up to safeguard the rights of Cathay Century and the insured and to monitor the progress of insurance claim lawsuits. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of 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 Century established “points for handling teams of catastrophe and major event” and “Operation Standards under Crisis”, under which crisis handling team is set up in reaction to the event and executes emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and Cathay Century and to keep financial stability. As of 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, Cathay Century has conducted regular reviews on voluntary automobile insurance, commercial fire insurance, and residential fire insurance in accordance with regulations. When the actual loss rate exceeds the expected loss rate to a certain percentage, premium rates will be properly adjusted to avoid persistent enlargement of losses. In addition, the actuarial department observes the changes in trend of loss rates of each product on irregular basis and adjusts pricing and coverage in a timely manner to effectively lower insurance risks.



For investment instruments, changes in risk indicators are monitored on a regular basis with cash flow analysis as well as stress testing, to control and manage the impact of fluctuations in major risk factors.

In addition, stress testing is performed for the overall business every year to assess the impacts on financial positions due to extreme scenarios of the assets and insurance risk and understand the major risk factors to response in advance.

vi) Concentration of geographic regions and operating segments

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

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

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

Insurance Type	For the Three Months Ended March 31, 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

- iii. Disclosure of the management's past performance regarding the risks with low frequency of occurrence but enormous impact on property insurance business to assist the user of financial statements assess the uncertainty of cash flows related to such risks.

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

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

b) Cathay Insurance (Vietnam)

- i. Situations that may cause concentration of insurance risk:

i) Single insurance contract or several related contracts

As of 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 increased compared to the same period last year due to the pandemic of COVID-19 slows down and the demand for domestic tourism increases; however, there is no effect to business risk so far, and Cathay Insurance (Vietnam) will keep on observing risk exposure.

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

“The Procedure for Subrogation” and “The Proceedings of the Court” are set up to safeguard the rights of Cathay Insurance 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. In order to mitigate the risks of catastrophic events in its operations, Cathay Insurance (Vietnam) established the Points for Handling Major Events of Cathay Insurance (Vietnam), under which crisis handling team is set up as a response to such events and executes tasks such as resource coordination and fund procurement to protect the rights of the insured and Cathay Century, as well as to maintain financial stability. As of March 31, 2022, there was no interaction among different risks resulting from a catastrophic event.

v) Concentration of geographical regions and operating segments

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

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

The following table summarizes 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

- c) Disclosure of the past performance of property insurance business regarding the management risks with low frequency of occurrence but enormous impact, to the user of financial statement assess the uncertainty of cash flows related to such risks

Catastrophes such as typhoon and flood, will bring tremendous insurance risk to property insurance business. To control and manage risk with low frequency occurrence but enormous impact, Cathay Insurance (Vietnam) assesses the risk of natural disasters and special insured items and holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

9) Development trends of claims

a) Cathay Century

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	10,339,455	-	
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 payments	-	11,097,313	7,978,305	8,436,879	9,879,160	10,993,648	10,339,455	2,974,526	
Accumulated claims disbursed	-	11,056,929	7,915,931	8,330,082	9,396,679	8,938,526	7,153,958	403,940	
Adjustment	234,524	40,384	62,374	106,797	482,481	2,055,122	3,185,497	2,570,586	\$ 8,737,765
	-	-	-	-	-	-	-	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 payments	-	7,452,191	11,102,224	7,977,104	8,447,631	9,915,122	11,023,615	10,259,775	
Accumulated claims disbursed	-	7,422,770	11,057,773	7,905,417	8,312,638	9,361,832	8,584,467	5,410,326	
Adjustment	209,490	29,421	44,451	71,687	134,993	553,290	2,439,148	4,849,449	\$ 8,331,929
	-	-	-	-	-	-	-	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 payments	-	7,453,017	11,099,080	8,000,429	8,465,675	10,004,478	10,706,033	2,437,324	
Accumulated claims disbursed	-	7,416,261	11,030,822	7,877,214	8,205,575	8,820,985	6,587,978	329,894	
Adjustment	303,923	36,756	68,258	123,215	260,100	1,183,493	4,118,055	2,107,430	\$ 8,201,230
	-	-	-	-	-	-	-	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.

b) Cathay Insurance (Vietnam)

Since the claim data of Cathay Insurance (Vietnam) is still immature, the historical experience for development trend of claim is not available. Cathay Insurance (Vietnam) provided loss reserve for claims incurred but not yet filed at 5% of retained premiums following the suggestion by Vietnamese Ministry of Finance 2842/BTC/QLBH.

### 36. FINANCIAL INSTRUMENTS

#### a. Categories of financial instruments

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 1,949,246,982	\$ 1,929,395,229	\$ 1,800,120,582
Financial assets at FVTOCI	1,674,631,985	1,626,821,625	1,571,029,708
Financial assets for hedging	251,542	500,642	146,269
Financial assets at amortized cost			
Cash and cash equivalents	305,927,286	467,635,057	448,129,821
Due from the Central Bank and call loans to banks	262,487,522	234,546,475	152,315,784
Debt instruments at amortized cost	3,377,099,687	3,266,686,240	3,186,546,185
Notes and bonds purchased under resale agreements	66,660,351	77,243,060	50,881,539
Discounts and loans, net	2,343,127,581	2,287,115,449	2,219,536,128
Receivables, net	199,416,417	205,480,862	204,782,871
Other financial assets, net	730,336,372	741,107,026	686,655,474
Guarantee deposits paid	70,350,323	36,253,079	51,753,875
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	145,169,174	79,934,187	130,825,360
Financial liabilities for hedging	767,655	20,956	43,129
Financial liabilities at amortized cost			
Deposits from the Central Bank and banks	112,784,410	74,605,174	80,305,732
Due to the Central Bank and banks	1,076,000	1,076,000	1,076,000
Notes and bonds sold under repurchase agreements	38,543,767	39,827,873	17,604,400
Commercial paper payable, net	63,568,800	63,469,166	42,609,669
Payables	75,034,091	76,870,285	84,660,437
Deposits and remittances	2,936,089,265	2,871,960,053	2,654,702,795
Bonds payable	142,360,991	141,800,000	147,300,000
Other borrowings	1,822,066	1,670,185	819,855
Other financial liabilities	756,834,549	763,908,198	719,131,201
Lease liabilities	14,714,418	14,721,170	14,395,259
Guarantee deposits received	7,050,340	14,457,919	8,049,620

#### b. The valuation technique and assumptions used in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- 1) The carrying amount of cash and cash equivalents, accounts receivable, short-term debts and accounts payable approximates their fair value due to their short maturities.

- 2) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- 3) Fair values of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of liquidity, P/E ratio of similar entities and Price-Book ratio of similar entities).
- 4) Fair value of debt instruments without market quotations is determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk information).
- 5) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using the interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).
- 6) The Group evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Group will not default, the Group determines its credit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Group calculates its debit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the Group. The Group decides the estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Group sets estimated loss given default at 60% by considering the experiences of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded on the Taipei Exchange.

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

1) Fair value hierarchy

Items	March 31, 2022				December 31, 2021				March 31, 2021			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>												
Assets												
Financial assets at FVTPL												
Stocks	\$ 517,455,802	\$ 498,472,106	\$ 12,297,539	\$ 6,686,157	\$ 556,703,945	\$ 538,060,770	\$ 12,026,990	\$ 6,616,185	\$ 601,416,122	\$ 574,855,489	\$ 19,195,590	\$ 7,365,043
Bonds	375,011,116	24,860,663	347,173,859	2,976,594	384,289,144	13,933,074	367,464,550	2,891,520	270,458,900	8,384,179	259,107,739	2,966,982
Other	1,000,903,178	600,538,055	206,482,713	193,882,410	935,660,571	557,774,762	192,388,208	185,497,601	859,345,283	516,141,374	213,442,677	129,761,232
Financial assets at FVTOCI												
Stocks	195,311,136	182,206,978	-	13,104,158	176,155,083	162,871,952	-	13,283,131	151,421,188	140,217,072	-	11,204,116
Bonds (Note)	1,406,006,829	132,475,722	1,273,531,107	-	1,426,163,420	151,032,840	1,275,130,580	-	1,392,360,632	135,475,433	1,256,885,199	-
Other	74,381,551	-	74,381,551	-	25,599,336	-	25,599,336	-	28,381,769	-	28,381,769	-
Liabilities												
Financial liabilities at FVTPL												
Financial liabilities designated as at FVTPL	39,832,757	-	39,832,757	-	40,587,123	-	40,587,123	-	42,722,501	-	42,722,501	-
Held for trading	3,251,184	3,251,184	-	-	1,045,405	1,045,405	-	-	6,199,961	6,199,961	-	-
<u>Derivative instruments</u>												
Assets												
Financial assets at FVTPL												
Financial assets for hedging	55,876,886	839,291	50,677,967	4,359,628	52,741,569	342,275	48,033,674	4,365,620	68,900,277	1,189,210	62,098,829	5,612,238
Financial liabilities for hedging	251,542	-	251,542	-	500,642	-	500,642	-	146,269	-	146,269	-
Liabilities												
Financial liabilities at FVTPL												
Financial liabilities for hedging	102,085,233	431,553	97,294,052	4,359,628	38,301,659	660,426	33,275,613	4,365,620	81,902,898	1,076,713	75,213,947	5,612,238
Financial liabilities for hedging	767,655	-	767,655	-	20,956	-	20,956	-	43,129	-	43,129	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the three months ended March 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value.



2) Reconciliation for movements in Level 3 fair value measurements

	<b>For the Three Months Ended March 31, 2022</b>		
	<b>Financial Assets</b>		<b>Financial Liabilities</b>
	<b>At FVTPL</b>	<b>At FVTOCI</b>	<b>At FVTPL</b>
Beginning balance	\$ 199,370,737	\$ 13,283,131	\$ 4,365,620
Recognized in profit or loss			
Gain on financial assets and liabilities at FVTPL	10,850,365	-	102,520
Loss on reclassification using the overlay approach	(4,913,959)	-	-
Recognized in other comprehensive income			
Exchange differences on translation of financial statements of foreign operations	93,327	135,063	-
Other comprehensive income reclassified using the overlay approach	4,913,959	-	-
Loss on financial assets at FVTOCI	-	(284,199)	-
Acquisitions or issuances	10,060,157	-	8,261
Disposals or settlements	(12,246,764)	(29,837)	(116,773)
Transfers out of Level 3	(223,033)	-	-
Ending balance	<u>\$ 207,904,789</u>	<u>\$ 13,104,158</u>	<u>\$ 4,359,628</u>
	<b>For the Three Months Ended March 31, 2021</b>		
	<b>Financial Assets</b>		<b>Financial Liabilities</b>
	<b>At FVTPL</b>	<b>At FVTOCI</b>	<b>At FVTPL</b>
Beginning balance	\$ 135,079,316	\$ 10,037,619	\$ 5,361,832
Recognized in profit or loss			
Gain on financial assets and liabilities at FVTPL	8,962,397	-	193,314
Loss on reclassification using the overlay approach	(5,335,164)	-	-
Recognized in other comprehensive income			
Exchange differences on translation of financial statements of foreign operations	2,354	1	-
Other comprehensive income reclassified using the overlay approach	5,335,164	-	-
Gain on financial assets at FVTOCI	-	1,257,301	-
Acquisitions or issuances	9,043,766	-	123,216
Disposals or settlements	(7,084,138)	(90,805)	(66,124)
Transfers out of Level 3	(298,200)	-	-
Ending balance	<u>\$ 145,705,495</u>	<u>\$ 11,204,116</u>	<u>\$ 5,612,238</u>

Regarding the above amounts recognized in profit or loss for the three months ended March 31, 2022 and 2021, unrealized gains of \$152,171 thousand and unrealized gains of \$920,465 thousand were related to financial assets held at the end of the period, respectively.

Regarding the above amounts recognized in profit or loss for the three months ended March 31, 2022 and 2021, unrealized losses of \$102,520 thousand and unrealized losses of \$193,314 thousand were related to financial liabilities held at the end of the period, respectively.

3) Information on significant unobservable inputs applied for Level 3 fair value measurement

The significant unobservable inputs applied for recurring Level 3 fair value measurement were as follows:

Cathay Life and its subsidiaries

<b>March 31, 2022</b>				
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	12%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	16%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(110%)-281%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	60%-140%	The higher the dividend payout ratio, the higher the fair value estimates
<b>December 31, 2021</b>				
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	3%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	16%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-135%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	60%-140%	The higher the dividend payout ratio, the higher the fair value estimates

<b>March 31, 2021</b>				
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	11%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	19%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-30%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	60%-140%	The higher the dividend payout ratio, the higher the fair value estimates

**Cathay United Bank and its subsidiaries**

<b>March 31, 2022</b>				
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

<b>December 31, 2021</b>				
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

March 31, 2021				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

#### Cathay Century and its subsidiaries

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

#### Cathay Securities and its subsidiaries

March 31, 2022					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)
December 31, 2021					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)
March 31, 2021					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

#### 4) Valuation process for Level 3 fair value measurements.

The Group's risk management department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs. The department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

d. Fair values of financial instruments not measured at fair value

Except for the accounts whose carrying amounts approximate their fair values, including cash and cash equivalents, due from the Central Bank and call loans to banks, notes and bonds purchased under resale agreements, receivables, discounts and loans, partial other financial assets, guarantee deposits paid, deposits from the Central Bank and banks, due to the Central Bank and banks, notes and bonds sold under repurchase agreements, commercial paper payable, bonds payable, other borrowings, payables, deposits and remittances, lease liabilities and guarantee deposits received, the fair values of the financial instruments which are not measured at fair value are listed in the following table:

March 31, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 3,389,581,461	\$ 33,095,424	\$ 3,259,802,226	\$ 915,014	\$ 3,293,812,664

December 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 3,276,571,435	\$ 35,353,661	\$ 3,448,415,980	\$ 650,293	\$ 3,484,419,934

March 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 3,196,441,223	\$ 32,638,993	\$ 3,338,841,406	\$ 762,670	\$ 3,372,243,069

Note: Including those serving as refundable deposits.

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with the income approach based on a discounted cash flow analysis. Significant unobservable inputs used in Level 3 fair value measurement were the discount rates that reflect the credit risk of counterparties and the cash flows that reflect the feature of early reimbursement.

e. Hedge accounting disclosures

Cathay Life and its subsidiaries

1) Cash flow hedges

The future cash flows of the bond investments held by Cathay Life and its subsidiaries may fluctuate due to the changes in market interest rates and thus lead to risks. Accordingly, Cathay Life and its subsidiaries held interest rate derivatives to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

a) Hedging instruments

<b>March 31, 2022</b>					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 27,610	\$ -	Financial assets for hedging	\$ (50,878)
IRS	840,771	-	3,453	Financial liabilities for hedging	13,224
<b>December 31, 2021</b>					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 90,307	\$ -	Financial assets for hedging	\$ (8,497)
IRS	865,313	-	20,956	Financial liabilities for hedging	28,176
<b>March 31, 2021</b>					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 131,747	\$ -	Financial assets for hedging	\$ (3,337)
IRS	1,043,165	-	43,129	Financial liabilities for hedging	4,350

b) Maturities of the nominal amount of hedging instruments and average price or rate

<b>Period Till Maturity</b>							
		<b>1 Month</b>	<b>1-3 Months</b>	<b>3 Months - 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	
<u>March 31, 2022</u>							
IRS							
Nominal principal	\$	-	\$ -	\$ 214,665	\$ 4,626,106	\$	-
Average fixed rate		-	-	2.5%	1.7%-2.5%	-	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2021</u>					
IRS					
Nominal principal	\$ -	\$ -	\$ 207,675	\$ 4,657,638	\$ -
Average fixed rate	-	-	2.5%	1.7%-2.5%	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>March 31, 2021</u>					
IRS					
Nominal principal	\$ -	\$ -	\$ 205,067	\$ 4,838,098	\$ -
Average fixed rate	-	-	2.5%	1.7%-2.5%	-

c) Hedged items

	For the Three Months Ended March 31, 2022							
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ 50,878	\$ 27,610	N/A	\$ (50,878)	\$ -	\$ -	\$ (11,820)	Net other noninterest gain
Payables	(13,224)	(3,453)	N/A	13,224	-	-	-	Net other noninterest gain
Discontinued hedge - bond investments	N/A	N/A	(241)	N/A	N/A	N/A	2	Net other noninterest gain

	For the Three Months Ended March 31, 2021							
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ 3,337	\$ 131,747	N/A	\$ (3,337)	\$ -	\$ -	\$ (11,875)	Net other noninterest gain
Payables	(4,350)	(43,129)	N/A	4,350	-	-	-	Net other noninterest gain
Discontinued hedge - bond investments	N/A	N/A	(250)	N/A	N/A	N/A	2	Net other noninterest gain

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

	For the Three Months Ended March 31	
	2022	2021
Beginning balance	\$ 51,118	\$ 74,960
Gross amount recognized in other comprehensive income		
Changes in the values of the hedging instruments recognized in other comprehensive income	(37,661)	1,013
Amount reclassified from cash flow hedge reserve to profit or loss	(11,818)	(11,873)
Tax effect	<u>12,351</u>	<u>3,090</u>
Ending balance	<u>\$ 13,990</u>	<u>\$ 67,190</u>

2) Fair value hedges

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

a) Hedging instruments

<b>March 31, 2022</b>					
<b>Hedging Instrument</b>	<b>Nominal Amount of the Hedging Instrument</b>	<b>Carrying Amount of the Hedging Instrument</b>		<b>Line Item in the Balance Sheet Where the Hedging Instrument Is Included</b>	<b>Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period</b>
		<b>Assets</b>	<b>Liabilities</b>		
		CCS	\$ 4,844,989		
Forward	37,881,650	-	764,202	Financial assets for hedging	(959,800)

  

<b>December 31, 2021</b>					
<b>Hedging Instrument</b>	<b>Nominal Amount of the Hedging Instrument</b>	<b>Carrying Amount of the Hedging Instrument</b>		<b>Line Item in the Balance Sheet Where the Hedging Instrument Is Included</b>	<b>Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period</b>
		<b>Assets</b>	<b>Liabilities</b>		
		CCS	\$ 4,687,225		
Forward	21,550,450	207,804	-	Financial assets for hedging	188,400

  

<b>March 31, 2021</b>					
<b>Hedging Instrument</b>	<b>Nominal Amount of the Hedging Instrument</b>	<b>Carrying Amount of the Hedging Instrument</b>		<b>Line Item in the Balance Sheet Where the Hedging Instrument Is Included</b>	<b>Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period</b>
		<b>Assets</b>	<b>Liabilities</b>		
		CCS	\$ 4,829,585		

b) Maturities of the nominal amount of hedging instruments and average price or rate

		<b>Period Till Maturity</b>				
		<b>1 Month</b>	<b>1-3 Months</b>	<b>3 Months - 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>
<u>March 31, 2022</u>						
CCS						
Nominal principal	\$	-	\$	-	\$	4,844,989
Interest rate		-	-	-	2.39%	-
Exchange rate (EUR/USD)		-	-	-	1.1285	-
Forward						
Nominal principal		-	-	-	37,881,650	-
Exchange rate (EUR/USD)		-	-	-	27.0214	-



	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2021</u>					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,687,225
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285
Forward					
Nominal principal	-	-	-	21,550,450	-
Exchange rate (EUR/USD)	-	-	-	26.9228	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>March 31, 2021</u>					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,829,585
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285

c) Hedged items

	For the Three Months Ended March 31, 2022							
	Book Value of Hedged Item		Cumulative Adjustment for Change in Fair Value of Hedged Item Included in the Book Value of the Hedged Item		Line item in the Statement of Financial Position That Includes the Hedged items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period	Ineffectiveness Recognized in Profit or loss	Line item in Profit or Loss That Includes the Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Overseas bonds	\$ 4,844,989	\$ -	\$ (71,244)	\$ -	Debt instruments at amortized cost	\$ (71,244)	\$ -	\$ -
Overseas bonds	37,881,650	-	959,800	-	Debt instruments at amortized cost	959,800	-	-

	For the Three Months Ended March 31, 2021							
	Book Value of Hedged Item		Cumulative Adjustment for Change in Fair Value of Hedged Item Included in the Book Value of the Hedged Item		Line item in the Statement of Financial Position That Includes the Hedged items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period	Ineffectiveness Recognized in Profit or loss	Line item in Profit or Loss That Includes the Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Overseas bonds	\$ 4,829,585	\$ -	\$ (241,024)	\$ -	Debt instruments at amortized cost	\$ (241,024)	\$ -	\$ -

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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 284,733	\$ 272,911
Gross amount recognized in other comprehensive income		
Changes in the values of the hedging instruments recognized in other comprehensive income	(62,048)	(135,530)
Amount reclassified to profit or loss	121,623	-
Tax effects	<u>(11,915)</u>	<u>27,106</u>
Ending balance	<u>\$ 332,393</u>	<u>\$ 164,487</u>

- f. Offsetting of financial assets and financial liabilities

Cathay Life and its subsidiaries

Cathay Life and its subsidiaries engage in derivative financial instruments that do not meet the offsetting criteria of standards, but enters into master netting arrangements or other similar agreements with counterparties. Financial instruments subject to master netting arrangements or other similar agreements could be settled at net amount as agreed by both parties of the transaction, or the financial instrument should be settled at gross amount otherwise. However, if one of both parties of the transaction defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities is disclosed as follows:

March 31, 2022

<b>Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 3,646,419	\$ -	\$ 3,646,419	\$ 3,586,811	\$ -	\$ 59,608

<b>Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 55,677,454	\$ -	\$ 55,677,454	\$ 3,586,811	\$ 31,792,848	\$ 20,297,795

December 31, 2021

<b>Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
<b>Item</b>	<b>Gross Amount of Recognized Financial Assets (a)</b>	<b>Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)</b>	<b>Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)</b>	<b>Relevant Amount That Has Not Been Offset on the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments</b>	<b>Cash Collateral Received/ Pledged</b>	
Derivative financial instruments	\$ 15,041,952	\$ -	\$ 15,041,952	\$ 2,978,568	\$ 7,373,362	\$ 4,690,022

<b>Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
<b>Item</b>	<b>Gross Amount of Recognized Financial Liabilities (a)</b>	<b>Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)</b>	<b>Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)</b>	<b>Relevant Amount That Has Not Been Offset on the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments</b>	<b>Cash Collateral Received/ Pledged</b>	
Derivative financial instruments	\$ 3,019,680	\$ -	\$ 3,019,680	\$ 2,978,568	\$ 42,919	\$ (1,807)

March 31, 2021

<b>Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
<b>Item</b>	<b>Gross Amount of Recognized Financial Assets (a)</b>	<b>Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)</b>	<b>Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)</b>	<b>Relevant Amount That Has Not Been Offset on the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments</b>	<b>Cash Collateral Received/ Pledged</b>	
Derivative financial instruments	\$ 12,083,137	\$ -	\$ 12,083,137	\$ 11,247,439	\$ 337,807	\$ 497,891

<b>Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
<b>Item</b>	<b>Gross Amount of Recognized Financial Liabilities (a)</b>	<b>Gross Amount of Offset Financial Assets Recognized on the Balance Sheet (b)</b>	<b>Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)</b>	<b>Relevant Amount That Has Not Been Offset on the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments</b>	<b>Cash Collateral Received/ Pledged</b>	
Derivative financial instruments	\$ 29,197,716	\$ -	\$ 29,197,716	\$ 11,247,439	\$ 13,177,696	\$ 4,772,581

Cathay United Bank and its subsidiaries

Cathay United Bank and its subsidiaries engages in financial instrument transactions that are offset in accordance with IAS 32, section 42, and the financial assets and financial liabilities that are relevant to such transactions are presented in the balance sheets at net amounts.

