

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2023 and 2022 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, 2023 and 2022, 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 the Standards on Review Engagements of the Republic of China 2410 “Review of Interim 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, 2023 and 2022, 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 Shu-Wan Lin and Shiuh-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 11, 2023

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)

ASSETS	March 31, 2023 (Reviewed)		December 31, 2022 (Audited)		March 31, 2022 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 28)	\$ 424,399,997	3	\$ 412,013,900	3	\$ 305,927,286	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	367,448,806	3	266,322,216	2	262,487,522	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5, 7 and 28)	1,762,976,288	14	1,675,024,629	14	1,949,246,982	17
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 8, 28 and 29)	908,659,837	7	929,052,914	8	1,674,631,985	14
DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 9 and 29)	4,480,740,539	37	4,510,776,595	37	3,377,099,687	29
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 5)	103,678	-	29,891	-	251,542	-
NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS (Note 4)	30,714,619	-	38,076,491	-	66,660,351	-
RECEIVABLES, NET (Notes 4, 5, 10 and 28)	215,802,304	2	217,153,186	2	199,416,417	2
CURRENT TAX ASSETS	5,347,205	-	5,158,702	-	4,351,337	-
ASSETS HELD FOR SALE, NET	-	-	-	-	271,823	-
DISCOUNT AND LOANS, NET (Notes 4, 5, 11 and 28)	2,549,486,779	21	2,495,516,810	21	2,343,127,581	20
REINSURANCE CONTRACT ASSETS, NET	15,726,701	-	15,851,568	-	12,063,304	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 13 and 28)	33,134,382	-	32,883,301	-	32,868,933	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 23)	685,478,378	6	669,832,659	6	730,336,372	6
INVESTMENT PROPERTIES, NET (Notes 4, 5, 14, 28 and 29)	449,882,148	4	448,140,598	4	433,854,059	4
PROPERTY AND EQUIPMENT, NET (Notes 4 and 15)	108,840,710	1	108,550,891	1	98,209,962	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 28)	5,188,427	-	4,833,197	-	4,503,718	-
INTANGIBLE ASSETS, NET (Notes 4, 17 and 38)	51,059,230	-	51,636,617	-	51,451,553	-
DEFERRED TAX ASSETS (Notes 4 and 26)	75,117,517	1	89,895,981	1	70,558,482	1
OTHER ASSETS, NET (Notes 28 and 29)	<u>78,116,647</u>	<u>1</u>	<u>100,135,437</u>	<u>1</u>	<u>91,729,918</u>	<u>1</u>
TOTAL	<u>\$ 12,248,224,192</u>	<u>100</u>	<u>\$ 12,070,885,583</u>	<u>100</u>	<u>\$ 11,709,048,814</u>	<u>100</u>
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 150,581,874	1	\$ 97,309,239	1	\$ 112,784,410	1
DUE TO THE CENTRAL BANK AND BANKS	-	-	-	-	1,076,000	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 7)	128,793,295	1	182,999,244	2	145,169,174	1
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 5)	3,436,279	-	3,716,091	-	767,655	-
NOTES AND BONDS SOLD UNDER REPURCHASE AGREEMENTS (Note 4)	43,988,999	-	34,723,428	-	38,543,767	-
COMMERCIAL PAPER PAYABLE, NET (Note 18)	76,899,211	1	73,880,000	1	63,568,800	1
PAYABLES (Note 28)	75,657,769	1	73,787,470	1	75,034,091	1
CURRENT TAX LIABILITIES (Note 4)	5,741,041	-	4,484,328	-	7,520,698	-
DEPOSITS AND REMITTANCES (Notes 19 and 28)	3,236,475,625	27	3,185,436,089	26	2,936,089,265	25
BONDS PAYABLE (Note 20)	132,146,179	1	132,147,398	1	142,360,991	1
OTHER BORROWINGS	12,661,567	-	12,763,713	-	1,822,066	-
PROVISIONS (Notes 4, 21 and 22)	6,856,818,289	56	6,842,132,184	57	6,586,034,465	56
OTHER FINANCIAL LIABILITIES (Notes 4 and 23)	743,537,208	6	720,648,395	6	756,834,549	7
LEASE LIABILITIES (Notes 4, 16 and 28)	19,414,697	-	19,240,853	-	14,714,418	-
DEFERRED TAX LIABILITIES (Notes 4 and 26)	40,650,413	-	49,779,071	-	33,691,684	-
OTHER LIABILITIES (Note 28)	<u>25,574,584</u>	<u>-</u>	<u>26,130,045</u>	<u>-</u>	<u>26,157,745</u>	<u>-</u>
Total liabilities	<u>11,552,377,030</u>	<u>94</u>	<u>11,459,177,548</u>	<u>95</u>	<u>10,942,169,778</u>	<u>93</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 24)						
Share capital						
Ordinary shares	146,692,102	1	146,692,102	1	131,692,102	1
Preference shares	15,333,000	-	15,333,000	-	15,333,000	-
Capital surplus	215,335,184	2	215,318,047	2	177,124,151	2
Retained earnings						
Legal reserve	73,747,059	1	73,747,059	1	59,471,895	1
Special reserve	150,768,651	1	150,768,651	1	150,716,023	1
Unappropriated earnings	237,313,217	2	230,331,762	2	302,082,660	3
Other equity	<u>(156,777,802)</u>	<u>(1)</u>	<u>(233,350,281)</u>	<u>(2)</u>	<u>(81,692,906)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	<u>682,411,411</u>	<u>6</u>	<u>598,840,340</u>	<u>5</u>	<u>754,726,925</u>	<u>7</u>
NON-CONTROLLING INTERESTS (Notes 4 and 24)	<u>13,435,751</u>	<u>-</u>	<u>12,867,695</u>	<u>-</u>	<u>12,152,111</u>	<u>-</u>
Total equity	<u>695,847,162</u>	<u>6</u>	<u>611,708,035</u>	<u>5</u>	<u>766,879,036</u>	<u>7</u>
TOTAL	<u>\$ 12,248,224,192</u>	<u>100</u>	<u>\$ 12,070,885,583</u>	<u>100</u>	<u>\$ 11,709,048,814</u>	<u>100</u>