Cathay United Bank and its subsidiaries is also engaged in financial instrument transactions that are not offset in accordance with the regulations, but entered into enforceable master netting arrangements or other similar agreements with counterparties, for example: global master repurchase agreements, global securities lending agreements, or other similar agreements. Financial instruments subject to enforceable master netting arrangement or other similar agreements could be settled at net amount as chosen by the counterparties, or the financial instruments could be settled at gross amount if not. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities was disclosed as follows:

March 31, 2022

<b>Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreements</b>						
<b>Item</b>	<b>Gross Amount of Recognized Financial Assets (a)</b>	<b>Gross Amount Offset in the Balance Sheet (b)</b>	<b>Amount Presented in the Balance Sheet (c)= (a)-(b)</b>	<b>Amount Not Offset in the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received/ Pledged</b>	
Derivative financial instruments	\$ 53,636,428	\$ -	\$ 53,636,428	\$ 48,399,075	\$ 3,235,010	\$ 2,002,343

<b>Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements</b>						
<b>Item</b>	<b>Gross Amount of Recognized Financial Liabilities (a)</b>	<b>Gross Amount Offset in the Balance Sheet (b)</b>	<b>Amount Presented in the Balance Sheet (c)= (a)-(b)</b>	<b>Amount Not Offset in the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received/ Pledged</b>	
Derivative financial instruments	\$ 48,399,075	\$ -	\$ 48,399,075	\$ 48,399,075	\$ -	\$ -
Repurchase bonds	35,244,841	-	35,244,841	33,355,621	1,889,220	-

December 31, 2021

<b>Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreements</b>						
<b>Item</b>	<b>Gross Amount of Recognized Financial Assets (a)</b>	<b>Gross Amount Offset in the Balance Sheet (b)</b>	<b>Amount Presented in the Balance Sheet (c)= (a)-(b)</b>	<b>Amount Not Offset in the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received/ Pledged</b>	
Derivative financial instruments	\$ 38,512,412	\$ -	\$ 38,512,412	\$ 35,297,809	\$ 3,214,603	\$ -

<b>Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements</b>						
<b>Item</b>	<b>Gross Amount of Recognized Financial Liabilities (a)</b>	<b>Gross Amount Offset in the Balance Sheet (b)</b>	<b>Amount Presented in the Balance Sheet (c)= (a)-(b)</b>	<b>Amount Not Offset in the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received/ Pledged</b>	
Derivative financial instruments	\$ 35,297,809	\$ -	\$ 35,297,809	\$ 35,297,809	\$ -	\$ -
Repurchase bonds	37,161,652	-	37,161,652	36,593,423	568,229	-

March 31, 2021

<b>Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreements</b>						
<b>Item</b>	<b>Gross Amount of Recognized Financial Assets (a)</b>	<b>Gross Amount Offset in the Balance Sheet (b)</b>	<b>Amount Presented in the Balance Sheet (c)= (a)-(b)</b>	<b>Amount Not Offset in the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received/ Pledged</b>	
Derivative financial instruments	\$ 56,663,336	\$ -	\$ 56,663,336	\$ 52,252,929	\$ 4,250,368	\$ 160,039

<b>Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements</b>						
<b>Item</b>	<b>Gross Amount of Recognized Financial Liabilities (a)</b>	<b>Gross Amount Offset in the Balance Sheet (b)</b>	<b>Amount Presented in the Balance Sheet (c)= (a)-(b)</b>	<b>Amount Not Offset in the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received/ Pledged</b>	
Derivative financial instruments	\$ 52,252,929	\$ -	\$ 52,252,929	\$ 52,252,929	\$ -	\$ -
Repurchase bonds	14,987,334	-	14,987,334	14,243,835	743,499	-

Note: Master netting arrangement and non-cash collateral are included.

#### Cathay Securities and its subsidiaries

Cathay Securities and its subsidiaries enter into secured repurchase agreements with counterparties, for which Cathay Securities and its subsidiaries provide securities as collateral. Only in the event of default, insolvency or bankruptcy, these transactions are allowed to be offset, which does not meet the offsetting criteria of financial instrument transactions, Article 42 of IAS 32, and they are not subject to enforceable master netting arrangements or other similar agreements and should be settled at gross amounts. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities is disclosed as follows:

#### March 31, 2022

<b>Financial Liabilities</b>	<b>Gross Amount of Recognized Financial Liabilities</b>	<b>Gross Amount of Offset Financial Assets Recognized on the Balance Sheet</b>	<b>Net Financial Liabilities Recognized on the Balance Sheet</b>	<b>Relevant Amount That Has Not Been Offset on the Balance Sheet</b>		<b>Net Amount</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received/ Pledged</b>	
Repurchase bonds	\$ 3,298,926	\$ -	\$ 3,298,926	\$ 3,463,461	\$ -	\$ (164,535)

#### December 31, 2021

<b>Financial Liabilities</b>	<b>Gross Amount of Recognized Financial Liabilities</b>	<b>Gross Amount of Offset Financial Assets Recognized on the Balance Sheet</b>	<b>Net Financial Liabilities Recognized on the Balance Sheet</b>	<b>Relevant Amount That Has Not Been Offset on the Balance Sheet</b>		<b>Net Amount</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received/ Pledged</b>	
Repurchase bonds	\$ 2,666,221	\$ -	\$ 2,666,221	\$ 2,654,273	\$ -	\$ 11,948

#### March 31, 2021

<b>Financial Liabilities</b>	<b>Gross Amount of Recognized Financial Liabilities</b>	<b>Gross Amount of Offset Financial Assets Recognized on the Balance Sheet</b>	<b>Net Financial Liabilities Recognized on the Balance Sheet</b>	<b>Relevant Amount That Has Not Been Offset on the Balance Sheet</b>		<b>Net Amount</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received/ Pledged</b>	
Repurchase bonds	\$ 2,617,066	\$ -	\$ 2,617,066	\$ 2,512,177	\$ -	\$ 104,889

Note: Master netting arrangements and non-cash collateral are included.

g. Transfers of financial assets

Financial assets transferred that have not been fully removed

Cathay United Bank and its subsidiaries

In the daily operations of Cathay United Bank and its subsidiaries, transferred financial assets that do not meet the criteria for full removal are mostly debt securities used as counterparty collateral for repurchase agreements or equity securities lent out as part of securities lending agreement. The nature of these transactions are secured loans, and reflects the liability where Cathay United Bank is obligated to repurchase the transferred financial assets according to a fixed price in future periods. With respect to such transactions, Cathay United Bank and its subsidiaries will not be able to use, sell or pledge such transferred financial assets during the effective period. However Cathay United Bank and its subsidiaries are still exposed to interest rate risk and credit risk, hence they are not derecognized.

The following table analyses financial assets and financial liabilities that have not been fully removed:

March 31, 2022					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTPL Repurchase agreements	\$ 2,289,581	\$ 2,198,390	\$ 2,289,581	\$ 2,198,390	\$ 91,191
Financial assets at FVTOCI Repurchase agreements	18,929,623	18,575,292	18,929,623	18,575,292	354,331
Debt instruments at amortized cost Repurchase agreements	15,669,206	14,471,159	14,882,041	14,471,159	410,882

December 31, 2021					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTPL Repurchase agreements	\$ 2,215,810	\$ 2,148,959	\$ 2,215,810	\$ 2,148,959	\$ 66,851
Financial assets at FVTOCI Repurchase agreements	28,782,456	27,600,460	28,782,456	27,600,460	1,181,996
Debt instruments at amortized cost Repurchase agreements	7,276,510	7,412,233	7,226,614	7,412,233	(185,619)

March 31, 2021					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI Repurchase agreements	\$ 14,310,829	\$ 13,639,111	\$ 14,310,829	\$ 13,639,111	\$ 671,718
Debt instruments at amortized cost Repurchase agreements	1,103,388	1,348,223	1,145,629	1,348,223	(202,594)

Cathay Securities and its subsidiaries

Transferred financial assets that are part of Cathay Securities and its subsidiaries' daily operations that do not meet the criteria for full derecognition are mostly made up of notes and bonds sold under repurchase agreements. The cash flows of these transactions have been transferred, and reflects the liability where Cathay Securities and its subsidiaries are obligated to buy back the transferred financial assets according to fixed prices in future periods. With respect to such transactions, Cathay Securities and its subsidiaries will not be able to use, sell or pledge the said transferred financial assets during the effective period. However, Cathay Securities and its subsidiaries are still exposed to interest rate risk and credit risk, hence the assets are not fully derecognized.

The following table analyses Cathay Securities and its subsidiaries' financial assets and financial liabilities that have not been fully derecognized:

March 31, 2022

<b>Categories of Financial Assets</b>	<b>Carrying Value of Transferred Financial Assets</b>	<b>Carrying Value of Related Financial Liabilities</b>	<b>Fair Value of Transferred Financial Assets</b>	<b>Fair Value of Related Financial Liabilities</b>	<b>Net Fair Value</b>
<u>Financial assets at FVTPL</u>					
Repurchase bonds	\$ 587,746	\$ 532,050	\$ 587,746	\$ 532,050	\$ 55,696
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	2,875,715	2,766,876	2,875,715	2,766,876	108,839

December 31, 2021

<b>Categories of Financial Assets</b>	<b>Carrying Value of Transferred Financial Assets</b>	<b>Carrying Value of Related Financial Liabilities</b>	<b>Fair Value of Transferred Financial Assets</b>	<b>Fair Value of Related Financial Liabilities</b>	<b>Net Fair Value</b>
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 2,654,273	\$ 2,666,221	\$ 2,654,273	\$ 2,666,221	\$ (11,948)

March 31, 2021

<b>Categories of Financial Assets</b>	<b>Carrying Value of Transferred Financial Assets</b>	<b>Carrying Value of Related Financial Liabilities</b>	<b>Fair Value of Transferred Financial Assets</b>	<b>Fair Value of Related Financial Liabilities</b>	<b>Net Fair Value</b>
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 2,512,177	\$ 2,617,066	\$ 2,512,177	\$ 2,617,066	\$ (104,889)

h. Financial risk management objectives and policies

Cathay Life and its subsidiaries

Cathay Life and its subsidiaries' major financial instruments include equity and debt investments, derivative instruments, receivables, payables and bonds payable. The main financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk analysis

a) Sources of market risk

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

Cathay Life and its subsidiaries continuously utilize market risk management instruments such as Value at Risk (“VaR”) and stress testing to completely and effectively measure, monitor and manage market risk.

i. Value at Risk

VaR is the maximum loss on the investment portfolio due to changes in market risk factors over a given period and at a specified confidence level. Currently, Cathay Life and its subsidiaries adopt the one-week VaR at 95% and 99% confidence levels to measure market risk.

ii. Stress testing

In addition to the VaR model, Cathay Life and its subsidiaries carry out regular stress testing to measure the potential risk in the case of extreme and abnormal events.

Cathay Life and its subsidiaries perform stress testing on positions regularly by applying the simple sensitivity test and scenario analysis. Such tests cover the losses on positions which resulted from changes in specific risk factors in various kinds of historical scenarios.

i) Simple sensitivity test

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

ii) Scenario analysis

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

- Historical scenario

By considering the fluctuations in risk factors during a specific historical event, Cathay Life and its subsidiaries evaluate the losses that would be incurred for the current investment portfolio at the time of the event.

- Hypothetical scenario

Cathay Life and its subsidiaries simulate rational expectations for possible extreme market changes to evaluate the losses incurred on the investment positions by considering the fluctuations in related risk factors and the relevance between the investment targets and the risk factors.

The risk management department regularly performs stress testing with historical and hypothetical scenarios to serve as a basis for risk analysis, early warning for risk and business management.



### Table of Stress Testing

Risk Factor	Variable (+/-)	For the Three Months Ended March 31	
		2022	2021
Equity risk (stock price index)	-10%	\$ (65,347,562)	\$ (69,594,655)
Interest rate risk (yield curve)	+100bps	(224,438,330)	(176,165,022)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(12,283,086)	(9,795,346)

Note 1: Impact of credit spread changes was not considered.

Note 2: Effects of hedging were considered.

Note 3: Data of subsidiaries were not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

Note 4: Changes in equity include changes in profit or loss.

#### iii. Sensitivity analysis

### Summary of Sensitivity Analysis

Risk Factor	Variable (+/-)	For the Three Months Ended March 31, 2022	
		Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 5,399,350	\$ 5,798,640
	Appreciation of CNY/USD by 1%	(28,506)	335,000
	Appreciation of HKD/USD by 1%	7,123	241,013
	Appreciation of EUR/USD by 1%	(1,767)	349,080
	Appreciation of GBP/USD by 1%	56,270	278,335
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	-	(1,528,008)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(25,398)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(4,375)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,782)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(670,601)
Equity price risk	Increase in equity price by 1%	(66,189)	6,589,444

**For the Three Months Ended March 31, 2021**

Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 4,682,451	\$ 5,210,849
	Appreciation of CNY/USD by 1%	1,260,916	338,712
	Appreciation of HKD/USD by 1%	325	294,647
	Appreciation of EUR/USD by 1%	(166,362)	238,801
	Appreciation of GBP/USD by 1%	(60,798)	290,840
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	-	(1,381,215)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(56,855)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(17,285)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(5,198)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(324,910)
Equity price risk	Increase in equity price by 1%	(27,272)	7,026,491

Note 1: Impact of credit spread changes was not considered.

Note 2: Effects of hedging were considered.

Note 3: Change in equity was not included in the impact on the change in profit or loss.

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

Note 5: Data of subsidiaries was not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

b) Effect of interest rate benchmark reform

In order to implement the benchmark reform of interbank offered rates, several countries are currently carrying out interest rate benchmark reform plans to implement new risk-free interest rates to replace IBORs, such as USD London Interbank Offered Rate (USD LIBOR), and GBP London Interbank Offered Rate (GBP LIBOR). In March 2021, UK's Financial Conduct Authority announced the extension of the tenors of the overnight, one-month, three-month, six-month and 12-month USD LIBOR until June 30, 2023, in order for existing LIBOR contracts to naturally expire. Other interest rate benchmarks will expire on the original termination date of December 31, 2021, and it is recommended that relevant measures be taken as soon as possible to reduce the risks arising from the interest rate benchmark reform.

As a response to the cessation of USD LIBOR, Secured Overnight Financing Rate (SOFR) is expected to replace USD LIBOR in the future, but there are key differences between USD LIBOR and SOFR. USD LIBOR is "forward looking", which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a "backward-looking" rate, based on interest rates from actual transactions, and excludes a credit spread. To transit existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Risks arising from interest rate benchmark reform relate to interest rate basis, hedge accounting and related operation risk as follows:

i. Interest rate basis risk

Risk arising from the transition relate principally to the potential impact of interest rate basis risks. If the bilateral negotiations with the Cathay Life and its subsidiaries' counterparties are not successfully concluded before the cessation of USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

ii. Hedge accounting

If a hedged financial instrument and the related hedging derivative instrument are transitioned to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

iii. Operation risk

If the update and adjustments for related accounting and tax system, valuation of financial instrument, and information systems as well as the testing for operational effectiveness of the systems are not finished on schedule before the cessation of USD LIBOR, operating risk may occur.

In light of the abovementioned risks, Cathay Life and its subsidiaries made a transition plan for interest rate benchmark reform toward the required adjustment and updates for risk management policies, internal process, information system, valuation model of financial instrument, and related accounting and tax system. Cathay Life and its subsidiaries have identified all required updates for information systems and internal process, and part of these updates was finished. Afterwards, Cathay Life and its subsidiaries will complete the required updates on schedule, discuss with counterparties of financial instruments modification of affected contracts, and report the progress for the cessation of USD LIBOR to the board of the directors semi-annually as required by authority.

As on March 31, 2022, Cathay Life and its subsidiaries' financial instruments affected by the interest rate benchmark reform, which include bonds and loans (the Group's main exposure is to the USD LIBOR), are summarized in the table below (excluding the positions that would naturally expire):

	<u>Carrying Amount</u>	
	<b>USD LIBOR</b>	<b>Other Interest Rates Benchmarks</b>
<u>Financial assets</u>		
Bonds	\$ 288,924,048	\$ -
Loans	1,597,419	-

## 2) Credit risk

### a) Sources of credit risk

When engaged in financial transactions, Cathay Life is exposed to credit risks, including issuer credit risk, counterparty credit risk and credit risk of underlying assets:

- i. Issuer credit risk is the risk that Cathay Life may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations on agreed conditions due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk that Cathay Life may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
- iii. Credit risk of underlying assets is the risk that Cathay Life may suffer losses due to deterioration of the credit quality, increase of credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

### b) Concentration risk

- i. Regional distribution of maximum risk exposure for Cathay Life's financial assets:

#### March 31, 2022

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 154,827,074	\$ 156,688	\$ 134,792	\$ 114,634,341	\$ 6,500,000	\$ 276,252,895
Financial assets at FVTPL	44,773,211	12,272,645	109,130,406	87,332,913	22,278,208	275,787,383
Financial assets at FVTOCI	42,906,015	46,278,874	153,283,795	504,792,704	434,500,893	1,181,762,281
Financial assets for hedging	12,976	-	223,932	14,634	-	251,542
Financial assets at amortized cost	130,173,987	191,617,145	461,209,889	1,378,612,578	619,361,510	2,780,975,109
	<u>\$ 372,693,263</u>	<u>\$ 250,325,352</u>	<u>\$ 723,982,814</u>	<u>\$ 2,085,387,170</u>	<u>\$ 1,082,640,611</u>	<u>\$ 4,515,029,210</u>
Proportion	8.3%	5.5%	16.0%	46.2%	24.0%	100%

#### December 31, 2021

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 313,417,908	\$ 5,659,118	\$ 290,130	\$ 107,274,631	\$ 21,153,500	\$ 447,795,287
Financial assets at FVTPL	42,559,418	14,886,965	119,731,982	90,480,654	22,906,893	290,565,912
Financial assets at FVTOCI	45,394,461	42,480,018	161,764,238	466,843,223	447,516,688	1,163,998,628
Financial assets for hedging	46,209	-	340,532	113,901	-	500,642
Financial assets at amortized cost	133,223,615	186,812,778	446,310,424	1,306,524,756	608,616,760	2,681,488,333
	<u>\$ 534,641,611</u>	<u>\$ 249,838,879</u>	<u>\$ 728,437,306</u>	<u>\$ 1,971,237,165</u>	<u>\$ 1,100,193,841</u>	<u>\$ 4,584,348,802</u>
Proportion	11.7%	5.4%	15.9%	43.0%	24.0%	100%

#### March 31, 2021

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 293,379,465	\$ 10,022,052	\$ 187,410	\$ 77,643,113	\$ 14,200,000	\$ 395,432,040
Financial assets at FVTPL	47,457,493	21,508,451	72,988,716	49,599,107	28,545,830	220,099,597
Financial assets at FVTOCI	43,253,007	40,808,102	168,680,925	489,416,687	423,719,242	1,165,877,963
Financial assets for hedging	67,025	-	14,523	64,721	-	146,269
Financial assets at amortized cost	143,593,822	174,542,312	440,292,378	1,253,221,799	633,156,175	2,644,806,486
	<u>\$ 527,750,812</u>	<u>\$ 246,880,917</u>	<u>\$ 682,163,952</u>	<u>\$ 1,869,945,427</u>	<u>\$ 1,099,621,247</u>	<u>\$ 4,426,362,355</u>
Proportion	11.9%	5.6%	15.4%	42.3%	24.8%	100%

ii. Regional distribution of maximum risk exposure for Cathay Life's secured loans:

March 31, 2022

<b>Location of Collateral</b>	<b>Northern and Eastern Areas</b>	<b>Central Area</b>	<b>Southern Area</b>	<b>Overseas</b>	<b>Total</b>
Secured loans	\$ 200,313,899	\$ 43,917,554	\$ 59,004,112	\$ 1,440,132	\$ 304,675,697
Non-accrual receivables	<u>579,289</u>	<u>21,527</u>	<u>31,647</u>	<u>1,701,414</u>	<u>2,333,877</u>
	<u>\$ 200,893,188</u>	<u>\$ 43,939,081</u>	<u>\$ 59,035,759</u>	<u>\$ 3,141,546</u>	<u>\$ 307,009,574</u>
Proportion	65.4%	14.3%	19.2%	1.1%	100%

December 31, 2021

<b>Location of Collateral</b>	<b>Northern and Eastern Areas</b>	<b>Central Area</b>	<b>Southern Area</b>	<b>Overseas</b>	<b>Total</b>
Secured loans	\$ 204,709,374	\$ 44,281,927	\$ 59,430,029	\$ 2,042,084	\$ 310,463,414
Non-accrual receivables	<u>606,067</u>	<u>25,133</u>	<u>37,039</u>	<u>1,976,800</u>	<u>2,645,039</u>
	<u>\$ 205,315,441</u>	<u>\$ 44,307,060</u>	<u>\$ 59,467,068</u>	<u>\$ 4,018,884</u>	<u>\$ 313,108,453</u>
Proportion	65.6%	14.2%	19.0%	1.2%	100%

March 31, 2021

<b>Location of Collateral</b>	<b>Northern and Eastern Areas</b>	<b>Central Area</b>	<b>Southern Area</b>	<b>Overseas</b>	<b>Total</b>
Secured loans	\$ 207,096,107	\$ 41,759,242	\$ 59,233,993	\$ 2,454,952	\$ 310,544,294
Non-accrual receivables	<u>157,667</u>	<u>29,975</u>	<u>45,628</u>	<u>2,036,840</u>	<u>2,270,110</u>
	<u>\$ 207,253,774</u>	<u>\$ 41,789,217</u>	<u>\$ 59,279,621</u>	<u>\$ 4,491,792</u>	<u>\$ 312,814,404</u>
Proportion	66.2%	13.4%	19.0%	1.4%	100%

c) Categories for credit risk quality

Cathay Life classified credit risk into low credit risk, medium credit risk, high credit risk and credit impaired. The definitions of each category are as follows:

- i. Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment obligations will be kept and maintained.
- ii. Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.
- iii. High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform financial commitment depends on the favorability of its business environment and financial conditions.
- iv. Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and Cathay Life evaluates the potential losses and determines it as impaired.

- d) Determination on the credit risk that has increased significantly since initial recognition
- i. Cathay Life assesses whether there is a significant increase in credit risk of a financial instrument applicable for impairment requirements under IFRS 9 since initial recognition at each reporting date. To make this assessment, Cathay Life considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.
  - ii. If the credit risk of a financial instrument is determined to be low at the reporting date, it indicates that the credit risk of the financial instrument has not increased significantly since initial recognition.

e) The definition of default and credit-impaired financial assets

Cathay Life's definition of default on financial assets is the same as that of a credit-impaired financial asset. If one or more of the following criteria are met, a financial asset is considered defaulted and credit-impaired:

- i. Quantitative factor: When the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit-impaired.
- ii. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:
  - i) The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.
  - ii) The issuers or borrowers fail to pay interest or principal according to the issue terms and conditions.
  - iii) The collateral of the borrowers had been provisionally seized or enforced.
  - iv) The borrowers claim for a change of credit conditions due to financial difficulties.
- iii. The abovementioned definitions of default on a financial asset and a credit-impaired financial asset are applicable to all financial assets held by Cathay Life, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

f) Measurement of expected credit loss

- i. The methodology and assumptions applied

For financial instruments on which the credit risk has not increased significantly since initial recognition, Cathay Life measures loss allowance for financial instruments at an amount equal to 12-month expected credit losses; for financial instruments whose credit risk has increased significantly since initial recognition or those which have been credit-impaired, Cathay Life measures loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

Expected credit losses in the next 12 months and for the duration of the instrument is calculated separately for the two periods using probability of default ("PD") of issuers, guarantee agencies or borrowers multiplied by loss given default ("LGD") and exposure at default ("EAD"), in consideration of time value of money.

PD is the rate that a default occurs on issuers, guarantee agencies or borrowers. LGD is the loss rate that resulted from a default of issuers, guarantee agencies or borrowers. Loss given default used by Cathay Life in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings Corp. and Moody's and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of financial assets.

ii. Forward-looking information considerations

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

g) Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i. Financial assets of Cathay Life

	March 31, 2022					
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Investment grade						
Debt instruments at FVTOCI	\$ 1,162,473,171	\$ -	\$ -	\$ -	\$ -	\$ 1,162,473,171
Debt instruments at amortized cost	2,752,401,000	-	-	-	(748,778)	2,751,652,222
Non-investment grade						
Debt instruments at FVTOCI	17,364,410	60,711	1,863,989	-	-	19,289,110
Financial assets at amortized cost	11,879,276	1,388,629	17,542,390	-	(1,487,408)	29,322,887
	December 31, 2021					
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
	Investment grade					
Debt instruments at FVTOCI	\$ 1,145,257,603	\$ -	\$ -	\$ -	\$ -	\$ 1,145,257,603
Debt instruments at amortized cost	2,667,830,573	-	-	-	(615,441)	2,667,215,132
Non-investment grade						
Debt instruments at FVTOCI	18,741,025	-	-	-	-	18,741,025
Financial assets at amortized cost	12,068,749	2,333,237	-	-	(128,785)	14,273,201
	March 31, 2021					
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
	Investment grade					
Debt instruments at FVTOCI	\$ 1,150,899,068	\$ -	\$ -	\$ -	\$ -	\$ 1,150,899,068
Debt instruments at amortized cost	2,630,930,114	-	-	-	(1,328,237)	2,629,601,877
Non-investment grade						
Debt instruments at FVTOCI	14,978,895	-	-	-	-	14,978,895
Financial assets at amortized cost	12,815,340	2,841,225	-	-	(451,956)	15,204,609

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

ii. Secured loans and non-accrual receivables of Cathay Life

March 31, 2022							
	Stage 1	Stage 2	Stage 3		Loss Allowance	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses			
Secured loans and non-accrual receivables	\$ 298,884,321	\$ 1,772,121	\$ 6,353,132	\$ -	\$ (958,621)	\$ (3,963,631)	\$ 302,087,322
December 31, 2021							
	Stage 1	Stage 2	Stage 3		Loss Allowance	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses			
Secured loans and non-accrual receivables	\$ 304,597,635	\$ 1,762,552	\$ 6,748,266	\$ -	\$ (725,543)	\$ (4,423,948)	\$ 307,958,962
March 31, 2021							
	Stage 1	Stage 2	Stage 3		Loss Allowance	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses			
Secured loans and non-accrual receivables	\$ 304,352,608	\$ 598,069	\$ 7,863,727	\$ -	\$ (959,740)	\$ (3,864,089)	\$ 307,990,575

h) Reconciliation for loss allowance is summarized below:

i. Debt instruments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2022	\$ 345,894	\$ -	\$ -	\$ -	\$ 345,894
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(113)	113	-	-	-
Transferred to credit-impaired financial assets	(2,270)	-	2,270	-	-
New financial assets originated or purchased	66,353	-	95	-	66,448
Financial assets that have been derecognized during the period	(26,448)	-	-	-	(26,448)
Changes in models/risk parameters	51,894	3,336	775,437	-	830,667
Foreign exchange and other movements	13,930	455	-	-	14,385
March 31, 2022	<u>\$ 449,240</u>	<u>\$ 3,904</u>	<u>\$ 777,802</u>	<u>\$ -</u>	<u>\$1,230,946</u>



	<u>Lifetime Expected Credit Losses</u>				<b>Total of Impairment Charged in Accordance with IFRS 9</b>
	<b>12-month Expected Credit Losses</b>	<b>Collectively Assessed</b>	<b>Not Purchased or Originated Credit- impaired Financial Assets</b>	<b>Purchased or Originated Credit- impaired Financial Assets</b>	
January 1, 2021	\$ 690,084	\$ 3,063	\$ -	\$ -	\$ 693,147
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	130	(130)	-	-	-
New financial assets originated or purchased	197,885	-	-	-	197,885
Financial assets that have been derecognized during the period	(64,346)	(2,853)	-	-	(67,199)
Changes in models/risk parameters	(189,068)	(69)	-	-	(189,137)
Foreign exchange and other movements	<u>(313)</u>	<u>(11)</u>	<u>-</u>	<u>-</u>	<u>(324)</u>
March 31, 2021	<u>\$ 634,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,372</u>

ii. Debt instruments at amortized cost

	<u>Lifetime Expected Credit Losses</u>				<b>Total of Impairment Charged in Accordance with IFRS 9</b>
	<b>12-month Expected Credit Losses</b>	<b>Collectively Assessed</b>	<b>Not Purchased or Originated Credit- impaired Financial Assets</b>	<b>Purchased or Originated Credit- impaired Financial Assets</b>	
January 1, 2022	\$ 627,027	\$ 117,199	\$ -	\$ -	\$ 744,226
Changes due to financial instruments recognized as at January 1	(4,064)	-	4,064	-	-
New financial assets originated or purchased	22,750	-	49	-	22,799
Financial assets that have been derecognized during the period	(23,372)	(71,281)	-	-	( 94,653)
Changes in models/risk parameters	115,461	27,872	1,391,412	-	1,534,745
Foreign exchange and other movements	<u>24,749</u>	<u>4,320</u>	<u>-</u>	<u>-</u>	<u>29,069</u>
March 31, 2022	<u>\$ 762,551</u>	<u>\$ 78,110</u>	<u>\$ 1,395,525</u>	<u>\$ -</u>	<u>\$ 2,236,186</u>

	<u>Lifetime Expected Credit Losses</u>				<b>Total of Impairment Charged in Accordance with IFRS 9</b>
	<b>12-month Expected Credit Losses</b>	<b>Collectively Assessed</b>	<b>Not Purchased or Originated Credit- impaired Financial Assets</b>	<b>Purchased or Originated Credit- impaired Financial Assets</b>	
January 1, 2021	\$ 1,775,172	\$ 798,243	\$ -	\$ -	\$ 2,573,415
New financial assets originated or purchased	76,608	-	-	-	76,608
Financial assets that have been derecognized during the period	(66,849)	(163,406)	-	-	(230,255)
Changes in models/risk parameters	(423,023)	(213,211)	-	-	(636,234)
Foreign exchange and other movements	<u>(1,394)</u>	<u>(1,947)</u>	<u>-</u>	<u>-</u>	<u>(3,341)</u>
March 31, 2021	<u>\$ 1,360,514</u>	<u>\$ 419,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,780,193</u>

For debt instruments at FVTOCI and financial assets measured at amortized cost in foreign bonds, Cathay Life transferred the 12-month expected credit losses to lifetime expected credit losses when assessing the loss allowance as the Russian-Ukrainian War broke out in February 2022, international economic sanctions were imposed on Russia and its credit ratings were largely downgraded, which was evaluated as a credit-impairment event.

iii. Secured loans and non-accrual receivables

	12-month Expected Credit Losses	Lifetime Expected Credit Losses		Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total	
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets				Purchased or Originated Credit-impaired Financial Assets
January 1, 2022	\$ 27,181	\$ 3,679	\$ 694,683	\$ -	\$ 725,543	\$ 4,423,948	\$ 5,149,491
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(2)	2	-	-	-	-	-
Transferred to credit-impaired financial assets	(8)	(3)	11	-	-	-	-
Transferred to 12-month expected credit losses	71,329	(22)	(71,307)	-	-	-	-
New financial assets originated or purchased	851	-	1,820	-	2,671	-	2,671
Financial assets that have been derecognized during the period	(1,301)	-	(5,692)	-	(6,993)	-	(6,993)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(460,317)	(460,317)
Changes in models/risk parameters	(52,090)	2,810	286,680	-	237,400	-	237,400
March 31, 2022	<u>\$ 45,960</u>	<u>\$ 6,466</u>	<u>\$ 906,195</u>	<u>\$ -</u>	<u>\$ 958,621</u>	<u>\$ 3,963,631</u>	<u>\$ 4,922,252</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses		Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total	
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets				Purchased or Originated Credit-impaired Financial Assets
January 1, 2021	\$ 33,284	\$ 32	\$ 606,973	\$ -	\$ 640,289	\$ 4,093,427	\$ 4,733,716
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(2,365)	2,365	-	-	-	-	-
Transferred to credit-impaired financial assets	(18)	(23)	41	-	-	-	-
Transferred to 12-month expected credit losses	249	(5)	(244)	-	-	-	-
New financial assets originated or purchased	1,187	-	581	-	1,768	-	1,768
Financial assets that have been derecognized during the period	(780)	-	(14,054)	-	(14,834)	-	(14,834)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(229,338)	(229,338)
Changes in models/risk parameters	6,966	11,558	313,993	-	332,517	-	332,517
March 31, 2021	<u>\$ 38,523</u>	<u>\$ 13,927</u>	<u>\$ 907,290</u>	<u>\$ -</u>	<u>\$ 959,740</u>	<u>\$ 3,864,089</u>	<u>\$ 4,823,829</u>

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

i) Exposure to credit risk and loss allowance of receivables

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

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>March 31, 2022</u>					
Gross carrying amount (Note)	\$ 27,939,380	\$ 50,619	\$ 616	\$ -	\$ 27,990,615
Loss rate	0%	2%	10%	50%	-
Lifetime expected credit losses	-	1,012	62	-	1,074

Note: Notes receivable of \$7,831 thousand and other receivables of \$27,982,784 thousand were included.

	<b>Aging of Receivables Recognized</b>				
	<b>Not Yet Due/within 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>Over 6 Months</b>	<b>Total</b>
<u>December 31, 2021</u>					
Gross carrying amount (Note)	\$ 17,514,345	\$ 51,473	\$ 13	\$ -	\$ 17,565,831
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,030	1	-	1,031

Note: Notes receivable of \$36,297 thousand and other receivables of \$17,529,534 thousand were included.

	<b>Aging of Receivables Recognized</b>				
	<b>Not Yet Due/within 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>Over 6 Months</b>	<b>Total</b>
<u>March 31, 2021</u>					
Gross carrying amount (Note)	\$ 34,207,421	\$ 57,731	\$ 561	\$ -	\$ 34,265,713
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,155	56	-	1,211

Note: Notes receivable of \$20,805 thousand and other receivables of \$34,244,908 thousand were included.

The loss allowance was reconciled as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 1,031	\$ 1,611
Provision (reversal) for the current period	<u>43</u>	<u>(400)</u>
Ending balance	<u>\$ 1,074</u>	<u>\$ 1,211</u>

### 3) Liquidity risk analysis

#### a) Sources of liquidity risk

Liquidity risks of financial instruments are comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Cathay Life is not capable of performing matured commitment because its fails to realize assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when Cathay Life sells or offsets its positions during a market disorder or a lack of sufficient market depth.

#### b) Liquidity risk management

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

Cathay Life uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situations. Also, for abnormal and urgent financing needs, management of Cathay Life makes an emergency operating procedure to deal with significant liquidity risks.

The analysis of cash outflows to Cathay Life and its subsidiaries is listed below and based on the residual terms to maturity on the balance sheet date. The disclosed amounts are prepared in accordance with contract cash flows and, accordingly for certain line items, the disclosed amounts are different to the amounts on consolidated balance sheets.

The maturity dates for other non-derivative and derivative financial liabilities were based on the agreed repayment dates.

	<b>March 31, 2022</b>				
	<b>Less than 6 Months</b>	<b>Due in 6-12 Months</b>	<b>Due in 1-2 Years</b>	<b>Due in 2-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>					
Payables	\$ 25,531,286	\$ 790,343	\$ 854,477	\$ 208,677	\$ -
Bonds payable (Note 2)	200,235	883,726	2,715,000	8,145,000	82,055,000
Lease liabilities (Note 3)	229,951	524,736	606,606	1,613,713	20,512,144
<u>Derivative financial liabilities</u>					
SWAP	33,239,524	3,124,002	-	-	-
Forward	16,193,199	9,965,100	2,189,150	-	-
Option	17,366	-	-	-	-
CCS	-	49,934	790,135	-	-
	<b>December 31, 2021</b>				
	<b>Less than 6 Months</b>	<b>Due in 6-12 Months</b>	<b>Due in 1-2 Years</b>	<b>Due in 2-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>					
Payables	\$ 21,364,786	\$ 258,462	\$ 942,036	\$ 264,665	\$ 5,410
Bonds payable (Note 2)	559,620	1,194,411	2,715,000	8,145,000	82,055,000
Lease liabilities (Note 3)	443,192	450,366	758,511	1,498,026	20,468,276
<u>Derivative financial liabilities</u>					
SWAP	1,493,936	75,585	-	-	-
Forward	2,110,718	1,032,946	-	-	-
Option	30,517	-	-	-	-
	<b>March 31, 2021</b>				
	<b>Less than 6 Months</b>	<b>Due in 6-12 Months</b>	<b>Due in 1-2 Years</b>	<b>Due in 2-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>					
Payables (Note 1)	\$ 37,126,717	\$ 736,593	\$ 427,345	\$ 908,624	\$ -
Bonds payable (Note 2)	200,235	883,726	2,715,000	8,145,000	84,770,000
Lease liabilities (Note 3)	220,353	530,597	816,527	1,578,068	20,783,908
<u>Derivative financial liabilities</u>					
SWAP	6,993,285	8,598,524	-	-	-
Forward	18,084,514	1,314,900	-	-	-
CCS	-	-	63,272	31,703	-

Note 1: Income tax payable for integrated income tax is excluded.

Note 2: For the bonds payable without maturity dates, the contractual cash flows were calculated on the basis of 10 years starting from the issuance date.

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

#### Cathay United Bank and its subsidiaries

Cathay United Bank's risk control and hedging strategy follows the requirements of the customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, Cathay United Bank adopts different risk management methods to identify its risks and Cathay United Bank follows the spirit and regulation of the "Basel Accord" to keep strengthening its assets and the practices of capital management to maintain the best capital adequacy ratio.

Cathay United Bank has set up its risk management committee, whose responsibilities are as follows:

- 1) To amend the risk management policies, risk appetite or risk tolerance and report the above issues to the board of directors for approval.
- 2) To manage and decide the strategy about Cathay United Bank's credit risk, market risk and operational risk.
- 3) To report the significant risk management issues, such as credit ratings, market assessment and risk indicators.
- 4) To analyze the issues that Cathay United Bank's business unit brought up for discussion.
- 5) Other issues.

Cathay United Bank organized a risk management group to monitor, lead, develop, and establish the integral risk management framework.

#### 1) Credit risk

Credit risk represents the risk of loss that Cathay United Bank would incur if counterparty fails to perform its contractual obligations. Sources of credit risk cover both on and off balance sheet accounts.

#### a) Credit risk policy and implementation

#### i. Cathay United Bank, Indovina Bank and CUBCN Bank

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management Division and its subdivisions assist in reviewing and monitoring risk tolerance ability and risk control procedures; and establish credit approval processes, credit limit management, credit rating information, collateral information, periodic reviews and remedial management systems. The subdivisions include the Market Risk Management Division, Credit and Operational Management Division, Consumer Finance Credit Management Division, Corporate Finance Credit Management Division, and International Credit Management Division. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts are the executive unit of credit risk control. The credit quality of Cathay United Bank and its subsidiaries is strictly controlled in advance. After the loan is approved, lending portfolios are reviewed according to Cathay United Bank and Indovina Bank's loan review regulations and deficiencies are tracked to strengthen post-event risk management.

Cathay United Bank, Indovina Bank and CUBCN Bank maintain a strict policy to evaluate customers' credit ratings when providing loans, loan commitments and commercial letters of credit. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank, Indovina Bank and CUBCN Bank retain the legal right to foreclose or liquidate the collateral, which effectively reduces the credit risk of Cathay United Bank, Indovina Bank and CUBCN Bank. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

ii. CUBC Bank

The approval unit of CUBC Bank's credit risk policies is the board of directors, and the policies are then implemented by the CUBC Bank's credit risk management department. These credit risk policies form the basic principles for all credit risk situations faced by CUBC Bank and also serve as the basis for the development of CUBC Bank's various businesses in Cambodia.

When CUBC Bank provides loans, the approval unit is decided based on credit amount. The loan committee is the top lending authority within CUBC Bank, and is composed of CUBC Bank's senior management. It is in charge of approval of all credit in excess of CUBC Bank's lending authorities. Certain customers are required to provide appropriate collateral for the related loans, and CUBC Bank retains the legal right to foreclose or liquidate the collateral, which effectively reduces Cathay United Bank's credit risk. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

b) Judgment of significant increase in credit risk after initial recognition

i. Cathay United Bank

Cathay United Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, Cathay United Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Information on the overdue status of contract

When the contract payment is overdue for 30 days to 90 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

- Bounced checks are reported.

- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Auditors' opinion- adverse opinion.
- Auditors' opinion- disclaimer of opinion.
- The stock was placed in full-cash delivery stock.
- Other changes in the internal or external information on judging the credit quality changes.

Cathay United Bank established Stage 1 and Stage 2 for debt instruments based on bonds ratings. Bonds rated above investment grades are classified as low credit risks. Credit risks are deemed to have significantly increased if credit ratings decreased over specific level after initial recognition date.

## ii. CUBCN Bank

CUBCN Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, CUBCN Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

### i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Information on the overdue status of contract

When the contract payment is overdue for 30 days to 90 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

### ii) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

- Any financial instruments are classified as special mention.
- Other changes in the internal or external information on judging the credit quality changes.

## iii. Indovina Bank

Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if credit risk has increased significantly since initial recognition:

### i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Low credit risk criteria

An exposure rated below Moody's investment grade (i.e., the credit rating is lower than the credit rating Baa3 of Moody's, an international credit rating agency) at the reporting date would be classified as a significant increase in credit risk since initial recognition.

- Information on the overdue status of a contract

When the contract payment is overdue for 30 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

- Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Other changes in the internal or external information on judging the credit quality changes.

iv. CUBC Bank

CUBC Bank assesses if the credit risk of financial assets at each reporting date has increased significantly since initial recognition based on the following indicators:

i) Information on the overdue status of a contract

When the contract payment is overdue for more than 15 days for short-term loans or more than 30 days for long-term loans at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Loan classification from National Bank of Cambodia

A loan contract with special mention position at the reporting date would be classified as a loan with significant increase in credit risk since initial recognition.

iii) Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.



c) Default and credit impairment of financial asset

i. Cathay United Bank

Cathay United Bank's criteria for determining that a financial asset is in default are the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, Cathay United Bank determines the financial assets to be subject to default and credit impairment.

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment. Debt instruments that do not pay principal and interest according to issuance or transaction condition are determined to be credit impaired.

ii) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- Other internal or external information on judging the deterioration in credit quality.

The aforementioned definition of default and credit impairment applies to all financial assets held by Cathay United Bank, and is consistent with the definition applied on the significant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

ii. CUBCN Bank

CUBCN Bank's criteria for determining that a financial asset is in default are the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, CUBCN Bank determines the financial assets to be subject to default and credit impairment.

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

ii) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

- Any financial instruments are classified as substandard, doubtful or loss.
- The lowest credit risk is classified as substandard, doubtful or loss.
- Other internal rating is determined to have fallen into default level.

The aforementioned definition of default and credit impairment applies to all financial assets held by CUBCN Bank, and is consistent with the definition applied on the relevant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

iii. Indovina Bank

Indovina Bank assesses the following indicators at each reporting date to determine if the financial assets are credit-impaired:

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

ii) Qualitative indicator

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- The debtor has filed for bankruptcy or may apply for bankruptcy or reorganization.
- Principal or interest could not be paid as scheduled during the settlement period.
- Other internal or external information on judging the deterioration in credit quality.

iv. CUBC Bank

CUBC Bank assesses the following indicators at each reporting date to determine if the financial assets are credit impaired:

i) Information on the overdue status of a contract

When the contract payment is overdue for more than 30 days for short-term loans or more than 90 days for long-term loans at the reporting date, it is determined as credit impairment.

ii) Loan classification from National Bank of Cambodia

A loan contract with specific position, such as substandard, doubtful and loss, at reporting date would be classified as a credit-impaired loan.

iii) Internal credit assessment indicators

The credit information used for internal credit risk management purpose that indicated credit deterioration at the reporting date would be recognized as credit-impaired assets.

d) Measurement of expected credit loss

i. Cathay United Bank

For the purpose of assessing the expected credit losses, Cathay United Bank classifies the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, and so on.

<b>Credit Category</b>	<b>Definition</b>
Enterprise loan	Grouped by risk characteristics, enterprise size and internal credit rating
Consumer loan	Grouped by product category and internal credit rating
Credit card	Grouped by product category and internal credit rating

When the credit risk of the financial instrument has not increased significantly after the initial recognition (Stage 1), Cathay United Bank will measure the allowance for losses at the 12-month expected credit losses. When the credit risk of the financial instrument has increased significantly (Stage 2) or credit impairment has existed (Stage 3) after the initial recognition, Cathay United Bank will measure the allowance for losses at the lifetime expected credit losses.

For the measurement of the expected credit losses (“ECL”), Cathay United Bank calculates the 12-month ECL and lifetime ECL by multiplying three factors, i.e., probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) of the borrower over the next 12 months and the lifetime.

The PD and LGD applied in the impairment assessment of the credit business of Cathay United Bank is adjusted and calculated based on the internal information of each group of assets as well as the currently observable data and the forward-looking macroeconomic information (such as economic growth rate, etc.).

Cathay United Bank assesses the EAD of loan at the reporting date. According to internal and external information, Cathay United Bank considers the portion of the loan commitment that is expected to be drawn within 12 months after the reporting date and the lifetime, to determine the EAD for calculating the expected credit losses.

Cathay United Bank performs impairment assessment of debt instruments measured at FVTOCI and those measured at amortized cost in accordance with related requirements:

i) The EAD is measured at the amortized cost of a financial asset plus its interest receivable.

ii) The PD is based on the information regularly published by Moody's, and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information (e.g., gross domestic product and economic growth rate, etc.).

iii) The LGD is selected according to the type of debt instrument based on the information regularly published by Moody's.

ii. CUBCN Bank

For the purpose of assessing the expected credit losses, CUBCN Bank classifies the credit assets into the following groups based on product characteristics.

<b>Credit Category</b>	<b>Definition</b>
Loan activities, call loans to banks business, and off-balance sheet credit business	Grouped by product category and internal/external credit rating
Billing business	Grouped by product category and internal/external credit rating
Bond business	Grouped by product category and internal/external credit rating
Due from banks and reverse repurchase	Grouped by product category and internal/external credit rating

i) The expected credit losses of financial instruments are measured on a case-by-case basis as follows:

- For financial instruments in Stage 1, the allowance for losses is measured by the 12-month expected credit losses.
- For financial instruments in Stage 2, the allowance for losses is measured by the lifetime expected credit losses.
- For financial instruments in Stage 3, if the single account loan balance exceeds a certain amount, the discounted cash flow method can be used for individual assessment; if not using individual assessment, the allowance for losses is measured by the lifetime expected credit losses, and the PD is 100%.

ii) The expected credit loss parameters of financial instruments are calculated according to the following principles respectively:

- The PD is based on the information regularly published by Moody's, and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information.
- The LGD is based on LGD regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.
- The EAD is measured at current exposure method. Besides, off-balance sheet credit business also converts using credit conversion factor regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.

### iii. Indovina Bank

For the purpose of assessing the expected credit losses, Indovina Bank classifies the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, counterparty type, and so on.