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2023		2022	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4 and 28)	\$ 71,970,065	105	\$ 53,264,586	40
INTEREST EXPENSE (Notes 4 and 28)	<u>(12,456,799)</u>	<u>(18)</u>	<u>(3,222,151)</u>	<u>(2)</u>
NET INTEREST INCOME	<u>59,513,266</u>	<u>87</u>	<u>50,042,435</u>	<u>38</u>
NET INCOME AND GAINS OTHER THAN INTEREST INCOME				
Net gain on service fee and commission fee (Notes 4, 23, 25 and 28)	4,197,423	6	4,263,140	3
Net income on insurance operations (Notes 4, 25 and 28)	(3,046,037)	(5)	29,739,356	22
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Notes 4 and 7)	78,860,483	115	(136,509,639)	(103)
Gain on investment properties (Notes 4, 14 and 28)	3,148,229	5	3,595,991	3
Realized gain on financial assets at fair value through other comprehensive income (Note 4)	133,931	-	2,845,474	2
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	2,027,063	3	8,901,483	7
Foreign exchange (loss) gain (Note 4)	(24,216,673)	(35)	95,116,680	72
Impairment loss on assets (Note 4)	(133,903)	-	(2,658,961)	(2)
Share of profit of associates and joint ventures accounted for using the equity method (Notes 4 and 13)	684,549	1	427,622	-
(Loss) gain on reclassification using the overlay approach (Notes 4 and 7)	(60,499,654)	(88)	87,508,363	66
Net other non-interest gain (loss) (Note 28)	<u>7,741,570</u>	<u>11</u>	<u>(11,195,062)</u>	<u>(8)</u>
PROFIT FROM OPERATIONS	<u>68,410,247</u>	<u>100</u>	<u>132,076,882</u>	<u>100</u>
NET CHANGES IN INSURANCE LIABILITY RESERVE (Notes 21 and 25)	<u>(38,219,189)</u>	<u>(56)</u>	<u>(71,020,633)</u>	<u>(54)</u>
REVERSAL(PROVISION) FOR BAD DEBT, COMMITMENTS AND GUARANTEE RESERVE	<u>346,238</u>	<u>-</u>	<u>(47,565)</u>	<u>-</u>
OPERATING EXPENSES (Notes 25 and 28)				
Employee benefit expenses	(14,620,047)	(21)	(14,085,022)	(11)
Depreciation and amortization expenses	(2,104,686)	(3)	(1,786,561)	(1)
Other general and administrative expenses	<u>(6,575,139)</u>	<u>(10)</u>	<u>(5,328,668)</u>	<u>(4)</u>
Total operating expenses	<u>(23,299,872)</u>	<u>(34)</u>	<u>(21,200,251)</u>	<u>(16)</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			
	2023		2022	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 7,237,424	10	\$ 39,808,433	30
INCOME TAX EXPENSE (Notes 4 and 26)	(64,040)	-	(5,433,150)	(4)
NET INCOME	7,173,384	10	34,375,283	26
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(2,723)	-	(826)	-
Gain on equity instruments at fair value through other comprehensive income	9,295,512	14	5,499,917	4
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	175,608	-	333,517	-
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	(479,961)	-	(395,152)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	(93,523)	-	69,735	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	164,867	-	3,546,060	3
Gain on hedging instruments	128,015	-	10,096	-
Gain (loss) on debt instruments at fair value through other comprehensive income	14,175,614	21	(134,175,762)	(102)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	45,910	-	727,760	1