<b>Category</b>	<b>Description</b>
Loan portfolio	Grouped by counterparty type and enterprise size
Bond portfolio	Grouped by product category, external credit rating and payment ranks
Cash equivalents, due from and call loans to banks	Grouped by product category and internal/external credit rating

#### i) Loan portfolio

The measurement of expected credit loss of Indovina Bank's loan portfolio is based on its product category, counterparty type and enterprise size, and is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probabilities of default and loss given default were built by Indovina Bank's historical delinquent information and recovery data and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

#### ii) Bond portfolio

The measurement of expected credit loss of Indovina Bank's bond portfolio is based on its product category, issuer's credit rating and payment ranks. The probabilities of default and loss given default were built by the delinquent information and calibrated by selected macroeconomic factors for forward-looking adjustment. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

#### iii) Cash equivalents, deposits and interbank lending

The measurement of expected credit loss of Indovina Bank's cash equivalents, due from banks and call loans to banks is based on its counterparty type. The probabilities of default were built by Vietnam's sovereign credit ratings, and loss given default were built by the method based on Basel II and calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increase in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

iv. CUBC Bank

CUBC Bank has grouped its exposures on the basis of shared credit risk characteristic, including product category and counterparty type as follows:

<b>Category</b>	<b>Description</b>
Loan	Grouped by product characteristics, industry and counterparty type
Credit Card	Grouped by product characteristics

The measurement of expected credit loss of CUBC Bank's loan portfolio is based on its credit category, counterparty type and product category. The probabilities of default and loss given default were built by the internal and external historical delinquent information, LGD supervised under Basel II and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

e) Write-off policy

Cathay United Bank and its subsidiaries write-off the financial assets partially or entirely to the extent of the amount which cannot be reasonably expected to be recovered.

The indicators for reasonably expected to be unrecoverable include:

- i. The recourse procedure has ceased.
- ii. The debtor's assets or income are evaluated to be insufficient to repay outstanding payments.

Financial asset which has been written-off can do the recovery of debt and institute legal proceedings continuously under related policies.

f) Consideration of forward-looking information

Cathay United Bank

Cathay United Bank uses historical data to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression model to estimate the impairment parameter after the prospective adjustment. The significant economic factors and their impact on PD differ depending on the type of financial instruments.

The significant economic factors identified by Cathay United Bank in 2022 are as follows:

<b>Credit Category</b>	<b>Probability of Default (PD)</b>
Enterprise loan	Proportion of revenue less expenditures from government to GDP % Proportion of expenditures from government to GDP %
Consumer loan	Inflation index % Unemployment rate % Price Index
Credit Card	Price Index Proportion of revenue from government to GDP (%)

#### CUBCN Bank

CUBCN Bank uses historical data and rate of non-performing industry loans issued by the authorities to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and use the regression model to estimate the impairment parameter after the prospective adjustment.

The relevant economic factors identified by CUBCN Bank in 2022 include but are not limited to gross domestic product (GDP) published by the China Statistics Bureau, China Customs and other government authorities, consumer price index (CPI), import price index, and government expenditure data, etc.

#### Indovina Bank

Based on the qualitative and quantitative analysis of historical data, Indovina Bank identifies the local and global economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression models, interpolation adjustment, and historical scenario analysis to estimate the impairment parameter after the prospective adjustment. The selected economic factors and their effects on PDs varied from different types of portfolios.

The macroeconomic factors selected by Indovina Bank for the forward-looking adjustments in 2022 are as follows:

<b>Segment</b>	<b>Selected Factors</b>
Loan portfolio	Vietnam GDP growth rate
Bond portfolio	Global GDP growth rate Global inflation index

#### CUBC Bank

CUBC Bank establishes ECL model based on historical default and loss data and uses the regression analysis to adjust the forward-looking parameters with local macroeconomic factors by considering local risk distribution and borrowers' characteristics.

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments in 2022 are as follows:

Segment	Selected Factors
Loan	Change of inflation (%) Change of volume of imports (%) Change of GDP (%) Proportion of general government revenue of GDP (%)
Credit Card	Change of inflation (%) Change in reserves Proportion of general government net lending/borrowing of GDP (%)

The valuation techniques or significant assumptions used by Cathay United Bank and its subsidiaries for assessing the expected credit losses have no significant change as of March 31, 2022.

g) Credit risk management policy

The category of credit asset and the grade of credit quality are described as follows:

i. Category of credit asset

The credit risk of Cathay United Bank is classified into five categories. Normal credit assets are classified as “Category One.” The remaining unsound credit assets are evaluated based on the status of the loan collateral and the length of time the asset is overdue. Assets that require special mention are classified as “Category Two,” assets that are substandard are classified as “Category Three,” assets that are doubtful are classified as “Category Four,” and assets for which there is loss are classified as “Category Five”. For managing the default credits, Cathay United Bank established the regulations governing the procedures to deal with non-performing loans, non-accrual loans and bad debts.

ii. Grade of credit quality

Cathay United Bank sets the grade of credit quality based on the characteristics and scale of business (such as establishing the internal rating model of credit risk, setting the credit rating table or relevant rules to classify) to proceed with risk management.

In order to measure the credit risk of the clients, Cathay United Bank develops the rating model of business credit by employing statistical methods and the professional judgment of the experts as well as considering the clients’ relevant information. The model is reviewed periodically to verify if the calculated results conform to the reality and make necessary revision to the parameters to optimize the results.

With respect to consumer credit assets such as mortgages, credit cards, and small-amount credit loans, Cathay United Bank also evaluates default risk of clients by using the credit rating scores developed by Cathay United Bank and the external due diligence services.

The credit quality of Cathay United Bank’s corporate borrowers is classified as excellent, good, average, or bad.

To ensure the reasonableness of the estimated values of the credit rating system’s design, process, and relevant risk factors, Cathay United Bank executes the relevant verification and tests the model according to the actual default every year so that the calculated results will be close to actual default.



Cathay United Bank evaluates the counterparties' credit quality before transactions are made and refers to the domestic and foreign credit rating agencies, when rendering different lines of credit based on the credit quality.

iii. Hedge of credit risk and easing policy

i) Collateral

Cathay United Bank adopts a series of policies to lower the credit risk, and one of the frequently-used methods is requesting borrowers to provide collateral. To ensure the creditor's rights, Cathay United Bank sets the scope of collateral and the procedures for appraising, managing, and disposing of the collateral. In addition, a credit contract stipulates the bases for credit claims, preservation of collateral, and offset provisions when a credit loss event occurs; Cathay United Bank may reduce the limit, cut down the payback period, or deem all debts as due. Also, Cathay United Bank may use the deposits that the borrowers saved in Cathay United Bank to offset the liabilities to lower the credit risk.

Other non-credit business collateral depends on the characteristics of the financial instruments. Only asset-based securities and other similar financial instruments are secured by an asset pool of financial instruments.

ii) Limit of credit risk and control of credit risk concentration

To avoid the excessive risk concentration, Cathay United Bank limits the credit amounts of single counterparties and groups; Cathay United Bank also sets the investment guide and regulation of risk control of equity investment to restrict the investment limits of single person (company) or related company (group). Furthermore, Cathay United Bank establishes relevant regulations to control the concentration risk of assets, and sets the credit limits by industry, group, country, and stock types to monitor the credit concentration risk.

iii) Net settlement agreement

Cathay United Bank usually settles by the gross balance, but signs contract with some counterparties to settle by net balance. If a default happens, Cathay United Bank will terminate all transactions with the counterparty and settle by net balance in order to lower the credit risk.

iv. Maximum exposure to credit risk

Without taking into account the collateral or other credit enhancement instruments, the maximum credit risk exposures of on-balance-sheet financial assets equal their carrying amounts. The maximum credit risk exposures of off-balance-sheet items (without considering the collateral or other credit enhancement instruments) are as follows:

i) Cathay United Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2022	December 31, 2021	March 31, 2021
Irrevocable loan commitments	\$ 164,528,523	\$ 171,600,838	\$ 192,138,549
Credit card commitments	768,790,199	770,929,935	744,171,001
Unused commercial letters of credit	9,910,356	6,566,178	6,820,941
Guarantees on duties and contracts	18,547,175	18,242,569	17,043,919

ii) Indovina Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2022	December 31, 2021	March 31, 2021
Financial guarantee contracts	\$ 1,267,547	\$ 1,292,761	\$ 1,249,362
Unused commercial letters of credit	973,438	994,336	563,318
Irrevocable loan commitments	-	-	690

iii) CUBC Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2022	December 31, 2021	March 31, 2021
Financial guarantee contracts	\$ 21,219	\$ 20,528	\$ 18,276
Credit card commitments	290,719	269,953	281,162
Irrevocable loan commitments	283,088	338,751	218,552

iv) CUBCN Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2022	December 31, 2021	March 31, 2021
Financial guarantee contracts	\$ 224,760	\$ 255,149	\$ 281,461
Unused commercial letters of credit	556,541	621,893	168,556
Irrevocable loan commitments	964,233	1,016,657	1,477,602

To reduce the risk from any businesses, Cathay United Bank conducts an overall assessment and takes appropriate risk reduction measures before undertaking the business, such as obtaining collateral and guarantors. For obtaining of collateral, Cathay United Bank has set Guidelines Governing Collateral to ensure that collateral meets the specific criteria and has the effect of reducing the business risk.

The management deems Cathay United Bank and its subsidiaries are able to control and minimize the credit risk exposures in off-balance-sheet items as Cathay United Bank and its subsidiaries use stricter rating procedures when extending credits and conducts reviews regularly.

The carrying amount of the maximum credit risk exposure of on-balance-sheet items were as follows:

March 31, 2022

<b>Discounts and Loans</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference from Impairment Charged in Accordance with Applicable Laws and Regulations</b>	<b>Total</b>
	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>		
Total carrying amount	\$ 1,827,473,544	\$ 62,035,534	\$ 11,836,171	\$ -	\$ 1,901,345,249
Less: Loss allowance	(2,856,881)	(2,003,513)	(5,015,540)	-	(9,875,934)
Difference from impairment charged in accordance with regulations	-	-	-	(20,845,094)	(20,845,094)
	<u>\$ 1,824,616,663</u>	<u>\$ 60,032,021</u>	<u>\$ 6,820,631</u>	<u>\$ (20,845,094)</u>	<u>\$ 1,870,624,221</u>

  

<b>Receivable</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference from Impairment Charged in Accordance with Applicable Laws and Regulations</b>	<b>Total</b>
	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>		
Total carrying amount	\$ 87,041,683	\$ 1,784,313	\$ 2,073,411	\$ -	\$ 90,899,407
Less: Loss allowance	(464,679)	(307,750)	(1,646,507)	-	(2,418,936)
Difference from impairment charged in accordance with regulations	-	-	-	(17,963)	(17,963)
	<u>\$ 86,577,004</u>	<u>\$ 1,476,563</u>	<u>\$ 426,904</u>	<u>\$ (17,963)</u>	<u>\$ 88,462,508</u>

December 31, 2021

<b>Discounts and Loans</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference from Impairment Charged in Accordance with Applicable Laws and Regulations</b>	<b>Total</b>
	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>		
Total carrying amount	\$ 1,763,964,944	\$ 60,965,797	\$ 12,124,070	\$ -	\$ 1,837,054,811
Less: Loss allowance	(3,442,880)	(1,990,988)	(5,005,473)	-	(10,439,341)
Difference from impairment charged in accordance with regulations	-	-	-	(19,538,811)	(19,538,811)
	<u>\$ 1,760,522,064</u>	<u>\$ 58,974,809</u>	<u>\$ 7,118,597</u>	<u>\$ (19,538,811)</u>	<u>\$ 1,807,076,659</u>

  

<b>Receivable</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Difference from Impairment Charged in Accordance with Applicable Laws and Regulations</b>	<b>Total</b>
	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>		
Total carrying amount	\$ 101,532,216	\$ 2,692,899	\$ 2,105,098	\$ -	\$ 106,330,213
Less: Loss allowance	(418,248)	(288,704)	(1,658,913)	-	(2,365,865)
Difference from impairment charged in accordance with regulations	-	-	-	(69,669)	(69,669)
	<u>\$ 101,113,968</u>	<u>\$ 2,404,195</u>	<u>\$ 446,185</u>	<u>\$ (69,669)</u>	<u>\$ 103,894,679</u>

March 31, 2021

	Discounts and Loans			Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	Stage 1	Stage 2	Stage 3		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 1,697,261,357	\$ 63,597,026	\$ 12,019,836	\$ -	\$ 1,772,878,219
Less: Loss allowance	(3,439,284)	(1,789,477)	(5,115,132)	-	(10,343,893)
Difference from impairment charged in accordance with regulations	-	-	-	(18,933,578)	(18,933,578)
	<u>\$ 1,693,822,073</u>	<u>\$ 61,807,549</u>	<u>\$ 6,904,704</u>	<u>\$ (18,933,578)</u>	<u>\$ 1,743,600,748</u>

  

	Receivable			Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	Stage 1	Stage 2	Stage 3		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 89,943,878	\$ 2,023,513	\$ 2,151,204	\$ -	\$ 94,118,595
Less: Loss allowance	(473,457)	(168,044)	(1,770,741)	-	(2,412,242)
Difference from impairment charged in accordance with regulations	-	-	-	(63,717)	(63,717)
	<u>\$ 89,470,421</u>	<u>\$ 1,855,469</u>	<u>\$ 380,463</u>	<u>\$ (63,717)</u>	<u>\$ 91,642,636</u>

v. Credit concentration risk of Cathay United Bank and its subsidiaries

When the counterparties are obviously the same party, or there are several counterparties but engaging in similar business activities and sharing similar economic characteristics, and vulnerable to the same economic impacts or other changes, the credit concentration risk is apparent.

Credit concentration risk of Cathay United Bank and its subsidiaries derives from the assets, liabilities and off-balance-sheet items, and arises from performing obligations or engaging in transactions of cross-line portfolio with risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. Cathay United Bank and its subsidiaries does not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty relative to Cathay United Bank and its subsidiaries' total bills discounts and loans, including overdue loans, guarantees, bills purchased, and acceptances receivable is not significant. Credit concentration risk of Cathay United Bank and its subsidiaries according to industry and geographic region is listed below:

Industry Type	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Manufacturing	\$ 162,149,863	8.43	\$ 157,020,976	8.45	\$ 146,502,132	8.17
Financial institutions and insurance	88,885,280	4.62	85,199,467	4.58	80,951,746	4.51
Leasing and real estate	188,340,564	9.79	177,239,865	9.53	164,289,805	9.16
Individuals	1,181,805,006	61.44	1,169,015,836	62.89	1,080,420,734	60.26
Others	<u>302,438,086</u>	<u>15.72</u>	<u>270,414,254</u>	<u>14.55</u>	<u>320,835,029</u>	<u>17.90</u>
	<u>\$ 1,923,618,799</u>	<u>100.00</u>	<u>\$ 1,858,890,398</u>	<u>100.00</u>	<u>\$ 1,792,999,446</u>	<u>100.00</u>

  

Geographic Region	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 1,655,172,736	86.04	\$ 1,603,854,334	86.28	\$ 1,517,384,808	84.63
Asia	208,622,929	10.85	197,945,764	10.65	207,672,146	11.58
America	42,652,593	2.22	41,734,650	2.25	47,531,301	2.65
Others	<u>17,170,541</u>	<u>0.89</u>	<u>15,355,650</u>	<u>0.82</u>	<u>20,411,191</u>	<u>1.14</u>
	<u>\$ 1,923,618,799</u>	<u>100.00</u>	<u>\$ 1,858,890,398</u>	<u>100.00</u>	<u>\$ 1,792,999,446</u>	<u>100.00</u>

## 2) Liquidity risk

### a) Source and definition of liquidity risk

Liquidity risk means the possible losses arising from the failure of Cathay United Bank to obtain funds at a reasonable price within a reasonable time to cover the increase in assets or repay matured liabilities.

### b) Liquidity risk management strategy and principles

The principle of liquidity risk management strategy of Cathay United Bank and its subsidiaries is to stabilize the liquidity of funds. The first priority of the source of funds is diversification and stability, and Cathay United Bank and its subsidiaries adopt the conservative principle to estimate the funds. The use of funds should take into account both safety and profitability, and pay attention to diversifying liquidity risks. Cathay United Bank and its subsidiaries have set up an Asset and Liability Management Committee, which is responsible for planning and monitoring liquidity risk management strategy and controlling liquidity risk with risk limits from different measuring dimensions and early warning indicators. When the liquidity has or expects significant changes, relevant authorities and responsible units jointly analyze the reasons and discuss solutions to deal with the impact of emergent events on liquidity risk. If necessary, the Asset and Liability Management Committee may be convened to discuss solutions.

### c) Financial assets held to manage liquidity risk and maturity analysis of non-derivative financial liabilities.

#### i. Financial assets held to manage liquidity risk

Cathay United Bank and its subsidiaries holds highly marketable and diverse financial assets to meet payment obligations; assets can be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets held to manage liquidity risk include cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at FVTPL, financial assets at FVTOCI, investments in debt instruments at amortized cost, discounts and loans, and securities purchased under resell agreements.

#### ii. Maturity analysis of non-derivative financial liabilities of Cathay United Bank

The table below shows the analysis of the cash outflow of non-derivative financial liabilities on the number of days remaining from the balance sheet date until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

	March 31, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 67,020,692	\$ 5,010,864	\$ 26,043,116	\$ 161,282	\$ 98,235,954
Due to the Central Bank and banks	-	1,076,000	-	-	1,076,000
Non-derivative financial liabilities at FVTPL	-	722,562	181,559	36,922,380	37,826,501
Notes and bonds sold under repurchase agreements	13,510,772	13,828,286	-	2,198,390	29,537,448
Payables	8,958,126	6,308,402	3,181,679	514,280	18,962,487
Deposits and remittances	379,491,616	1,210,401,281	1,143,146,351	165,473,474	2,898,512,722
Financial debentures payable	416,025	10,671,373	-	37,000,000	48,087,398
Lease liabilities	139,233	603,475	638,739	2,411,566	3,793,013
Other capital outflow at maturity	10,535,512	11,971,912	6,771,123	1,376,374	30,654,921

  

	December 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 19,739,865	\$ 19,426,898	\$ 23,321,812	\$ 201,876	\$ 62,690,451
Due to the Central Bank and banks	1,076,000	-	-	-	1,076,000
Non-derivative financial liabilities at FVTPL	-	-	550,293	35,720,100	36,270,393
Notes and bonds sold under repurchase agreements	24,984,153	6,338,247	-	-	31,322,400
Payables	12,719,115	9,366,422	151,144	460,730	22,697,411
Deposits and remittances	413,504,732	1,148,909,532	1,122,164,408	163,228,761	2,847,807,433
Financial debentures payable	-	4,685,464	5,637,213	37,000,000	47,322,677
Lease liabilities	102,243	465,602	569,180	2,029,181	3,166,206
Other capital outflow at maturity	7,080,447	13,149,630	6,565,722	1,904,957	28,700,756

	March 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 54,983,088	\$ 3,455,326	\$ 20,252,053	\$ 110,958	\$ 78,801,425
Due to the Central Bank and banks	-	960,000	116,000	-	1,076,000
Non-derivative financial liabilities at FVTPL	-	626,898	274,349	36,804,990	37,706,237
Notes and bonds sold under repurchase agreements	9,041,396	1,409,246	-	112	10,450,754
Payables	9,153,874	6,108,957	2,778,242	381,041	18,422,114
Deposits and remittances	331,418,794	1,074,429,063	1,063,842,345	139,624,556	2,609,314,758
Financial debentures payable	416,026	5,855,042	-	46,800,000	53,071,068
Lease liabilities	132,533	586,038	579,562	2,278,066	3,576,199
Other capital outflow at maturity	10,158,440	15,436,932	5,776,850	1,153,428	32,525,650

Additional information about the maturity analysis of lease liabilities:

	March 31, 2022	December 31, 2021	March 31, 2021
Less than 1 year	\$ 1,381,447	\$ 1,137,025	\$ 1,298,133
1-5 years	2,117,982	1,714,563	2,043,390
5-10 years	<u>293,584</u>	<u>314,618</u>	<u>234,676</u>
	<u>\$ 3,793,013</u>	<u>\$ 3,166,206</u>	<u>\$ 3,576,199</u>

iii. Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: Foreign exchange options, non-delivery forwards;
- ii) Interest rate derivative instruments: Swaptions, net settled interest rate swaps and other interest rate agreements.

The table below shows the net settled derivative financial instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. The analysis of contractual maturity dates illustrates all derivative financial instruments listed on the consolidated balance sheet. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheet. Maturity analysis of net settled derivative financial liabilities was as follows:

	March 31, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 365,986	\$ 16,751	\$ 10,823	\$ 9	\$ 393,569
Interest rate derivative instruments	<u>184,948</u>	<u>446,827</u>	<u>704,231</u>	<u>15,363,659</u>	<u>16,699,665</u>
	<u>\$ 550,934</u>	<u>\$ 463,578</u>	<u>\$ 715,054</u>	<u>\$ 15,363,668</u>	<u>\$ 17,093,234</u>
	December 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 24,880	\$ 37,114	\$ 4,574	\$ 242	\$ 66,810
Interest rate derivative instruments	<u>33,714</u>	<u>860,300</u>	<u>585,840</u>	<u>13,799,055</u>	<u>15,278,909</u>
	<u>\$ 58,594</u>	<u>\$ 897,414</u>	<u>\$ 590,414</u>	<u>\$ 13,799,297</u>	<u>\$ 15,345,719</u>
	March 31, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 228,328	\$ 68,019	\$ 8,175	\$ 4	\$ 304,526
Interest rate derivative instruments	<u>221,842</u>	<u>761,227</u>	<u>453,445</u>	<u>18,471,936</u>	<u>19,908,450</u>
	<u>\$ 450,170</u>	<u>\$ 829,246</u>	<u>\$ 461,620</u>	<u>\$ 18,471,940</u>	<u>\$ 20,212,976</u>

Gross settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: SWAP;
- ii) Interest derivative instruments: CCS;
- iii) Credit derivative instruments: All derivatives shown in gross pay a periodic fee in return for a payment by the protection seller on credit event if any occurs.

The table below shows Cathay United Bank's gross settled derivative instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. Contractual maturities are evaluated to be the most basic element for understanding all the derivative financial instruments presented on the balance sheets. The disclosed amounts are based on contractual cash flows and parts of the disclosed amounts are not in conformity with related items on consolidated balance sheet. Maturity analysis of gross settled derivative financial liabilities was as follows:

	<b>March 31, 2022</b>				
	<b>0-30 Days</b>	<b>31-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (4,905,140)	\$ (8,373,312)	\$ (2,578,013)	\$ (1,051,207)	\$ (16,907,672)
Cash inflow	4,056	13,826	1,240	109	19,231
Interest rate derivative instruments					
Cash outflow	(5,501)	(288,833)	(264,417)	(493,719)	(1,052,470)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(4,910,641)	(8,662,145)	(2,842,430)	(1,544,926)	(17,960,142)
Cash inflow subtotal	4,056	13,826	1,240	109	19,231
Net cash flow	<u>\$ (4,906,585)</u>	<u>\$ (8,648,319)</u>	<u>\$ (2,841,190)</u>	<u>\$ (1,544,817)</u>	<u>\$ (17,940,911)</u>
	<b>December 31, 2021</b>				
	<b>0-30 Days</b>	<b>31-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (1,251,076)	\$ (1,099,995)	\$ (583,172)	\$ (4,579,484)	\$ (7,513,727)
Cash inflow	4,813	7,496	2,222	-	14,531
Interest rate derivative instruments					
Cash outflow	(37,888)	(34,819)	(335,739)	(414,111)	(822,557)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,288,964)	(1,134,814)	(918,911)	(4,993,595)	(8,336,284)
Cash inflow subtotal	4,813	7,496	2,222	-	14,531
Net cash flow	<u>\$ (1,284,151)</u>	<u>\$ (1,127,318)</u>	<u>\$ (916,689)</u>	<u>\$ (4,993,595)</u>	<u>\$ (8,321,753)</u>
	<b>March 31, 2021</b>				
	<b>0-30 Days</b>	<b>31-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (4,081,799)	\$ (7,306,304)	\$ (1,343,330)	\$ (427,584)	\$ (13,159,017)
Cash inflow	1,774	2,300	2,269	-	6,343
Interest rate derivative instruments					
Cash outflow	(515)	(174,870)	(21,872)	(469,133)	(666,390)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(4,082,314)	(7,481,174)	(1,365,202)	(896,717)	(13,825,407)
Cash inflow subtotal	1,774	2,300	2,269	-	6,343
Net cash flow	<u>\$ (4,080,540)</u>	<u>\$ (7,478,874)</u>	<u>\$ (1,362,933)</u>	<u>\$ (896,717)</u>	<u>\$ (13,819,064)</u>

iv. Maturity analysis of off-balance sheet items

- i) Irrevocable commitments: Include Cathay United Bank's irrevocable loan commitments and credit card commitments.
- ii) Financial guarantee contracts: Cathay United Bank acts as a guarantor or an issuer of standby letter of credit.

Maturity analysis of off-balance sheet items is shown as follows:

March 31, 2022

	<b>Not Later Than 1 Year</b>	<b>1-5 Years</b>	<b>Later Than 5 Years</b>	<b>Total</b>
Irrevocable loan commitments	\$ 140,745,954	\$ 20,834,312	\$ 2,948,257	\$ 164,528,523
Credit card commitments	11,446,398	204,199,653	553,144,148	768,790,199
Financial guarantee contracts	22,285,681	6,140,963	30,887	28,457,531

December 31, 2021

	<b>Not Later Than 1 Year</b>	<b>1-5 Years</b>	<b>Later Than 5 Years</b>	<b>Total</b>
Irrevocable loan commitments	\$ 143,514,844	\$ 24,884,198	\$ 3,201,796	\$ 171,600,838
Credit card commitments	48,902,335	205,372,171	516,655,429	770,929,935
Financial guarantee contracts	16,348,326	7,756,651	703,770	24,808,747

March 31, 2021

	<b>Not Later Than 1 Year</b>	<b>1-5 Years</b>	<b>Later Than 5 Years</b>	<b>Total</b>
Irrevocable loan commitments	\$ 161,880,404	\$ 25,227,089	\$ 5,031,056	\$ 192,138,549
Credit card commitments	12,081,785	206,472,250	525,616,966	744,171,001
Financial guarantee contracts	15,438,829	8,378,707	47,324	23,864,860

3) Market risk

a) Source and definition of market risk

Market risk is the potential gain or loss arising from movements of market price, such as interest rates, foreign exchange rates and equity securities.

Cathay United Bank organized market risk management department and the committee of assets and liabilities management. The department and the committee periodically examine Cathay United Bank's structure of assets and liabilities; plan the pricing principle of deposit and loan and financing, and uses medium and long term funding schemes. While executing the market risk management, the market risk management department periodically provides the related information of management and reports to the authorized managers of Cathay United Bank for the management system, such as evaluating position, risk limit management, calculation of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

b) Market risk management strategy and process

Market risk management process

i. Identification and measurement

The operations department and risk management department of Cathay United Bank identify the market risk factors of risk exposure position, and measure the market risk. Market risk factors are the components that could have an impact on the value of financial instrument, such as interest rates, foreign exchange rates, equity securities price, etc., including position, gain and loss, stress testing, sensitivity (DV01, Delta, Vega, Gamma) and Value at Risk (VaR), etc. are used to measure the extent of investment portfolio loss that is influenced by market risk factors.



ii. Monitoring and reporting

The risk management department periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress test, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. Cathay United Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. If the transaction reaches its stop-loss limitation, the relevant measures will be implemented immediately. If it meets special circumstance, the transaction department should document the responding plan. Furthermore, the department shall report to the executive management for approval and report to the board of directors regularly.

c) Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investments for the purpose of trading or the hedge on the trading book. Portfolio is held for trading for the purpose of earning profit from the bid-ask spread. Any positions aside from the above trading book will be in the banking book.

i. Strategy

In order to control market risk effectively and ensure flexibility in operating the transaction strategy, Cathay United Bank carries out various assessment and control procedures. The portfolio of trading book has the risk limit for each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

ii. Policy and procedure

Cathay United Bank sets the “Rules of Market Risk Management” as the important regulation that should be complied with when holding trading portfolio.

iii. Valuation policy

If the financial instruments of trading book have market values, they should be evaluated at least once each day based on information from independent and easily accessible sources. If the financial instruments are evaluated by a model, a mathematical model should be used prudently, and the assumptions and parameters of the valuation model should be regularly reviewed and examined.

iv. Method of measurement

i) The assumptions and calculation method are described in the VaR section.

ii) Cathay United Bank executes the stress testing monthly based on the following scenarios: The fluctuation of interest rate at 150bp, changes in domestic and foreign equity securities price at 15% and 20% respectively, foreign exchange rate at 5%, and reports to the risk management committee regularly.

d) Interest risk management of trading book

i. Definition of interest risk

Interest risk is the risk that the trading portfolios suffer losses or the fair value changes due to fluctuations in interest rates. The main instruments include the securities and derivatives that are related to interest rates.

ii. Interest risk management procedure of trading book

Cathay United Bank prudently chooses its investment target by studying the credibility and financial position of the securities issuers, and the sovereign risk and the trend of interest rates of the country. According to the operating strategy and the circumstances of the market, Cathay United Bank sets the transaction limit and stop-loss limit (including the limits of dealing room, traders, and investment, etc.) of the trading book that are reported to the executive management or the board of directors for approval.

iii. Method of measurement

i) The assumptions and calculation method are described in the VaR section.

ii) Cathay United Bank measures the investment portfolio's interest risk exposure with DV01 monthly.

e) Interest risk management of the banking book

The interest risk of banking book means that adverse changes in interest rates affect the value and cash flow of the banking book position, resulting in current or potential risks to Cathay United Bank's capital and earnings.

i. Strategy

Based on the principle of prudent operation and conservation, the first priority is on the diversification and stability of assets and liabilities, and then on safety and profitability, and Cathay United Bank and its subsidiaries should pay attention to risk diversification.

ii. Management procedure

Cathay United Bank and its subsidiaries have established interest risk indicators of banking book to control the banking book interest risk. If the indicators are abnormal, the possible offset treatment should be evaluated and reported to the Asset and Liability Management Committee to review the asset and liability structure and pricing principles, so as to reduce or control the adverse impact on earnings or net worth.

iii. Method of measurement

Measurement methods of banking book interest risk include repricing gap analysis, earnings viewpoint ( $\Delta$ NII) analysis, and economic value viewpoint ( $\Delta$ EVE) analysis. Cathay United Bank and its subsidiaries adopt appropriate measurement methods to manage banking book interest risk in accordance with local regulatory requirements or internal management needs.

f) Foreign exchange risk management

i. Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchange at different times. Cathay United Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option, etc. Cathay United Bank's foreign exchange transactions are implemented daily to offset clients' positions. Thus, Cathay United Bank is not exposed to significant foreign exchange risk.

ii. Policy, procedure and measurement method of foreign exchange risk management

In order to control foreign exchange risk, Cathay United Bank sets the limits of transaction and stop-loss limits for the dealing room and traders. Meanwhile, Cathay United Bank also sets the maximum annual loss limit to control the loss within the tolerable extent. Foreign exchange risk is controlled based on VaR. The assumption and calculation of VaR are described in the VaR section.

For foreign exchange risk, Cathay United Bank sets the scenario at 5% fluctuation of foreign exchange rates of major currencies to execute the stress testing quarterly, and reports to the risk management committee.

g) Risk management of equity securities price

i. Definition of risk of equity securities price

The market risk of equity securities held by Cathay United Bank includes the individual risk from the fluctuation of individual equity securities' market price and general market risk from the fluctuation of the overall price trend.

ii. Purpose of risk management of equity securities price

The purpose is to avoid the massive fluctuation of equity securities price that worsens Cathay United Bank's financial situation or earnings; to raise the operating efficiency of capital and strengthen the business operation.

iii. Procedure of risk management of equity securities price

Cathay United Bank sets investment limits on industries, using the  $\beta$  value to measure the investment portfolio affected by the systemic risk monthly. The stop-loss point must be authorized by the board of directors, and the equity investment should be authorized by the executives if the stop-loss point is reached but the investment is not going to be disposed of.

iv. Measurement method

The risk of equity securities price in trading book is mainly controlled by VaR.

h) Value-at-risk of the trading books

Value-at-risk (VaR) is Cathay United Bank's tool to control market risk. VaR is a statistical measure that assesses potential losses of financial instruments caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence. Cathay United Bank applies historical simulation with a statistical confidence of 99%. The following form indicates the VaR which is the estimation of potential amount of loss within one day. The statistical confidence of 99% represents the possible fluctuations that would be included in assumed adverse market changes. Based on the assumption, the VaR may exceed the amounts listed in 1 of 100 days due to the price changes in the market. The overall VaR in the market may be less than the aggregate VaR of individual market risk factors.

<b>March 31, 2022</b>				
<b>Factors of Market Risk</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Ending</b>
Interest rate	\$ 174,659	\$ 250,536	\$ 80,516	\$ 250,536
Foreign exchange	89,538	177,752	65,675	175,369
Equity securities price	268,128	629,009	91,597	132,583

<b>December 31, 2021</b>				
<b>Factors of Market Risk</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Ending</b>
Interest rate	\$ 135,734	\$ 215,547	\$ 43,133	\$ 215,547
Foreign exchange	85,389	162,748	65,675	84,654
Equity securities price	344,290	629,009	91,597	365,415

<b>March 31, 2021</b>				
<b>Factors of Market Risk</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Ending</b>
Interest rate	\$ 92,778	\$ 194,699	\$ 43,133	\$ 80,516
Foreign exchange	214,424	371,160	86,439	86,439
Equity securities price	395,540	629,009	103,986	629,009

Cathay United Bank enters into a variety of derivatives transactions for both trading and non-trading purposes. The objectives in using derivative instruments are to meet customers' hedging and trading needs, to manage Cathay United Bank's exposure to risks and to generate revenues through trading activities. Cathay United Bank trades derivative instruments on behalf of customers and for its own positions. Cathay United Bank transacts derivative contracts with its clients to meet their hedging demands and also takes proprietary positions for its own accounts within the allowed market risk.

i) Market risk stress testing

The stress testing is used to measure the maximum loss of risk asset portfolio under the worst-case scenario. Cathay United Bank takes into consideration various types of risk factors during stress testing and the results will be reported to the executive management.

<b>Stress Testing</b>				
<b>Market/Product</b>	<b>Scenarios</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Stock market	Major stock exchanges +15%	\$ 778,289	\$ 2,542,569	\$ 3,609,067
	Major stock exchanges -15%	(1,225,084)	(2,542,569)	(3,609,067)
	Major stock exchanges +20%	90,983	296,279	111,876
	Major stock exchanges -20%	(90,983)	(296,279)	(111,876)
Interest rate/bond market	Major interest rate +150bp	(3,599,074)	(627,223)	(1,779,082)
	Major interest rate -150bp	2,361,485	1,472,050	395,001
Foreign exchange market	Major currencies +5%	341,397	498,076	602,652
	Major currencies -5%	(341,397)	(498,076)	(590,670)

Note: The information of stress testing is defined by market risk management.

j) Market risk sensitivity analysis

i. Interest rate risk

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivative portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting the portfolio. Cathay United Bank’s interest rate-sensitive portfolios include government bonds, corporate bonds, interest rate swaps, forward rate agreements and interest rate collars.

ii. Foreign exchange risk

Foreign exchange rate factor sensitivities (“FX delta”) represent the change of the foreign exchange portfolios (i.e., forward exchange transactions and currency swaps) caused by the underlying currency exchange rate fluctuation.

iii. Equity securities price risk

Equity securities price factor sensitivities (“Equity delta”) represent the change of the equity securities price portfolio caused by a parallel unit shift of 1% in the underlying stock price fluctuation. Cathay United Bank’s equity portfolios include stocks and equity index options.

		<b>March 31, 2022</b>	
<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>Sensitivity of Profit or Loss</b>	<b>Sensitivity of Equity</b>
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency+ 1%	\$ 68,279	\$ -
	Exchange rate of each currency - 1%	(68,279)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(23,994)	-
	Yield curves parallel shift - 1bp	15,743	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	(42,179)	99,849
	Equity securities price - 1%	30,706	(99,849)
		<b>December 31, 2021</b>	
<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>Sensitivity of Profit or Loss</b>	<b>Sensitivity of Equity</b>
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency+ 1%	\$ 99,615	\$ -
	Exchange rate of each currency - 1%	(99,615)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(4,181)	-
	Yield curves parallel shift - 1bp	9,814	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	35,274	149,044
	Equity securities price - 1%	(35,274)	(149,044)

Risk Factors	Changes (+/-)	March 31, 2021	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency+ 1%	\$ 58,649	\$ -
	Exchange rate of each currency - 1%	(58,649)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(11,861)	-
	Yield curves parallel shift - 1bp	2,633	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	42,953	203,245
	Equity securities price - 1%	(42,953)	(203,245)

Note: The information of stress testing is defined by risk management policy of the market.

k) Effect of interest rate benchmark reform

Cathay United Bank is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. Therefore, when existing contracts and agreements that reference USD LIBOR transfer to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Cathay United Bank established a USD LIBOR transition project plan to handle risk management policies changes, internal processes adjustments, IT systems updates and valuation models adjustments, as well as to manage any related tax and accounting issues in accordance with interest rate benchmark reform. As of March 31, 2022, changes required to IT systems and internal processes have been identified and have been partially implemented.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with Cathay United Bank’s counterparties are not successfully concluded before the cessation of USD LIBOR, the case will bring significant uncertainties to the future interest rate basis applied to financial instruments, and give rise to additional interest rate risk that was not anticipated when the contracts were entered into. If a hedged financial instrument and the related hedging derivative instruments are transitioned to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

Cathay United Bank

The following table contains details of non-derivative financial instruments held by Cathay United Bank as of March 31, 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	<b>Carrying Amount</b>
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets linked to USD LIBOR	
Financial assets at FVTOCI	<u>\$ 3,128,259</u>
Debt instruments measured at amortized cost	<u>\$ 2,928,199</u>
Financial assets linked to USD LIBOR	
Discounts and loans	<u>85,215,337</u>
Financial assets linked to EUR LIBOR	
Discounts and loans	<u>659,123</u>
Financial assets linked to HKD HIBOR	
Discounts and loans	<u>25,221,430</u>
Financial assets linked to SGD SIBOR	
Discounts and loans	<u>21,151</u>
Financial assets linked to SGD SOR	
Discounts and loans	<u>11,238,752</u>
Financial assets linked to VND VNIBOR	
Discounts and loans	<u>204,126</u>
	<u>\$ 122,559,919</u>

The following table contains details of derivative financial instruments held by Cathay United Bank as of March 31, 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

<b>Derivative Financial Instrument</b>	<b>Nominal Amount</b>	<b>Carrying Amount</b>	
		<b>Financial Assets</b>	<b>Financial liabilities</b>
<u>Financial assets linked to USD LIBOR</u>			
CCS	<u>\$ 572,440</u>	<u>\$ -</u>	<u>\$ 22,605</u>
Options	<u>\$ 2,296,340</u>	<u>\$ -</u>	<u>\$ 350</u>
<u>Financial assets linked to USD LIBOR</u>			
IRS	\$ 34,162,476	\$ 3,463,685	\$ 430,229
<u>Financial assets linked to ZAR LIBOR</u>			
IRS	<u>83,916</u>	<u>572</u>	<u>5</u>
	<u>\$ 34,246,392</u>	<u>\$ 3,464,257</u>	<u>\$ 430,234</u>

## CUBCN Bank

The following table contains details of derivative financial instruments held by CUBCN Bank as of March 31, 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	<b>Carrying Amount</b>
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets linked to USD LIBOR	
Discounts and loans	<u>\$ 24,863</u>

## Cathay Century and its subsidiaries

Cathay Century and its subsidiaries' major financial instruments include equity and debt investments, derivatives, receivables, payables and bonds payable. The major risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

### 1) Market risk analysis

Market risk is the risk resulting from changes in market risk factors, such as exchange rate, product price, interest rate, credit spread, and stock price, which may decrease Cathay Century and its subsidiaries' income or value of investment portfolio.

Cathay Century and its subsidiaries continues to use market risk management tools such as value at risk ("VaR") and stress testing to completely and effectively measure, monitor and manage market risk.

#### a) Value at Risk

VaR is used to measure the maximum potential loss of a portfolio in a given period and confidence level when the market risk factors changes. Cathay Century and its subsidiaries calculate VaR on the next day (week or two weeks) at 99% confidence level.

#### b) Stress testing

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

Cathay Century and its subsidiaries conduct stress testing regularly on positions by simple sensitivity analysis test and scenario analysis. Such tests cover the losses on positions resulting from changes of various risk factors in various historical scenarios.

#### i. Simple sensitivity test

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



ii. Scenario analysis

Scenario analysis measures the changes in the total value of the investment portfolio under a stress event, including the follows scenarios:

i) Historical scenario

By considering the fluctuations in risk factors during a specific historical event, Cathay Century and its subsidiaries evaluate whether the event would result in losses to the current investment portfolio in the event.

ii) Hypothetical scenario

Cathay Century and its subsidiaries make reasonable assumptions for extreme market changes that may occur in the future, put related changes in related risk factors to the current investment portfolio and consider the correlation between the investment targets and risk factors to estimate the possible loss of investments.

The risk management department performs stress testing with historical and hypothetical scenarios regularly. Cathay Century and its subsidiaries' risk analysis, early warning, and business management are in accordance with the stress testing report.

**Table of Stress Testing**

<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Equity risk (stock index)	-10%	\$ (965,101)	\$ (1,097,510)	\$ (1,058,621)
Interest rate risk (yield curve)	+20bps	(124,415)	(127,128)	(133,995)
Exchange risk (exchange rate)	USD depreciate against the NTD by 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 to the consolidated financial statements.

- Foreign currency risk

Cathay Century and its subsidiaries has foreign currency-denominated assets and liabilities, which expose Cathay Century and its subsidiaries to foreign currency risk.

- Interest rate risk

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

- Price risk

Cathay Century and its subsidiaries was exposed to equity price risk through its investments in listed shares and mutual funds. Equity price exposures were managed by utilizing futures. That positions of futures do not exceed the hedged positions.

- Sensitivity analysis

<b>For the Three Months Ended March 31, 2022</b>				
<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>	
Foreign currency risk sensitivity	USD appreciates 1%	\$ 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
<b>For the Year Ended December 31, 2021</b>				
<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>	
Foreign currency risk sensitivity	USD appreciates 1%	\$ 23,810	\$ 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

<b>For the Three Months Ended March 31, 2021</b>			
<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>
Foreign currency risk sensitivity	USD appreciates 1%	\$ 23,465	\$ 6,714
	CNY appreciates 1%	2,651	-
	HKD appreciates 1%	1,121	4,366
	EUR appreciates 1%	9	472
	VND appreciates 1%	-	6,195
Interest rate risk sensitivity	Yield curve (USD):	(4,860)	-
	Upward parallel shift by 1bp		
	Yield curve (CNY):	(45)	-
	Upward parallel shift by 1bp		
	Yield curve (NTD):	(1,154)	(695)
Upward parallel shift by 1bp			
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 to the consolidated financial statements.

## 2) Credit risk

- a) Cathay Century and its subsidiaries' credit risk exposure of financial transactions include issuer credit risk, counterparty credit risk and credit risk of underlying assets.
  - i. Issuer's credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations due to default, bankruptcy or liquidation.
  - ii. Counterparty credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
  - iii. Credit risk of the underlying assets is the risk that Cathay Century and its subsidiaries may suffer losses due to deterioration of the credit quality, increase in credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Credit risk concentration analysis

- i. Regional distribution of maximum risk exposure for Cathay Century and its subsidiaries' financial assets:

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
Debt instruments 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
Debt instruments 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
Debt instruments at amortized cost	2,103,856	71,513	1,235,789	2,915,441	1,583,204	7,909,803
Total	\$ 13,590,677	\$ 71,513	\$ 1,235,789	\$ 2,915,441	\$ 1,817,991	\$ 19,631,411
Proportion	69.23%	0.36%	6.30%	14.85%	9.26%	100.00%

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

- i. Cathay Century and its subsidiaries assess, at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, Cathay Century and its subsidiaries consider reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit ratings, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.
- ii. If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.

d) Definitions of a default occurring on a financial asset and a credit-impaired financial asset

The definition of a default occurring on financial assets of Cathay Century and its subsidiaries is the same as a credit-impaired financial asset. If one or more of the criteria below are met, a default occurs and a financial asset is credit-impaired:

- i. Quantitative factor: When contractual payments are more than 90 days past due, a default occurs and a financial asset is credit-impaired.

- ii. Qualitative factors: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
    - i) The issuers and borrowers have entered bankruptcy or are probable to enter bankruptcy or financial reorganization.
    - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
    - iii) The collaterals of the borrowers are seized provisionally or enforced.
    - iv) The borrowers claim for a change of credit conditions due to financial difficulties.
  - iii. The above-mentioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by Cathay Century and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to the related impairment assessment model.
- e) Measurement of expected credit losses
- i. Methods and assumptions adopted

For financial instruments on which the credit risk has not increased significantly since initial recognition, Cathay Century and its subsidiaries measure loss allowance for financial instruments at an amount equal to 12-month expected credit losses; for financial instruments on which the credit risk has increased significantly since initial recognition or are credit-impaired, Cathay Century and its subsidiaries measure loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, Cathay Century and its subsidiaries multiply exposure at default by the 12-month and lifetime probability of default of issuers, guarantee agencies or borrowers and loss given default. Cathay Century and its subsidiaries also consider the effect of the time value of money to calculate the 12-month and lifetime expected credit losses, respectively.