(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			
	2023		2022	
	Amount	%	Amount	%
Other comprehensive income (loss) reclassified using the overlay approach	\$ 60,499,654	88	\$ (87,508,363)	(66)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 26)	<u>(6,941,704)</u>	<u>(10)</u>	<u>30,788,026</u>	<u>23</u>
Total other comprehensive income (loss) for the period, net of income tax	<u>76,967,269</u>	<u>113</u>	<u>(181,104,992)</u>	<u>(137)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 84,140,653</u>	<u>123</u>	<u>\$(146,729,709)</u>	<u>(111)</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 7,009,028	10	\$ 34,206,762	26
Non-controlling interests	<u>164,356</u>	<u>-</u>	<u>168,521</u>	<u>-</u>
	<u>\$ 7,173,384</u>	<u>10</u>	<u>\$ 34,375,283</u>	<u>26</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	\$ 83,553,949	122	\$(147,190,984)	(111)
Non-controlling interests	<u>586,704</u>	<u>1</u>	<u>461,275</u>	<u>-</u>
	<u>\$ 84,140,653</u>	<u>123</u>	<u>\$(146,729,709)</u>	<u>(111)</u>
EARNINGS PER SHARE (Note 27)				
Basic earnings per share	<u>\$ 0.48</u>		<u>\$ 2.60</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 the Translation of 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, 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	\$ 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	\$ 12,152,111	\$ 766,879,036
BALANCE AT JANUARY 1, 2023	\$ 146,692,102	\$ 15,333,000	\$ 215,318,047	\$ 73,747,059	\$ 150,768,651	\$ 230,331,762	\$ (13,027,301)	\$ (58,533,041)	\$ 950,265	\$ (428,795)	\$ (1,097,143)	\$ 12,609,000	\$ (171,329,940)	\$ (2,493,326)	\$ 598,840,340	\$ 12,867,695	\$ 611,708,035
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	598	-	-	(15)	-	-	-	-	-	-	-	-	583	-	583
Net income for the three months ended March 31, 2023	-	-	-	-	-	7,009,028	-	-	-	-	-	-	-	-	7,009,028	164,356	7,173,384
Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	-	191,108	20,721,854	101,734	140,487	(116,088)	-	55,505,826	-	76,544,921	422,348	76,967,269
Total comprehensive income (loss) for three months ended March 31, 2023	-	-	-	-	-	7,009,028	191,108	20,721,854	101,734	140,487	(116,088)	-	55,505,826	-	83,553,949	586,704	84,140,653
Share-based payment transactions	-	-	16,539	-	-	-	-	-	-	-	-	-	-	-	16,539	-	16,539
Disposal of equity instruments at fair value through other comprehensive loss	-	-	-	-	-	(27,558)	-	27,558	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,648)	(18,648)
BALANCE AT MARCH 31, 2023	\$ 146,692,102	\$ 15,333,000	\$ 215,335,184	\$ 73,747,059	\$ 150,768,651	\$ 237,313,217	\$ (12,836,193)	\$ (37,783,629)	\$ 1,051,999	\$ (288,308)	\$ (1,213,231)	\$ 12,609,000	\$ (115,824,114)	\$ (2,493,326)	\$ 682,411,411	\$ 13,435,751	\$ 695,847,162

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	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 7,237,424	\$ 39,808,433
Adjustments for:		
Depreciation expense	1,316,984	1,045,746
Amortization expense	787,702	740,815
(Reversal of) bad debt expense	(346,238)	47,565
(Gain) loss on financial assets and liabilities at fair value through profit or loss	(77,136,259)	137,860,719
Interest expense	12,456,799	3,222,151
Net gain on derecognition of financial assets at amortized cost	(2,027,063)	(8,901,483)
Interest income	(71,970,065)	(53,264,586)
Dividend income	(1,826,854)	(2,109,224)
Net change in insurance liabilities	23,011,135	124,105,750
Net changes in other provisions	(7,336,536)	13,990,924
Compensation cost of share-based payments	16,539	-
Share of profit of associates and joint ventures accounted for using the equity method	(684,549)	(427,622)
Loss (gain) on reclassification using the overlay approach	60,499,654	(87,508,363)
Loss on disposal and retirement of property and equipment	4,252	1,772
Gain on disposal of investment properties	(4,926)	(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	(95,629)	(2,703,994)
Expected credit loss on financial assets	133,903	2,658,961
Loss (gain) on changes in fair value of investment properties	9,390	(588,231)
Net changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(1,505,209)	(1,266,024)
Decrease (increase) in financial assets at fair value through profit or loss	3,983,839	(49,250,562)
Decrease (increase) in financial assets at fair value through other comprehensive income	46,317,556	(174,456,063)
Decrease (increase) in debt instruments at amortized cost	32,180,405	(102,789,091)
Decrease in financial assets for hedging	58,422	483,870
Decrease in receivables	4,348,879	9,299,444
Increase in loans	(53,491,468)	(56,015,891)
Decrease in reinsurance assets	30,371	113,427
Decrease in other financial assets	663,235	1,888,950
(Increase) decrease in other assets	(4,194,764)	352,205
Increase in deposits from the Central Bank and banks	53,272,635	38,179,236
Decrease in financial liabilities at fair value through profit or loss	(68,264,017)	(40,105,041)