Default rate is the rate that a default occurs on issuers, guarantee agencies and borrowers. Loss given default is the loss rate which resulted from the default of issuers, guarantee agencies and borrowers. Loss given default used by Cathay Century and its subsidiaries in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historic data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

- ii. Consideration of forward-looking information

Cathay Century and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets. For example, the default rate used in the bond measurement is based on the default rate regularly published by the International Credit Rating Agency (Moody's) and adjusted according to general economic information.

f) Gross carrying amount of maximum credit risk exposure and category of credit quality

i. Financial assets of Cathay Century and its subsidiaries

	March 31, 2022					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 712,981	\$ -	\$ -	\$ -	\$ -	\$ 712,981
Debt instruments at amortized cost	8,265,163	-	-	-	(2,792)	8,262,371
	December 31, 2021					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 728,828	\$ -	\$ -	\$ -	\$ -	\$ 728,828
Debt instruments at amortized cost	7,764,815	-	-	-	(2,280)	7,762,535
	March 31, 2021					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 752,147	\$ -	\$ -	\$ -	\$ -	\$ 752,147
Debt instruments at amortized cost	7,780,147	-	-	-	(4,732)	7,775,415
<u>Non-investment grade</u>						
Debt instruments at amortized cost	-	141,354	-	-	(6,966)	134,388

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

ii. Secured loans of Cathay Century and its subsidiaries

	March 31, 2022					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 180,279	\$ -	\$ -	\$ -	\$ (2,345)	\$ 177,934
	December 31, 2021					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 188,921	\$ -	\$ -	\$ -	\$ (2,458)	\$ 186,463
	March 31, 2021					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 208,213	\$ -	\$ -	\$ -	\$ (2,656)	\$ 205,557

g) Reconciliation for loss allowance is summarized below:

i. Debt instruments at FVTOCI

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

ii. Debt instruments at amortized cost

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

iii. Secured loans

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Regulations Governing the Procedures to Evaluate Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets			
January 1, 2022	\$ 43	\$ -	\$ -	\$ -	\$ 43	\$ 2,415	\$ 2,458
Changes in models/risk parameters	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(7)</u>
Difference from impairment charged in Regulations Governing the Procedures to Evaluate Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106)</u>	<u>(106)</u>
March 31, 2022	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ 2,309</u>	<u>\$ 2,345</u>

(Continued)

	Lifetime Expected Credit Losses				Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Regulations Governing the Procedures to Evaluate Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2021	\$ 22	\$ -	\$ -	\$ -	\$ 22	\$ 2,453	\$ 2,475
Changes in models/risk parameters	(10)	-	-	-	(10)	-	(10)
Difference from impairment charged in Regulations Governing the Procedures to Evaluate Assets	-	-	-	-	-	191	191
March 31, 2021	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 2,644</u>	<u>\$ 2,656</u>

(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

Cathay Century 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	Not Overdue	Overdue	Total
Carrying amount		\$ 1,370,807	\$ 757,271	\$ 2,128,078
Expected credit loss rate		1.07%	2.88%	
Lifetime expected credit losses		\$ 14,669	\$ 21,842	\$ 36,511
	December 31, 2021	Not Overdue	Overdue	Total
Carrying amount		\$ 2,027,195	\$ 292,113	\$ 2,319,308
Expected credit loss rate		1.05%	5.10%	
Lifetime expected credit losses		\$ 21,292	\$ 14,893	\$ 36,185
	March 31, 2021	Not Overdue	Overdue	Total
Carrying amount		\$ 1,258,787	\$ 601,539	\$ 1,860,326
Expected credit loss rate		1.04%	4.44%	-
Lifetime expected credit losses		\$ 13,121	\$ 26,715	\$ 39,836

3) Liquidity risk

a) Sources of liquidity risk

Liquidity risks of the financial instruments are classified as funding liquidity risk and market liquidity risk. Funding liquidity risk represents the default risk that Cathay Century and its subsidiaries is unable to turn assets into cash or obtain sufficient funds. Market liquidity risk represents the risk of significant changes in fair value that Cathay Century faces when it sells or offsets its assets during market disorder.



b) Liquidity risk management

Cathay Century and its subsidiaries established a complete capital liquidity management by assessing the business features, monitoring short-term cash flow, and considering the trading volume and holding position to carefully manage the market liquidity risk.

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

The analysis of cash outflows to Cathay Century and its subsidiaries are listed below and based on the residual terms to maturity on the balance sheet date. The disclosed amounts are prepared in accordance with contract cash flows and, accordingly for certain line items, the disclosed amounts are different to the amounts on consolidated balance sheets.

The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

March 31, 2022

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

December 31, 2021

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

March 31, 2021

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

## Cathay Securities and its subsidiaries

### 1) Risk management system

#### a) Risk management objectives

Adhering to the risk management policies of the Company, Cathay Securities and its subsidiaries manage the risks during its operating activities in compliance with domestic and foreign regulations as well as in an efficient and flexible manner to maximize the profit.

#### b) Risk management policies

Cathay Securities and its subsidiaries comply with the risk management policies as a guiding principle to establish significant risk management matters such as objectives, coverage, organization duties and operating, management principles and reports.

The management policies of Cathay Securities and its subsidiaries cover different types of risk including market risk, credit risk, operating risk, liquidity risk, capital adequacy management, regulation risk and other risks related to operating activities. Before initiating a business, Cathay Securities and its subsidiaries identify relevant risks and have integrated planning of risk management mechanism and methods to ensure that such business is compliant with the management policies.

#### c) Risk management organization

##### i. Board of directors

The board of directors takes the ultimate responsibilities for risk management. The board of directors approves the risk management policy, ensures that approved risk management policies are in accordance with the nature of operating activities and types of business and cover different types of risk and monitors the effective implementation of risk management policies.

##### ii. Risk management committee

The risk management committee is responsible for reviewing risk management policies, principles, and rules of trading transactions, and for determining the appropriate degree of risk exposure and monitoring the implementation of the risk management policies. The risk management committee is under the board of directors and the chairman of board of directors takes chair of the committee, and the members include the general manager, finance supervisor, accounting manager, risk management supervisor, and the relevant trading department supervisor. The committee meetings are typically held quarterly and provisional meetings are called by the chairman of the board.

##### iii. Risk management department

The risk management department is under the board of directors. The supervisor and staff of the department are prohibited from holding positions at the trading or settlement department. Their responsibilities are to plan and implement risk management policies, principles and directions, review policies regularly to ensure that those policies are suitable for business development. The risk management department also establishes online monitoring and prevention systems and reaction mechanisms, according to the development of Cathay Securities and its subsidiaries.

iv. Business unit

Each business unit participates in the setting of the risk management mechanism and executes daily risk management and reporting to ensure that the risk model used by the business unit is implemented with the consistent credibility and is in accordance with the internal control procedures to comply with the regulations and risk management policies.

v. Auditing office

The auditing office executes risk management and internal control procedures regularly, and traces and documents findings and deviations of internal control procedures periodically to ensure that the appropriate actions of improvement have been taken in time.

vi. Finance department

The finance department participates in the setting of the risk management mechanism. The department is responsible for executing liquidity risk management and providing the liquidity risk report to the risk management department regularly.

vii. Accounting department

The accounting department participates in the setting of the risk management mechanism and provides the form of capital adequacy to the risk management department monthly.

viii. Legal affairs office

The legal affairs office executes legal risk management to ensure that business operations and risk management procedures are all in compliance with the regulations.

d) Risk management workflows

Risk management workflow for Cathay Securities and its subsidiaries includes risk identification, risk measurement, risk management mechanism, and risk reporting. Risk assessment and response strategies to each risk are addressed as follows:

i. Market risk

i) Definition

Market risk is the risk of losses in Cathay Securities and its subsidiaries' investment positions, including shares, bonds, and derivatives etc. arising from changes in the market prices of financial instruments.

ii) Controls

Cathay Securities and its subsidiaries set up rules of trading transactions including the limits of authorization, risk limitation, stop-loss rules, and responses to the exceeded limits by each product or service line and implement those control procedures efficiently through the front desk risk control staff and on-line monitoring system. Furthermore, Cathay Securities and its subsidiaries provide the market risk management report regularly that includes market price assessments, the dollar amounts of surplus/shortfall and arbitrage, Value at Risk, and back-testing model and perform stress testing by each extreme scenario to control the risks that Cathay Securities and its subsidiaries face and manage all risks as a whole efficiently.

## ii. Credit risk

### i) Definition

Credit risk is the risk of loss incurred by Cathay Securities and its subsidiaries as a result of a counterparty or debtor not being able to perform its contract obligations due to deterioration of financial conditions or other factors.

### ii) Controls

Cathay Securities and its subsidiaries check and review the credit position of each counterparty before trading and manage risk exposure after trading. Risks arising from securities trading are monitored and controlled based on the credit rating model. Investment concentration and risks are analyzed and documented regularly. Investment limit to each counterparty is established by its credit rating (TCRI, Taiwan Ratings, S&P, Moody's, and Fitch). In addition, the customers covered by the high-risk range of self-managed credit integrity and the credit balance of the underlying account for a certain percentage of the market credit balance are regularly reviewed and the credit risk emergency notification mechanism for the Company is established.

## iii. Operational risk

### i) Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategy risk and credit risk.

### ii) Controls

Cathay Securities and its subsidiaries establish authority levels and the segregation of duties for the processes of front, middle and back offices. Trading, confirmation, settlement, financial accounting, and trading documents are archived for future reference. The strict processes are also established to prevent fraud and negligence. Cathay Securities and its subsidiaries request each department to establish and implement internal audit and control policies authentically. The reporting mechanism for loss events from operational risk and database are established to understand the causes of the loss.

In addition, the auditing office is established under the board of directors. The functions of the office are to implement daily process checks to establish completed internal audit control and provide internal review reports periodically to lower the loss arising from the operational failures.

## iv. Liquidity risk

### i) Definition

Fund liquidity refers to Cathay Securities and its subsidiaries' acquisition of funds to maintain its needed flexibility to support asset growth or to repay liabilities; market liquidity refers to the managing and avoidance of risk of loss resulting from significant changes in the market price of held positions due to the lack of market depth or market disruption.

ii) Controls

The measurement index for liquidity risk is established and Cathay Securities and its subsidiaries compile the liquidity risk management report regularly to review the capital conditions and cash flow gap as of the balance sheet date and liquidity of overall foreign currency. Capital allocation planning is based on the compiled structure analysis as of the balance sheet date. In addition, capital liquidity simulation operations are regularly conducted to ensure that there are corresponding contingency measures in the extreme situations which can cover the funding gap. Meanwhile, credit lines of short-term financing are acquired from other financial institutions and receipts and payments are managed properly to sustain appropriate liquidity and ensure payment ability. Investment business units should conduct market liquidity risk control when buying in accordance with market liquidity management index.

v. Legal risk

i) Definition

Legal risk is the risk of loss that results from a counterparty being unable to legally enter into a contract due to the contract or eligibility of the counterparty being defective.

ii) Controls

The procedures of making and reviewing legal documentation are established. All the documents related to the contracts are required to be reviewed and approved by the legal office and may be reviewed with reference to external lawyers' opinions if needed.

vi. Capital adequacy management

i) Definition

Cathay Securities and its subsidiaries implement capital management to maintain an appropriate capital adequacy ratio, promote business growth and ensure a robust capital structure.

ii) Controls

Cathay Securities established the capital adequacy index and compile the capital adequacy management report regularly to evaluate the appropriateness of the capital adequacy ratio and the robustness of the capital structure.

vii. Reputation risk and strategy risk

i) Definition

Reputation risk is the risk of loss resulting from negative aspects of Cathay Securities and its subsidiaries' operations, leading to the loss of customers or revenue, and the need for Cathay Securities and its subsidiaries to bear large amounts of legal fees or other losses from damages. Strategy risk is another risk of current or potential loss to revenue or capital resulting from a strategy that turns out to be defective or inappropriate, or lack of proper responses to the competitors.

ii) Controls

In response to significant events related to reputation and strategy risk, Cathay Securities and its subsidiaries establish internal regulations to mitigate the risk of losses when significant events occur.

Risk management policies and principles are established based on the above-mentioned risks and management mechanisms from each risk source are set out specifically. Cathay Securities and its subsidiaries also establish the constraints for each risk and review the appropriateness of each constraint regularly. Moreover, the risk management implementation reports are reported to the risk management committee, board of directors, and risk management office of Cathay Securities and its subsidiaries every half year to assess risk tolerance and the appropriateness of the current risk management scheme.

e) Hedging and mitigation of risk strategies

The hedging and mitigation risk strategies for Cathay Securities and its subsidiaries refer to the implementation of dynamic hedging through the purchase and sale of target investment products to duplicate the same cash flows when derivatives mature. The hedging for outstanding stock warrants and structured products is based on the principle of Delta Neutral. If the prices of those investment positions fluctuate significantly in the financial markets, when the regulations for hedging operations are breached due to the impact from significant events, or when the risk personnel's implementation of hedging strategies are in violation of the regulations of hedging operations, the business department is required to explain in writing, report to the risk management department and be approved by general manager.

Cathay Securities and its subsidiaries establish the approval limit and stop-loss mechanism based on the attributes of each product. When the position meets the stop-loss point, the risk management department will inform the supervisor or position administrator in time and monitor the change in the position. In addition, the business department should operate in accordance with the approval limits. If the stop-loss point is met, the investment should be sold or the business department is required to provide an exception report detailing the reason and specific response measures.

2) Market risk analysis

Cathay Securities and its subsidiaries assess, monitor, and manage market risks completely and effectively by applying market risk management tools such as sensitivity analysis, Value at Risk ("VaR") and stress testing continuously.

a) Sensitivity analysis

Sensitivity analysis is used to measure the degree of impact on each product and investment portfolio due to fluctuations in specific market factors. The relevant monitoring and control regulations are set based on the differences in the types of risk and business attributes of Cathay Securities and its subsidiaries. The degree of risk exposure is monitored and measured by the following sensitivities:

i. Measurement based on interest factors

Price value of basis point (PVBP): Denoting the change in the value of a position given a 1 basis point change in the yield curve.

ii. Measurement based on commodity factors

- i) Delta: Measuring the change in the value of a position given a 1% price change of a certain underlying asset.
- ii) Gamma: Measuring the dollar amount of change in Delta of a position given a 1% price change of a certain underlying asset.
- iii) Vega: Denoting the change in the value of a position given a 1% price volatility change of a certain underlying asset.

b) VaR

VaR is used to measure the risk of the largest potential loss of the investment portfolio arising from movements in market risk factors over a specific time frame and at a certain confidence level. Cathay Securities and its subsidiaries currently measure the VaR of an investment portfolio for the next day at a 99% confidence level. Also, back testing of the VaR model is performed each year to ensure the accuracy of this model.

VaR on one single trading day within the 99% confidence level

	<b>For the Three Months Ended March 31, 2022</b>			
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>End of Period</b>
VaR	\$ 28,329	\$ 39,680	\$ 22,168	\$ 31,534
	<b>For the Three Months Ended March 31, 2021</b>			
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>End of Period</b>
VaR	\$ 48,652	\$ 79,243	\$ 29,745	\$ 33,447

c) Stress testing

Cathay Securities and its subsidiaries perform stress testing on a monthly basis to assess the degree of impact on the asset portfolio arising from foreign and domestic significant events, find the risk factors which exert greater significant influence on the asset portfolio, follow up review and report such factors according to the market conditions and customized or extreme scenarios which are performed periodically by taking rapid changes in foreign and domestic financial environments into consideration, and the maximum losses arising from these scenarios are measured to ensure that Cathay Securities and its subsidiaries manage the risk from each potential scenario effectively.

Stress testing scenarios, which include the historical scenario and hypothesis scenario, are described as follows:

i. Historical Scenario

Cathay Securities and its subsidiaries assess the dollar amount of losses for the investment portfolio by choosing a specific time frame of historical events and taking the fluctuations of risk factors into the consideration such as the immediate, significant, and comprehensive impact on financial markets from the bankruptcy of Lehman Brothers in 2008 and the Great East Japan earthquake in 2011.

ii. Hypothesis Scenario

Cathay Securities and its subsidiaries make reasonable expected hypotheses on possible future extreme market fluctuations, include movements of the related risk factors in the current investment portfolio, and measure the loss amount generated from such events on the investment position, including the 10% drop in the total stock market value arising from the breakdown of the global system.

**For the Three Months Ended March 31, 2022  
Stress Test Table**

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (378,688)
Interest rate risk (yield curve)	+100bps	(45,790)
Exchange rate risk (exchange rate)	3%	314,619
Product risk (price)	-10%	-

**For the Three Months Ended March 31, 2021  
Stress Test Table**

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (278,273)
Interest rate risk (yield curve)	+100bps	(85,866)
Exchange rate risk (exchange rate)	3%	110,687
Product risk (price)	-10%	6,540

3) Credit risk analysis

a) Source of credit risk

Credit risk refers to the credit risk that Cathay Securities and its subsidiaries may encounter due to engagement in financial transactions which include the credit risks from issuers, counterparties, and underlying assets:

- i. Issuer credit risk refers to the risk of financial loss that Cathay Securities and its subsidiaries may incur as a result of issuers, guarantors or banks not fulfilling their payment obligations due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk of financial loss that Cathay Securities and its subsidiaries may incur when a counterparty does not fulfill its settlement or payment obligations on the designated date.
- iii. Underlying asset credit risk refers to the risk of loss that Cathay Securities and its subsidiaries may encounter when the credit quality of the target financial instrument turns weak, credit charges increase, credit rating reduces or when the terms of the contracts are violated.

Financial assets that expose Cathay Securities and its subsidiaries to credit risk include bank accounts, debt securities, trading of over-the-counter derivatives, repurchase and resale of debts, trading from the securities lending, refundable deposits, futures deposits in banks, other refundable deposits and accounts receivable etc.



- b) Determinants for whether the credit risk has increased significantly since initial recognition
- i. Cathay Securities and its subsidiaries assess, at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, Cathay Securities and its subsidiaries consider reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.
  - ii. Low credit risk: If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.

c) Definitions of a default occurring on a financial asset and a credit-impaired financial asset

The definition of a default occurring on financial assets of Cathay Securities and its subsidiaries is the same as that of a credit-impaired financial asset. If one or more of the criteria below are met, a default occurs and a financial asset is credit-impaired:

- i. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
  - i) The issuers, guarantee institutions or counterparties have entered bankruptcy or are probable to close, undergo financial reorganization, file bankruptcy, dissolve or have a significant impact on the entity's ability to continue.
  - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
- ii. The abovementioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by Cathay Securities and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to the related impairment assessment model.

d) Measurement of expected credit losses

i. Methods and assumptions adopted

For financial instruments on which the credit risk has not increased significantly since initial recognition, Cathay Securities and its subsidiaries measure loss allowance for financial instruments at an amount equal to 12-month expected credit losses; for financial instruments on which the credit risk has increased significantly since initial recognition or are credit-impaired, Cathay Securities and its subsidiaries measure the loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, Cathay Securities and its subsidiaries multiply exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. Cathay Securities and its subsidiaries also consider the effect of the time value of money when calculating the 12-month expected credit losses and the lifetime expected credit losses.

Probability of default is the rate that an issuer, guarantee agency and a borrower defaults. Loss given default is the loss rate that results from the default of issuers, guarantee agencies and borrowers. Loss given default used by Cathay Securities and its subsidiaries in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (i.e., gross domestic product and economic growth rate) after adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

Cathay Securities and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets.

e) Loss allowance of accounts receivable

The movements of the loss allowance of accounts receivable were as follows:

	Debt Instrument Investments	Receivables	Other Receivables	Overdue Receivables	Securities Financing Receivables	Security Lending Receivables	Futures Trading Margin Receivables	Total
Balance at								
January 1, 2022	\$ 342	\$ 378	\$ 18	\$ 3,747	\$ 646	\$ 81	\$ 74	\$ 5,286
Increase (decrease)	<u>225</u>	<u>22</u>	<u>4</u>	<u>266</u>	<u>(252)</u>	<u>8</u>	<u>-</u>	<u>273</u>
Balance at								
March 31, 2022	<u>\$ 567</u>	<u>\$ 400</u>	<u>\$ 22</u>	<u>\$ 4,013</u>	<u>\$ 394</u>	<u>\$ 89</u>	<u>\$ 74</u>	<u>\$ 5,559</u>
Balance at								
January 1, 2021	\$ 1,932	\$ 270	\$ 26	\$ 92,222	\$ 305	\$ 28	\$ 74	\$ 94,857
(Decrease) increase	<u>(527)</u>	<u>112</u>	<u>(14)</u>	<u>(290)</u>	<u>94</u>	<u>22</u>	<u>-</u>	<u>(603)</u>
Balance at								
March 31, 2021	<u>\$ 1,405</u>	<u>\$ 382</u>	<u>\$ 12</u>	<u>\$ 91,932</u>	<u>\$ 399</u>	<u>\$ 50</u>	<u>\$ 74</u>	<u>\$ 94,254</u>

4) Capital liquidity risk analysis:

Bank loans are important liquidity resource for Cathay Securities and its subsidiaries. As of March 31, 2022, December 31, 2021 and March 31, 2021, the unused credits of short-term bank loans of Cathay Securities and its subsidiaries amounted to \$7,317,285 thousand, \$8,918,105 thousand and \$8,685,428 thousand, respectively.

a) Cash flow analysis

Capital liquidity risk is the risk that Cathay Securities and its subsidiaries are unable to acquire sufficient capital at a reasonable cost within a reasonable time frame and which results in a cash flow gap, or the risk that Cathay Securities and its subsidiaries sell assets at a loss to meet the cash flow requirements.

March 31, 2022

Cash Flows Analysis of Financial Liabilities

	Payment Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial liabilities</u>					
Short-term borrowings	\$ 1,822,066	\$ -	\$ -	\$ -	\$ 1,822,066
Commercial paper payable	4,838,800	-	-	-	4,838,800
Financial liabilities at FVTPL	3,630,480	-	-	-	3,630,480
Liabilities for bonds with repurchase agreements	3,298,926	-	-	-	3,298,926
Short sale margins and payables for short sale collateral received	93,264	186,528	279,792	1,119,160	1,678,744
Securities lending margin - deposit received	1,705	3,410	5,115	20,467	30,697
Futures trader's equity	11,557,518	-	-	-	11,557,518
Accounts payable	21,559,683	210,081	1,239	880,996	22,651,999
Other financial liabilities	93,090	-	-	-	93,090
Lease liabilities	7,091	14,204	21,362	42,829	85,486
Others	403,922	-	-	-	403,922
Total	<u>\$ 47,306,545</u>	<u>\$ 414,223</u>	<u>\$ 307,508</u>	<u>\$ 2,063,452</u>	<u>\$ 50,091,728</u>
% to the total	<u>94.44%</u>	<u>0.83%</u>	<u>0.61%</u>	<u>4.12%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

March 31, 2022

Cash Flow Gap

	Fund Receipt Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial assets</u>					
Cash and cash equivalents	\$ 3,224,262	\$ -	\$ -	\$ -	\$ 3,224,262
Financial assets at FVTPL					
Securities Lending	3,013	-	-	-	3,013
Operation securities	3,347,678	-	-	-	3,347,678
Open-end funds and beneficiary certificates	75,171	-	-	-	75,171
Futures trading margin	490,462	-	-	-	490,462
Derivative Assets- Counter	932	-	-	-	932
Financial assets at FVTOCI - current	2,875,715	-	-	-	2,875,715
Securities financing receivables	582,282	1,152,726	1,729,089	6,916,359	10,380,456
Refinancing margin and refinancing deposits receivable	316	632	948	3,789	5,685
Security lending receivable	147,683	295,366	443,047	-	886,096
Customer's margin accounts	11,565,999	-	-	-	11,565,999
Security lending deposits price and security lending margin deposits paid	174,403	348,806	523,209	2,092,839	3,139,257
Receivables	21,253,708	-	-	16,501	21,270,209
Others	1,098,037	-	-	2,300,000	3,398,037
	<u>44,839,661</u>	<u>1,797,530</u>	<u>2,696,293</u>	<u>11,329,488</u>	<u>60,662,972</u>
Residual cash	<u>\$ (2,466,884)</u>	<u>\$ 1,383,307</u>	<u>\$ 2,388,785</u>	<u>\$ 9,266,036</u>	<u>\$ 10,571,244</u>

December 31, 2021

Cash Flows Analysis of Financial Liabilities

	Payment Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial liabilities</u>					
Short-term borrowings	\$ 1,670,185	\$ -	\$ -	\$ -	\$ 1,670,185
Commercial paper payable	4,959,166	-	-	-	4,959,166
Financial liabilities at FVTPL	1,613,814	-	-	-	1,613,814
Liabilities for bonds with repurchase agreements	2,666,221	-	-	-	2,666,221
Short sale margins and payables for short sale collateral received	162,394	324,788	487,182	1,948,735	2,923,099
Securities lending margin - deposit received	339	678	1,017	4,061	6,095
Futures trader's equity	10,909,517	-	-	-	10,909,517
Accounts payable	19,716,152	-	241,094	498,732	20,455,978
Other financial liabilities	101,229	-	-	-	101,229
Lease liabilities	6,455	12,929	19,034	38,323	76,741
Others	11,200,936	-	-	-	11,200,936
Total	<u>\$ 53,006,408</u>	<u>\$ 338,395</u>	<u>\$ 748,327</u>	<u>\$ 2,489,851</u>	<u>\$ 56,582,981</u>
% to the total	<u>93.68%</u>	<u>0.60%</u>	<u>1.32%</u>	<u>4.40%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

December 31, 2021

Cash Flow Gap

	Fund Receipt Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial assets</u>					
Cash and cash equivalents	\$ 4,711,990	\$ -	\$ -	\$ -	\$ 4,711,990
Financial assets at FVTPL					
Operation securities	3,702,238	-	-	-	3,702,238
Open-end funds and beneficiary certificates	50,146	-	-	-	50,146
Futures trading margin	205,263	-	-	-	205,263
Derivative Assets- Counter	303	-	-	-	303
Financial assets at FVTOCI - current	2,654,273	-	-	-	2,654,273
Securities financing receivables	606,280	1,199,506	1,799,259	7,197,032	10,802,077
Refinancing margin and refinancing deposits receivable	1,933	3,866	5,799	23,187	34,785
Security lending receivable	136,191	272,382	408,574	-	817,147
Customer's margin accounts	10,914,357	-	-	-	10,914,357
Security lending deposits price and security lending margin deposits paid	66,704	133,408	200,112	800,452	1,200,676
Receivables	18,262,075	-	-	12,035	18,274,110
Others	11,915,461	265	397	1,600,000	13,516,123
	<u>53,227,214</u>	<u>1,609,427</u>	<u>2,414,141</u>	<u>9,632,706</u>	<u>66,883,488</u>
Residual cash	<u>\$ 220,806</u>	<u>\$ 1,271,032</u>	<u>\$ 1,665,814</u>	<u>\$ 7,142,855</u>	<u>\$ 10,300,507</u>

March 31, 2021

Cash Flows Analysis of Financial Liabilities

	Payment Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial liabilities</u>					
Short-term borrowings	\$ 819,855	\$ -	\$ -	\$ -	\$ 819,855
Commercial paper payable	4,339,669	-	-	-	4,339,669
Financial liabilities at FVTPL	7,292,974	-	-	-	7,292,974
Liabilities for bonds with repurchase agreements	2,617,066	-	-	-	2,617,066
Short sale margins and payables for short sale collateral received	34,375	68,750	103,125	412,495	618,745
Securities lending margin - deposit received	7,214	14,428	21,642	86,571	129,855
Futures trader's equity	13,065,197	-	-	-	13,065,197
Equity for each customer in the account	4,544	-	-	-	4,544
Accounts payable	19,971,173	214,271	8,458	682,471	20,876,373
Other financial liabilities	264,903	-	-	-	264,903
Lease liabilities	7,409	13,749	15,538	12,640	49,336
Others	116,709	-	-	-	116,709
Total	<u>\$ 48,541,088</u>	<u>\$ 311,198</u>	<u>\$ 148,763</u>	<u>\$ 1,194,177</u>	<u>\$ 50,195,226</u>
% to the total	<u>96.70%</u>	<u>0.62%</u>	<u>0.30%</u>	<u>2.38%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

March 31, 2021

Cash Flow Gap

	Fund Receipt Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial assets</u>					
Cash and cash equivalents	\$ 3,769,330	\$ -	\$ -	\$ -	\$ 3,769,330
Financial assets at FVTPL					
Operation securities	9,230,880	-	-	-	9,230,880
Open-end funds and beneficiary certificates	50,099	-	-	-	50,099
Call option-futures	30,862	-	-	-	30,862
Futures trading margin	663,520	-	-	-	663,520
Derivative Assets- Counter	1,001	-	-	-	1,001
Financial assets at FVTOCI - current	2,512,177	-	-	-	2,512,177
Securities financing receivables	394,425	774,396	1,161,594	4,646,377	6,976,792
Refinancing margin and refinancing deposits receivable	1,293	2,586	3,879	15,508	23,266
Security lending receivable	83,433	166,866	250,301	-	500,600
Customer's margin accounts	13,075,783	-	-	-	13,075,783
Security lending deposits price and security lending margin deposits paid	156,135	312,270	468,405	1,873,621	2,810,431
Receivables	18,281,550	-	-	15,973	18,297,523
Others	694,471	-	-	1,200,000	1,894,471
	<u>48,944,959</u>	<u>1,256,118</u>	<u>1,884,179</u>	<u>7,751,479</u>	<u>59,836,735</u>
Residual cash	<u>\$ 403,871</u>	<u>\$ 944,920</u>	<u>\$ 1,735,416</u>	<u>\$ 6,557,302</u>	<u>\$ 9,641,509</u>

b) Capital liquidity risk stress testing

Cathay Securities and its subsidiaries perform stress testing regularly to measure and evaluate the changes of capital liquidity under extreme and abnormal events to ensure that Cathay Securities and its subsidiaries maintain capital liquidity. Stress scenarios include significant fluctuations in the financial markets, the occurrence of various credit events, the unexpected tightening of capital liquidity in the financial markets and other assumptions that may cause financial liquidity stress, and are used to measure Cathay Securities and its subsidiaries' abilities to meet the demand for cash and the changes in cash flow gap.

If the cash flow gap arises under the specific stress scenario, the following procedures are performed to prevent the occurrence of the stress events:

- i. Cathay Securities and its subsidiaries make fund raising and balance sheet adjustments in accordance with the Crisis Management Principles and Regulations of Emergency Management.
- ii. Financing: (i) short-term loan credit line (ii) collateralized time deposits (iii) issuance of commercial paper
- iii. Balance sheet adjustments: (i) sale of securities (ii) recovery of short-term capital invested in the currency market.

i. Structured entities

1) Consolidated structured entities

The consolidated structured entities in Cathay Life and its subsidiaries' consolidated financial statements are the real estate investments and management organizations. As of March 31, 2022, December 31, 2021 and March 31, 2021, Cathay Life and its subsidiaries provided loans amounting to GBP331,300, GBP331,300 and GBP345,000 thousand as financial support to the entities for operation and investment needs, respectively.

2) Unconsolidated structured entities

Cathay Life and its subsidiaries

- a) Cathay Life and its subsidiaries hold interests in structured entities which are not consolidated in Cathay Life and its subsidiaries' consolidated financial statements and Cathay Life and its subsidiaries do not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by Cathay Life and its subsidiaries. The information of these unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Private equity fund	Investment in private equity funds issued by external third parties to receive returns	Investment in units or limited partnership interests issued by the funds
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entities

- b) As of March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amounts of Cathay Life and its subsidiaries' assets related to its interests in unconsolidated structured entities are disclosed as follows:

	<u>March 31, 2022</u>	
	<u>Private Equity Funds</u>	<u>Asset-backed Securities</u>
Financial assets at FVTPL	\$ 193,845,593	\$ 35,220,922
Financial assets at FVTOCI	-	46,846,541
Debt instruments at amortized cost	-	115,641,334
	<u>\$ 193,845,593</u>	<u>\$ 197,708,797</u>

	<b>December 31, 2021</b>	
	<b>Private Equity Funds</b>	<b>Asset-backed Securities</b>
Financial assets at FVTPL	\$ 185,461,478	\$ 34,862,085
Financial assets at FVTOCI	-	41,608,066
Debt instruments at amortized cost	<u>-</u>	<u>107,111,263</u>
	<u>\$ 185,461,478</u>	<u>\$ 183,581,414</u>

	<b>March 31, 2021</b>	
	<b>Private Equity Funds</b>	<b>Asset-backed Securities</b>
Financial assets at FVTPL	\$ 129,739,994	\$ 37,290,980
Financial assets at FVTOCI	-	60,915,149
Debt instruments at amortized cost	<u>-</u>	<u>117,789,091</u>
	<u>\$ 129,739,994</u>	<u>\$ 215,995,220</u>

Cathay United Bank and its subsidiaries

- a) Cathay United Bank and its subsidiaries do not provide financial support or other support to the unconsolidated structured entities. Cathay United Bank and its subsidiaries' maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets Cathay United Bank and its subsidiaries recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entity

- b) As of March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amounts of assets recognized by Cathay United Bank and its subsidiaries relating to its interests in unconsolidated structured entities are disclosed as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Financial assets at FVTOCI	\$ 8,770,563	\$ 10,163,330	\$ 7,073,191
Debt instruments at amortized cost	<u>47,059,977</u>	<u>40,400,178</u>	<u>47,633,069</u>
	<u>\$ 55,830,540</u>	<u>\$ 50,563,508</u>	<u>\$ 54,706,260</u>

### Cathay Century and its subsidiaries

- a) Cathay Century and its subsidiaries do not provide financial support or other support to the unconsolidated structured entities. Cathay Century and its subsidiaries' maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets recognized by Cathay Century and its subsidiaries. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entity

- b) As of March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amounts of assets recognized by Cathay Century and its subsidiaries relating to its interests in unconsolidated structured entities are disclosed as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Financial assets at FVTPL	\$ 386,060	\$ 254,142	\$ 201,419
Debt instruments at amortized cost	<u>318,007</u>	<u>318,445</u>	<u>428,217</u>
	<u>\$ 704,067</u>	<u>\$ 572,587</u>	<u>\$ 629,636</u>

### **37. CAPITAL MANAGEMENT**

The Group's capital adequacy ratios meet the statutory requirements currently. Under the pretext that the Group meets the statutory capital adequacy requirements, dynamic capital management mechanism is utilized to increase the capital efficiency of the subsidiaries. After reallocation of capital, the subsidiaries' capabilities of risk-taking are not affected due to lower level of retained core capital. Accordingly, the Company conducts overall planning based on the status of the subsidiaries' capital in order to improve the capital efficiency of the Group.

### **38. OTHERS**

- a. Impact of COVID-19

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



b. Significant assets and liabilities denominated in foreign currencies

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

	<b>March 31, 2022</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 162,307,290	28.6220	\$ 4,645,559,254
CNY	27,954,453	4.5069	125,987,924
AUD	7,967,712	21.4207	170,673,968
Non-monetary items			
USD	13,811,157	28.6220	395,302,936
<u>Financial liabilities</u>			
Monetary items			
USD	22,178,530	28.6220	634,793,886
	<b>December 31, 2021</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 155,093,655	27.6900	\$ 4,294,543,307
CNY	35,065,355	4.3467	152,418,579
AUD	7,090,617	20.0919	142,463,968
Non-monetary items			
USD	13,627,933	27.6900	377,357,465
<u>Financial liabilities</u>			
Monetary items			
USD	20,243,778	27.6900	560,550,213
	<b>March 31, 2021</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 143,159,109	28.5310	\$ 4,084,472,539
CNY	42,459,615	4.3435	184,423,338
AUD	6,468,398	21.7121	140,442,504
Non-monetary items			
USD	12,129,396	28.5310	346,063,797
<u>Financial liabilities</u>			
Monetary items			
USD	18,336,097	28.5310	523,147,184

It is not possible to disclose foreign exchange gains (losses) of monetary financial instruments by each significant foreign currency due to the variety of the foreign currencies of the Group. The foreign currency exchange gains for the three months ended March 31, 2022 and 2021 were \$95,116,680 thousand and \$1,379,781 thousand, respectively.

c. Information on discretionary investments

1) Cathay Life and its subsidiaries

- a) As of March 31, 2022, December 31, 2021 and March 31, 2021, Cathay Life entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Domestic shares	\$ 164,606,536	\$ 194,785,199	\$ 185,743,153
Overseas shares	58,863,778	63,875,230	81,118,382
Notes and bonds purchased under resale agreements	13,153,000	22,665,650	17,242,000
Cash in banks	51,597,862	61,954,809	34,985,287
Beneficiary certificates	883,311	240,069	1,388,036
Futures and options	<u>216,826</u>	<u>216,823</u>	<u>216,805</u>
	<u>\$ 289,321,313</u>	<u>\$ 343,737,780</u>	<u>\$ 320,693,663</u>

The carrying amounts of the financial assets held under discretionary securities investment trust enterprises are equal to their fair values.

- b) As of March 31, 2022, December 31, 2021 and March 31, 2021, the discretionary investments limits are as follows (in thousands):

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
NTD	\$ 54,779,839	\$ 99,779,839	\$ 100,979,839
USD	743,300	1,002,600	1,229,100
HKD	-	2,084	19,484

2) Cathay Century and its subsidiaries

- a) Cathay Century enters into contracts with securities investment trust companies or consulting companies for discretionary investment management. The investment details are disclosed as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Domestic shares	\$ 1,620,701	\$ 2,303,141	\$ 1,913,022
Notes and bonds purchased under resale agreements	-	-	100,009
Cash in banks	1,024,664	488,817	485,575
Future margins	<u>2,012</u>	<u>2,012</u>	<u>2,012</u>
	<u>\$ 2,647,377</u>	<u>\$ 2,793,970</u>	<u>\$ 2,500,618</u>

The fair values of Cathay Century and its subsidiaries' financial assets of discretionary account management contracts are as same as their carrying amounts.

- b) As of March 31, 2022, December 31, 2021 and March 31, 2021, Cathay Century and its subsidiaries entered into discretionary management contracts with investment limits of \$1,200,000 thousand.

d. Disclosure information as required by Article 16 of Regulations Governing the Preparation of Financial Reports by Public Banks

1) Asset quality - loans

(In Thousands of New Taiwan Dollars, %)

Period		March 31, 2022					March 31, 2021				
Item		Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 117,680	\$ 320,833,879	0.04%	\$ 1,693,362	1438.95%	\$ 850,761	\$ 282,938,888	0.30%	\$ 2,712,731	318.86%
	Unsecured	254,034	318,278,506	0.08%	8,534,663	3359.66%	1,098,862	323,951,049	0.34%	7,640,041	695.27%
Consumer banking	Housing mortgage (Note 4)	219,417	482,123,635	0.05%	7,480,745	3409.37%	270,557	466,443,835	0.06%	7,323,172	2706.71%
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	231,867	123,396,617	0.19%	4,138,808	1784.99%	243,367	103,653,337	0.23%	3,998,063	1642.81%
	Other (Note 6)	Secured	609,733	552,593,210	0.11%	6,558,343	1075.61%	748,238	500,322,955	0.15%	5,590,870
Unsecured		44,826	21,930,464	0.20%	315,058	702.85%	20,952	23,223,646	0.09%	318,243	1518.93%
Loan		1,477,557	1,819,156,311	0.08%	28,720,979	1943.82%	3,232,737	1,700,533,710	0.19%	27,583,120	853.24%
		Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio
Credit cards		\$ 71,018	\$ 74,772,279	0.09%	\$ 2,067,750	2911.58%	\$ 114,916	\$ 75,555,882	0.15%	\$ 1,965,483	1710.37%
Accounts receivable factored without recourse (Note 7)		-	4,811,921	-	74,905	-	-	4,530,549	-	109,607	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.”

Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.

Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for credit losses for loans ÷ Nonperforming loans.

Coverage ratio of credit card receivables: Allowance for credit losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, and small-scale credit loans, excluding credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Not reported as nonperforming loans or nonperforming receivables

Type	Items	March 31, 2022		March 31, 2021	
		Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
	Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$ 885	\$ 32,077	\$ 1,299	\$ 46,047
	Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	107,695	1,152,839	74,416	1,193,857
	Total	\$ 108,580	\$ 1,184,916	\$ 75,715	\$ 1,239,904

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 and September 20, 2016 (Ref. No. 09700318940 and No. 10500134790).

## 2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

March 31, 2022			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - real estate development activities	\$ 28,954,800	11.75
2	Group B - packaging and testing of semi-conductors	13,755,856	5.58
3	Group C - other financial service activities not elsewhere classified	11,648,878	4.73
4	Group D - real estate activities for sale and rental with own or leased property	6,310,000	2.56
5	Group E - real estate development activities	6,306,300	2.56
6	Group F - wired televisions activities	6,285,290	2.55
7	Group G - other financial service activities not elsewhere classified	5,030,268	2.04
8	Group H - iron and steel smelting activities	4,920,592	2.00
9	Group I - real estate development activities	4,631,257	1.88
10	Group J - management consultancy activities	4,616,805	1.87

March 31, 2021			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - real estate development activities	\$ 31,096,376	12.52
2	Group B - packaging and testing of semi-conductors	8,101,221	3.26
3	Group C - other financial intermediation	7,287,904	2.93
4	Group D - ocean transportation	6,971,509	2.81
5	Group E - wired televisions activities	6,658,811	2.68
6	Group F - real estate activities for sale and rental with own or leased property	6,200,000	2.50
7	Group G - real estate development activities	5,708,000	2.30
8	Group H - iron and steel smelting activities	5,616,188	2.26
9	Group I - manufacture of computers	4,864,536	1.96
10	Group J - other	4,275,876	1.72

## 3) Market risk

Interest Rate Sensitivity (New Taiwan Dollar)  
March 31, 2022

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,158,244,449	\$ 97,920,622	\$ 132,454,444	\$ 148,942,274	\$ 2,537,561,789
Interest rate-sensitive liabilities	177,658,610	1,794,607,784	252,962,605	74,925,322	2,300,154,321
Interest rate-sensitive gap	1,980,585,839	(1,696,687,162)	(120,508,161)	74,016,952	237,407,468
Net worth					246,364,933
Ratio of interest rate-sensitive assets to liabilities					110.32%
Ratio of interest rate sensitivity gap to net worth					96.36%

March 31, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,021,245,359	\$ 85,564,982	\$ 71,695,747	\$ 136,279,581	\$ 2,314,785,669
Interest rate-sensitive liabilities	165,239,002	1,597,858,368	248,600,409	82,815,351	2,094,513,130
Interest rate-sensitive gap	1,856,006,357	(1,512,293,386)	(176,904,662)	53,464,230	220,272,539
Net worth					248,453,145
Ratio of interest rate-sensitive assets to liabilities					110.52%
Ratio of interest rate sensitivity gap to net worth					88.66%

Note 1: The above amounts included only New Taiwan dollar amounts held by Cathay United Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity (U.S. Dollars)  
March 31, 2022

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 9,773,097	\$ 2,335,035	\$ 945,708	\$ 7,537,419	\$ 20,591,259
Interest rate-sensitive liabilities	12,890,768	4,538,912	4,586,849	4,910,776	26,927,305
Interest rate-sensitive gap	(3,117,671)	(2,203,877)	(3,641,141)	2,626,643	(6,336,046)
Net worth					8,607,537
Ratio of interest rate-sensitive assets to liabilities					76.47%
Ratio of interest rate sensitivity gap to net worth					(73.61%)

March 31, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 9,469,138	\$ 1,178,816	\$ 835,570	\$ 6,681,580	\$ 18,165,104
Interest rate-sensitive liabilities	11,683,369	3,530,614	4,067,424	4,645,484	23,926,891
Interest rate-sensitive gap	(2,214,231)	(2,351,798)	(3,231,854)	2,036,096	(5,761,787)
Net worth					8,708,182
Ratio of interest rate-sensitive assets to liabilities					75.92%
Ratio of interest rate sensitivity gap to net worth					(66.17%)

Note 1: The above amounts included only U.S. dollar amounts held by Cathay United Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars).

4) Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities (New Taiwan Dollar)**  
**March 31, 2022**

(In Thousands of New Taiwan Dollar)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,261,526,076	\$ 461,028,508	\$ 394,241,105	\$ 274,887,964	\$ 346,468,848	\$ 453,943,099	\$ 1,330,956,552
Main capital outflow on maturity	3,892,374,411	192,526,983	251,949,214	460,577,497	594,476,398	778,354,913	1,614,489,406
Gap	(630,848,335)	268,501,525	142,291,891	(185,689,533)	(248,007,550)	(324,411,814)	(283,532,854)

March 31, 2021

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,002,883,138	\$ 448,022,470	\$ 395,964,408	\$ 295,235,700	\$ 294,647,186	\$ 337,395,881	\$ 1,231,617,493
Main capital outflow on maturity	3,601,858,702	156,682,800	234,366,579	474,769,747	609,198,970	705,138,602	1,421,702,004
Gap	(598,975,564)	291,339,670	161,597,829	(179,534,047)	(314,551,784)	(367,742,721)	(190,084,511)

Note: The above amounts included only New Taiwan dollar amounts held by Cathay United Bank (excluding foreign currency).

**Maturity Analysis of Assets and Liabilities (U.S. Dollars)**  
**March 31, 2022**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 76,297,513	\$ 24,480,044	\$ 15,956,583	\$ 11,842,962	\$ 13,073,090	\$ 10,944,834
Main capital outflow on maturity	80,211,971	23,360,232	16,927,639	13,195,110	17,988,425	8,740,565
Gap	(3,914,458)	1,119,812	(971,056)	(1,352,148)	(4,915,335)	2,204,269

March 31, 2021

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 70,525,762	\$ 25,267,998	\$ 15,569,243	\$ 10,554,154	\$ 8,795,908	\$ 10,338,459
Main capital outflow on maturity	75,248,948	24,543,627	18,395,741	11,235,936	12,517,951	8,555,693
Gap	(4,723,186)	724,371	(2,826,498)	(681,782)	(3,722,043)	1,782,766

Note: The above amounts included only U.S. dollar amounts held by Cathay United Bank.



### 39. SUPPLEMENTAL DISCLOSURES

a. Information about significant transactions:

Code	Description	Explanation
1	Accumulated purchases and sales balance of specific investee's marketable securities over \$300 million or 10% of the paid-in capital	None
2	Acquisition or disposal of individual real estate at prices over \$300 million or 10% of the paid-in capital	None
3	Discount on processing fee the transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by subsidiaries	Table 2
6	Related information of financial assets securitization or real estate securitization by subsidiaries	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None

b. Information on investees

Code	Description	Explanation
1	Information regarding investee companies and percentage of ownership	None
2	Acquisition and disposal of real estate at prices over \$300 million or 10% of the paid-in capital	Table 4
3	Discount on processing fee for transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by investees	None
6	Related information of financial assets securitization or real estate securitization by investees	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None
8	Financing provided to others	Note
9	Endorsements/guarantees provided	None
10	Marketable securities held as of March 31, 2022	Table 3 (Note)
11	Marketable securities acquired or disposed of at costs or prices over \$300 million or 10% of the paid-in capital	None
12	Derivative transactions	Note 7

Note: Disclosure is not required for subsidiaries belonging to the financial services, insurance and securities industries, and whose principal business activities include financing provided to others, endorsements/guarantees provided, and trading of marketable securities.

- c. Investments in mainland China: Name of companies, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in investees in the mainland China area are disclosed in Table 5.
- d. The significant intercompany transactions among the Group are disclosed in Note 28 and Table 6.
- e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7).

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$300 MILLION OR 10% OF THE PAID-IN CAPITAL**

**MARCH 31, 2022**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Cathay Financial Holding Co., Ltd.	Cathay Life Insurance Co., Ltd.	Subsidiary	\$ 381,674	Note 1	\$ -	-	\$ -	\$ -
	Cathay United Bank Co., Ltd.	Subsidiary	1,832,933	Note 2	-	-	-	-
	Cathay Century Insurance Co., Ltd.	Subsidiary	349,704	Note 2	-	-	-	-
	Cathay Securities Corporation	Subsidiary	488,520	Note 2	-	-	-	-
	Cathay Investment Trust Co. Ltd.	Subsidiary	379,528	Note 2	-	-	-	-
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	The Company	7,175,025	Note 2	-	-	-	-
Cathay United Bank Co., Ltd.	Cathay Life Insurance Co., Ltd.	Sibling Company	671,918	Note 3	-	-	-	-
Conning Holdings Limited	Cathay Life Insurance Co., Ltd.	Subsidiary	332,845	Note 4	-	-	-	-

Note 1: The ending balance is mainly comprised of interest receivable from subordinated bonds issued by Cathay Life Insurance Co., Ltd.

Note 2: The ending balance is mainly comprised of refundable tax under the integrated income tax system.

Note 3: The ending balance is mainly comprised of receivable for insurance commission.

Note 4: The ending balance is mainly comprised of service fee receivable.

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

**SALE OF NONPERFORMING LOANS  
FOR THE THREE MONTHS ENDED MARCH 31, 2022  
(In Thousands of New Taiwan Dollars)**

1. Summary statement:

<b>Trade Date</b>	<b>Counterparty</b>	<b>Loans Composition</b>	<b>Carrying Amount (Note)</b>	<b>Selling Price</b>	<b>Gain (or Loss) on Disposal</b>	<b>Terms</b>	<b>Relationship</b>
<u>Cathay United Bank</u> January 19, 2022	SC Lowy Financial (HK) Limited	Corporate loans	\$ 173,286	\$ 259,813	\$ 86,527	None	None

Note: The carrying amount is the amount of debt less the allowance for doubtful accounts.

2. Sale of nonperforming loans single batch amount over \$1 billion (excluding sales to related parties): None.

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

## MARKETABLE SECURITIES HELD

MARCH 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Cathay Venture Inc.	<u>Corporate bonds</u>							
	A2G CB	N/A	Financial assets at fair value through profit or loss	-	\$ 1,267	-	\$ 1,267	
	Yonggu I	"	"	342	32,319	-	32,319	
	Validus CB			-	12,510	-	12,510	
	<u>Beneficiary certificates</u>							
	Mega Diamond Money Market Fund	"	"	29,162	369,911	-	369,911	
	Taishin 1699 Money Market Fund	"	"	27,612	377,950	-	377,950	
	Cathay Taiwan Money Market Fund	"	"	24,644	309,669	-	309,669	
	<u>Shares</u>							
	Sino Greenery Consultancy Co. Ltd.	Investee accounted for using the equity method	Investments accounted for using the equity method	141	6,286	28.20	6,286	
	Tiantai II Optoelectronics Co., Ltd.	"	"	9,780	135,245	32.28	135,245	
	Tiantai Optoelectronics Co., Ltd.	"	"	10,125	139,228	33.64	139,228	
	Fulgent Sun International (Holding) Co., Ltd.	N/A	Financial assets at fair value through profit or loss	626	77,279	-	77,279	
	Hiroca Holdings Ltd.	"	"	439	24,194	-	24,194	
	Man Zai Industrial Co., Ltd.	"	"	334	6,079	-	6,079	
	Senhwa Biosciences, Inc.	"	"	635	49,784	-	49,784	
	Tanvex BioPharma, Inc.	"	"	1,250	69,250	-	69,250	
	Global Tek Fabrication Co., Ltd.	"	"	24	1,049	-	1,049	
	Shane Global Holdings Inc.	"	"	3,700	279,697	3.35	279,697	
	Brighton-Best International (Taiwan) Inc.	"	"	3,055	117,312	-	117,312	
	Nan Pao Resins Chemical Co., Ltd.	"	"	323	42,192	-	42,192	
	Ching Chan Optical Technology Co., Ltd.	"	"	430	15,050	1.20	15,050	
	Fusheng Precision Co., Ltd.	"	"	800	162,400	-	162,400	
Tot Biopharm Co., Ltd	"	"	6,909	80,329	1.15	80,329		
WW Holding Inc.	"	"	1,413	69,802	2.36	69,802		
Airmate (Cayman) International Co Limited	"	"	746	14,816	-	14,816		

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Digital Treasury Corporation, Samoa	N/A	Financial assets at fair value through profit or loss	1,478	\$ 51,878	4.36	\$ 51,878	
	Yonggu Group Inc.	"	"	34	2,047	-	2,047	
	Easywell Biomedicals Inc.	"	"	2,025	28,553	1.24	28,553	
	Ta Chen Stainless Pipe Co., Ltd.	"	"	1,471	72,080	-	72,080	
	Trusval Technology Co., Ltd.	"	"	320	27,904	-	27,904	
	Smartdisplayer Technology Co., Ltd.	"	"	1,000	27,270	4.01	27,270	
	Sincere Group	"	"	204	11,977	1.02	11,977	
	BioGend Therapeutics Co., Ltd.	"	"	2,000	49,700	1.94	49,700	
	Winway Technology Co., Ltd.	"	"	510	227,002	1.50	227,002	
	Tigerair Taiwan Co., Ltd.	"	"	1,434	28,178	-	28,178	
	Wendell Industrial Co., Ltd.	"	"	540	63,450	2.26	63,450	
	Evergreen Steel Corp.	"	"	1,500	92,550	-	92,550	
	Weblink International Inc.	"	"	1,638	70,352	2.01	70,352	
	EasyCard Investment Holdings Co., Ltd.	"	"	1,430	5,277	1.37	5,277	
	Lien-an Service Co., Ltd.	"	"	125	76	5.00	76	
	Koatech Technology Corp.	"	"	401	5,325	1.58	5,325	
	Mega Union Technology Incorporated.	"	"	3,562	151,650	9.90	151,650	
	Cathay Healthcare Management Co., Ltd.	"	"	8,250	97,845	15.00	97,845	
	Fashionguide Co., Ltd.	"	"	714	18,494	4.26	18,494	
	Sunmile Group Holding Co., Limited	"	"	528	-	1.85	-	
	NARUKO Beauty Essentials Limited	"	"	43,252	46,279	4.02	46,279	
	Shengzhuang Holdings	"	"	122	-	1.09	-	
	Bioengine Capital Inc.	"	"	18,576	126,131	3.16	126,131	
	Bravo Ideas Digital Co., Ltd.	"	"	3,386	13,644	6.03	13,644	
	Episonica Holding	"	"	2,708	63,113	11.67	63,113	
	Andros Pharmaceuticals Co., Ltd.	"	"	1,050	9,156	3.98	9,156	
	Transound Electronics Co., Ltd.	"	"	1,200	10,692	3.30	10,692	
	Hyper Crystal Inc.	"	"	2,000	-	13.80	-	
	Amaryllo International B.V.	"	"	1,000	4,370	5.00	4,370	
	Roaring Success Ltd.	"	"	317	18,927	-	18,927	
	Kuang Ming Shipping Corp.	"	"	39	-	-	-	
	Grandsys, Inc.	"	"	1,860	26,933	7.77	26,933	
	DTCO (Samoa)	"	"	325	771	2.94	771	
	Tennrich International Corp.	"	"	1,938	504	3.19	504	
	KKDAY	"	"	5,668	12,527	-	12,527	
	Smart Games Ltd.	"	"	164	-	1.35	-	
	PSS Co., Ltd.	"	"	330	15,728	-	15,728	
	Altek Semiconductor (Cayman) Co., Ltd.	"	"	800	34,176	2.00	34,176	
	Anywhere2Go	"	"	2	2,082	8.99	2,082	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Yikon Genomics	N/A	Financial assets at fair value through profit or loss	1,340	\$ 41,567	3.12	\$ 41,567	
	Rani Therapeutics, LLC	"	"	72	27,688	-	27,688	
	Mimetas B.V.	"	"	8	10,686	2.81	10,686	
	Xiongchuang (Samoa)	"	"	19	16,706	4.50	16,706	
	Acepodia Inc.	"	"	2,454	66,679	2.02	66,679	
	Greenway Environmental Technology Co., Ltd.	"	"	4,375	34,431	11.22	34,431	
	Emotibot Technology Limited	"	"	2,302	79,473	1.13	79,473	
	Pacific 8 Venture	"	"	-	155,591	15.00	155,591	
	Monk's hill Venture Fund	"	"	-	80,493	2.50	80,493	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	"	"	800	21,464	1.34	21,464	
	One Degree	"	"	350,926	38,602	2.02	38,602	
	Validus Investment Holdings	"	"	145	58,801	2.18	58,801	
	VIZIONFOCUS INC.	"	"	1,700	67,456	3.27	67,456	
	Finaxar Pte. Ltd.	"	"	87	21,998	4.72	21,998	
	aetherAI Holding Co., Ltd.	"	"	582	28,110	1.17	28,110	
	Intudo Venture II, LP	"	"	-	82,853	3.76	82,853	
	King Point Enterprise Co., Ltd.	"	"	1,000	18,430	2.53	18,430	
	Cowealth Medical Holding Co., Ltd.	"	"	3,750	307,872	1.26	307,872	
	INNOPACK VIETNAM CO., LTD.	"	"	1,350	-	9.00	-	
	Pharmosa Biopharma Inc.	"	"	4,700	89,958	4.80	89,958	
	Transcene Corp.	"	"	3,000	22,410	9.94	22,410	
	Cirocomm Technology Corporation	"	"	1,153	5,663	3.95	5,663	
	Ampak Technology Inc.	"	"	1,102	100,414	1.83	100,414	
	New Garden Co., Ltd.	"	"	5,000	43,650	10.00	43,650	
	TMY Technology Inc.	"	"	1,071	16,639	3.00	16,639	
	Great Giant Fiber Garment Co., Ltd.	"	"	353	48,517	-	48,517	
	Yuen Foong Yu Consumer Products Co., Ltd.	"	"	1,025	49,661	-	49,661	
	Handa Pharmaceuticals, Inc.	"	"	1,396	9,606	1.14	9,606	
	Taiwan Aerospace Corp.	"	"	1	14	-	14	
	CDIB BioScience Ventures I, Inc.	"	"	-	1	-	1	
	Winking Entertainment Co., Ltd.	"	"	1,426	85,637	9.08	85,637	
	Mycenax Biotech Inc.,	"	"	720	29,160	-	29,160	
	INNOPHARMAX INC.	"	"	302	4,448	-	4,448	
	Palm Drive Capital III, LP (Cayman)	"	"	-	27,279	2.00	27,279	
	KEE Fresh & Safe Foodtech Co., Ltd.	"	"	950	27,351	2.85	27,351	
	VisEra Technologies Co., Ltd.	"	"	580	117,868	-	117,868	
	Eirgenix, Inc.	"	"	67	6,157	-	6,157	
	Formosa Pharmaceuticals, Inc.	"	"	1,250	42,663	1.26	42,663	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Phoenix Pioneer Technology Co., Ltd.	N/A	Financial assets at fair value through profit or loss	1,500	\$ 27,570	-	\$ 27,570	
	Pickupp Limited	"	"	395	55,820	1.93	55,820	
	Jia Wei Lifestyle, Inc.	"	"	986	72,767	1.23	72,767	
	Annji Pharmaceutical Co., Ltd.	"	"	1,210	29,887	1.84	29,887	
	Securitag Assembly Group Co., Ltd.	"	"	150	11,670	-	11,670	
	Morrison Opto-Electronics Ltd.	"	"	300	41,400	1.44	41,400	
	Evergreen Aviation Technologies Corporation	"	"	973	61,299	-	61,299	
	Intudo Venture III, LP	"	"	-	13,648	2.00	13,648	
	Morning Glow Holding	"	"	4,683	73,936	9.37	73,936	
	Graid Technology Inc. (USA)	"	"	682	33,312	2.67	33,312	
	Jih Sun International Leasing & Finance Co., Ltd.	"	"	1,500	46,500	-	46,500	
	Ammax Bio, Inc.	"	"	493	27,840	1.39	27,840	
	Shenghe Energy Co.	"	"	10,000	100,000	10.00	100,000	
Cathay Futures Co., Ltd.	<u>Beneficiary certificates</u> JKO Pion Money Market Fund	N/A	Financial assets at fair value through profit or loss	4,302	50,171	-	50,171	
	SinoPac Money Market Funds	"	"	1,779	25,000	-	25,000	
	<u>Shares</u> Taiwan Futures Exchange	N/A	Financial assets at fair value through other comprehensive income	6,403	1,285,964	1.52	1,285,964	
Conning Inc.	<u>Preferred stock</u> Centerprise Services Inc.	N/A	Financial assets at fair value through other comprehensive income	400	6,067	1.76	6,067	

(Concluded)

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

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
 FOR THE THREE MONTHS ENDED MARCH 31, 2022  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount (Note 1)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Cathay Life Insurance Co., Ltd.	Land located at Qingsheng Section, Zhongli Dist., Taoyuan City	2022.03.02	\$ 4,601,136	Payment by installment according to the contract	ROC. (Managed by Taiwan Railway Administration)	Non-related party	-	-	-	\$ -	Valuation report of appraisers	Real estate investment	None

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

Note 2: The term "event date" refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of boards of directors' resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.



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

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

Investee Company	Main Business and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2022	Remittance of Funds for the period		Accumulated Outward Remittance for Investments from Taiwan as of March 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of March 31, 2022	Accumulated Repatriation of Investment Income as of March 31, 2022
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	a	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ (57,089)	50.0	\$ (28,544) (Note 2,b,2)	\$ 6,819,072	\$ -
Cathay Century (China)	Property and casualty insurance	12,196,844	a	5,908,393	-	-	5,908,393	198,548	49.0	97,288 (Note 2,b,3)	4,957,506	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office equipment leasing company	7,223,435	a	7,223,435	-	-	7,223,435	31,832	100.0	28,220 (Note 2,b,2)	8,316,308	-
Cathay United Bank (China) Corporation Limited	Wholesale banking	14,377,562	a	14,377,562	-	-	14,377,562	73,821	100.0	73,821 (Note 2,b,2)	17,005,544	-
CDBS Cathay Asset Management Co., Ltd.	Fund management services	1,701,823	a	566,707	-	-	566,707	(24,976)	33.3	(8,317) (Note 2,b,2)	332,231	-
CDBS Cathay Asset Management Co., Ltd. (Beijing) (Note 4)	Assets management services	468,290	c	-	-	-	-	4,388	33.3	1,461 (Note 2,b,2)	177,102	-

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
\$ 34,824,675	\$ 34,824,675	\$ 513,420,115

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

- a. Direct investment in China.
- b. Reinvestment in China through companies located in a third region (please indicate the companies located in that third region)
- c. Others.

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

- a. It should be indicated if the entity was in the preparation stage without profit or loss on investment.
- b. It should be indicated if the basis of recognizing the profit or loss on investment are of the following 3 types:
  - 1) The financial statements are reviewed and certified by international accounting firms which have partnership with R.O.C. accounting firms.
  - 2) The financial statements are reviewed and certified by the parent company's auditors in Taiwan.
  - 3) Other basis.

Note 3: The related figure in the schedule should be expressed in New Taiwan dollars.

(Continued)

Note 4: CDBS Cathay Asset Management Co., Ltd. invested in CDBC Cathay Asset Management Co., Ltd. (Beijing) in the amount of CNY100 million in Mainland China.

Note 5: Information on investments in mainland China

- a. On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (“MOEAIC”) authorized Cathay Life to remit US\$22,850 thousand and US\$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US\$50,000 thousand to US\$48,330 thousand, approved by the MOEAIC on December 20, 2010. Also, MOEAIC authorized Cathay Life to remit US\$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized Cathay Life to remit US\$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US\$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US\$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life’s subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. Cathay Life has remitted US\$48,330 thousand to the subsidiary as of December 31, 2009. Cathay Life injected additional US\$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized Cathay Life to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of March 31, 2022, Cathay Life’s remittances to the subsidiary totaled approximately CNY900,000 thousand and US\$78,210 thousand.
- b. On October 17, 2007, MOEAIC authorized Cathay Life to remit US\$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized Cathay Life to increase the remittances from US\$26,390 thousand to US\$28,960 thousand. On August 15, 2008, MOEAIC further authorized Cathay Life to revise the remittance from US\$28,960 thousand to US\$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century Insurance in Shanghai has acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized Cathay Life to remit CNY245,000 thousand on December 6, 2018. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, Cathay Life’s board of directors resolved to suspend capital increase on January 26, 2022. On March 3, 2022, MOEAIC authorized Cathay Life to cancel CNY245,000 thousand which was authorized by MOEAIC on November 26, 2019. As of March 31, 2022, Cathay Life’s remittances to this general insurance company amounted to approximately CNY445,000 thousand and US\$28,140 thousand.
- c. On November 1, 2011 and April 11, 2012, MOEAIC authorized Cathay Life to remit CNY300,000 (US\$47,000) thousand and CNY500,000 (US\$80,000) thousand, respectively. A total of US\$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. Cathay Life’s subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. has acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized Cathay Life to remit CNY700,000 (US\$111,000) thousand to increase the share capital. As of March 31, 2022, Cathay Life’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately CNY1,500,000 thousand.
- d. On December 31, 2006, MOEAIC authorized Cathay Century to remit US\$28,960 thousand as the registered capital to establish an insurance subsidiary (in the form of a joint venture with Cathay Life) which was also approved by China Insurance Regulatory Commission on October 8, 2007. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century in Shanghai has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. On June 13, 2013 and March 18, 2014, a remittance of CNY100,000 thousand and CNY100,000 thousand as share capital were authorized by China Insurance Regulatory Commission. On November 23, 2018, according to No. 10700281680 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, Cathay Life’s board of directors resolved to suspend capital increase on January 26, 2022. On March 3, 2022, MOEAIC authorized Cathay Life to cancel CNY245,000 thousand which was authorized by MOEAIC on November 26, 2019. As of March 31, 2022, Cathay Century has remitted US\$97,292 thousand in total.
- e. MOEAIC approved Cathay United Bank to remit to China CNY400,000 (US\$60,070) thousand. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY400,000 (US\$59,770) thousand. The remaining amount of US\$300 thousand was repatriated by Shanghai Branch, Cathay United Bank on November 5, 2010. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC in January 18, 2011 and were approved on January 24, 2011. In addition, MOEAIC further approved Cathay United Bank to remit CNY600,000 (US\$95,020) thousand to China. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY600,000 (US\$94,930) thousand. The remaining amount of US\$90 thousand was repatriated by Cathay United Bank’s Shanghai Branch on February 1, 2012. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC on March 20, 2012 and were approved on March 26, 2012. MOEAIC approved Cathay United Bank’s Shanghai Branch to increase the working capital of CNY1,000,000 (US\$164,000) thousand on February 27, 2014 and was authorized by MOEAIC on July 10, 2014. MOEAIC agreed to the Bank to increase the working capital of the Qingdao branch by US\$98,200 (CNY600,000) thousand on January 21, 2014, and was authorized by MOEAIC on October 30, 2014. Cathay United Bank’s obtained approval from MOEAIC to increase the working capital of Shenzhen branch by US\$60,708 (CNY400,000) thousand on January 5, 2015, and was authorized by MOEAIC on December 22, 2016.
- f. The registered capital of Cathay United Bank (China) Co., Ltd. was CNY3 billion, whose working capital was transferred from Cathay United Bank (Shanghai), Cathay United Bank (Qingdao), Cathay United Bank (Shenzhen) upon obtaining approval from the authorities.
- g. On January 9, 2012, MOEAIC authorized Cathay Securities Investments Trust to remit CNY66,600 thousand as the registered capital to establish a China-based company named CDBS Cathay Asset Management (in the form of a joint venture with China Development Bank Securities). Cathay Securities Investment Trust held 33.3% number of shares. CDBS Cathay Asset Management’s capital is CNY200,000 thousand, and has acquired a business license of an enterprise legal person on August 16, 2013. On November 9, 2016, the board of Cathay Securities Investments Trust approved to increase investment in CDBS Cathay Asset Management accounted for using the equity method as percentage of original ownership amounted to CNY53,280 thousand. The proposal was authorized by the FSC and MOEAIC on May 16, 2017 and June 9, 2017, respectively, on September 29, 2017 increase capital and will be executed after obtaining approval by the China authorities. As of March 31, 2022, Cathay Securities Investment Trust remittances to CDBS Cathay Asset Management totaled approximately CNY119,880 thousand.

(Concluded)

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2022

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Financial Holdings	Cathay Life	a	Financial assets at fair value through profit or loss	\$ 35,000,000	Not significantly different with that of third parties	0.30
		Cathay Life	a	Receivables	381,674	"	-
		Cathay Life	a	Payable	7,175,025	"	0.06
		Cathay Life	a	Interest revenue	310,685	"	0.24
		Cathay United Bank	a	Receivables	1,832,933	"	0.02
		Cathay Century	a	Receivables	349,704	"	-
		Cathay Securities	a	Receivables	488,520	"	-
		Cathay Securities Investment Trust	a	Receivables	379,528	"	-
1	Cathay Life	Cathay United Bank	c	Guarantee deposits received	187,398	"	-
		Cathay United Bank	c	Cash and cash equivalents	38,568,504	"	0.33
		Cathay United Bank	c	Gain (loss) on investment property	154,829	"	0.12
		Cathay United Bank	c	Other operating expense	1,932,882	"	1.46
		Cathay United Bank	c	Payables	671,918	"	0.01
		Cathay United Bank	c	Service fee and commission fee	262,193	"	0.20
		Cathay United Bank	c	Loss on financial assets and liabilities at fair value through profit or loss	1,778,691	"	1.35
		Cathay United Bank	c	Financial liabilities at fair value through profit or loss	1,678,266	"	0.01
		Cathay Century	c	Net other non-interest gain	163,029	"	0.12
		Cathay Century	c	Other operating and administrative expenses	102,512	"	0.08
		Cathay Futures	c	Guarantee deposits paid	2,706,989	"	0.02
		Cathay Securities Investment Trust	c	Service fee and commission fee	115,054	"	0.09
		Cathay Walbrook Holding 1 Limited	c	Loans	11,825,957	"	0.10
		Cathay Walbrook Holding 2 Limited	c	Loans	629,740	"	0.01
		Conning holding limited	c	Payables	332,845	"	-
		Conning holding limited	c	Service fee and commission fee	326,114	"	0.25

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note b)	Transactions Details			% of Total Sales or Assets (Note 3)	
				Financial Statement Account	Amount	Payment Terms		
2	Cathay United Bank	Cathay Century	c	Deposits	\$ 3,021,477	Not significantly different with that of third parties	0.03	
		Cathay Securities	c	Deposits	3,929,416		"	0.03
		Cathay Securities Investment Trust	c	Deposits	468,803		"	-
		Cathay Futures	c	Deposits	552,113		"	-
		Cathay Futures	c	Guarantee deposits paid	1,042,569		"	0.01
		Lin Yuan	c	Deposits	1,511,675		"	0.01
		Cathay Industry Development Center	c	Deposits	552,964		"	-
		CUBC Bank	c	Interbank lending	372,086		"	-
		CUBC Bank	c	Interbank deposits	1,202,981		"	0.01
		CUBC Bank	c	Receivables	170,412		"	-
		CUBCN Bank	c	Interbank lending	7,661,135		"	0.07
		CUBCN Bank	c	Other financial assets	4,506,550		"	0.04
		CUBCN Bank	c	Receivables	148,275		"	-
3	Indovina Bank	Cathay Insurance (Vietnam)	c	Deposits	249,671	"	-	
		Cathay Life (Vietnam)	c	Deposits	1,887,542	"	0.02	
		Cathay Life (Vietnam)	c	Payable	114,263	"	-	
4	Cathay Securities	Cathay Futures	c	Financial assets at fair value through profit or loss	1,043,022	"	0.01	

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

Note 2: Categories of relationship:

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

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

For balance sheet accounts: Transaction amount ÷ Total consolidated assets

For income statement accounts: Accumulated transaction amount ÷ Total consolidated profit from operations.

Note 4: Disclosure of the important intercompany transactions above is decided by the Company based on the materiality principle.

(Concluded)

**TABLE 7****CATHAY FINANCIAL HOLDING CO., LTD.****INFORMATION ON MAJOR SHAREHOLDERS  
MARCH 31, 2022**

Names of Major Shareholders	Shares	
	Number of Shares held	Shareholding Percentage (%)
Wan Pao Development Co., Ltd.	2,309,617,689	15.70
Lin Yuan Investment Co., Ltd.	2,016,949,426	13.71

Note 1: Information on major shareholders in this table is regarding the shareholders who hold more than 5% of the Company's dematerialized ordinary shares and preference shares (including treasury shares) that have been registered and delivered, as calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The capital recorded in the Company's consolidated financial statements and the actual number of dematerialized shares that have been registered and delivered may differ due to the difference between the basis of preparation and calculation.

Note 2: If a shareholder holds its shares by trust, the information is individually presented in the above disclosures by the trustee who opened the trust account. As for the handling of insider shareholding declaration for shareholders holding more than 10% of the Company's shares in accordance with the Securities and Exchange Act, the number of shares held includes those held by trust in which the shareholder has the power to decide the allocation of trust assets. For more information regarding insider shareholding declaration, please refer to the Market Observation Post System website.