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CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2023	2022
(Decrease) increase in financial liabilities for hedging	\$ (284,006)	\$ 522,025
Increase (decrease) in notes and bonds sold under repurchase agreements	9,279,501	(1,284,106)
Decrease in payables	(3,205,694)	(2,902,876)
Increase in deposits and remittances	51,039,536	64,129,212
Decrease in provisions for employee benefits	(703,819)	(212,413)
Decrease in provisions	(189,034)	(25,400)
Increase in other financial liabilities	6,578,951	2,446,760
Increase (decrease) in other liabilities	<u>1,336,840</u>	<u>(15,426,073)</u>
Cash generated from (used in) operations	21,297,822	(158,374,651)
Interest received	69,560,529	50,634,164
Dividends received	1,820,970	2,228,880
Interest paid	(7,662,272)	(2,453,638)
Income tax paid	<u>(754,985)</u>	<u>(953,516)</u>
Net cash generated from (used in) operating activities	<u>84,262,064</u>	<u>(108,918,761)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(6,043,737)	(6,739,096)
Proceeds from disposal of financial assets at fair value through other comprehensive income	3,721,925	6,495,482
Acquisition of financial assets at fair value through profit or loss	(597,905)	(280,076)
Proceeds from disposal of financial assets at fair value through profit or loss	139,125	94,139
Acquisition of investments accounted for using equity method	-	(216,000)
Proceeds from disposal of investments accounted for using the equity method	-	25,173
Net of cash outflow on acquisition of subsidiaries (after deduction of cash and cash equivalent balances acquired)	(163,929)	-
Proceeds from disposal of assets held for sale	-	23,700
Acquisition of property and equipment	(1,204,987)	(895,561)
Proceeds from disposal of property and equipment	346	340
Acquisition of intangible assets	(99,136)	(119,887)
Acquisition of investment properties	(1,295,385)	(324,727)
Proceeds from disposal of investment properties	58,236	36,800
Decrease (increase) in other assets	<u>25,727,578</u>	<u>(33,335,341)</u>
Net cash generated from (used in) investing activities	<u>20,242,131</u>	<u>(35,235,054)</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper payable	\$ 3,020,000	\$ 100,000
Proceeds from issuance of financial debentures	-	545,684
(Decrease) increase in other borrowings	(91,320)	111,330
Repayment of the principal portion of lease liabilities	(628,917)	(534,545)
Decrease in other liabilities	(1,935,723)	(86,346)
Changes in non-controlling interests	(34,233)	(309,745)
Net cash generated from (used in) financing activities	<u>329,807</u>	<u>(173,622)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(188,808)</u>	<u>(1,260,584)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	104,645,194	(145,588,021)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>620,603,407</u>	<u>692,041,687</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 725,248,601</u>	<u>\$ 546,453,666</u>
Reconciliation of cash and cash equivalents:		
	March 31	
	2023	2022
Cash and cash equivalents presented in the consolidated balance sheets	\$ 424,399,997	\$ 305,927,286
Due from the Central Bank and call loans to banks qualified for cash and cash equivalents under the definition of IAS 7	270,133,985	173,866,029
Notes and bonds purchased under resale agreements qualified for cash and cash equivalents under the definition of IAS 7	<u>30,714,619</u>	<u>66,660,351</u>
Cash and cash equivalents at the end of the period	<u>\$ 725,248,601</u>	<u>\$ 546,453,666</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, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 11, 2023.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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. The 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
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

- 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 comprise 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 by applying 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 of the application of other standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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 IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

Basis of Preparation

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for 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, the amount of any non-controlling interests of the acquiree 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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

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 and investment properties acquired through leases 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 and accumulated in gain on property revaluation under other equity that will be transferred directly to retained earnings when the asset is derecognized.

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. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

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.

5) Reclassification of financial assets

When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with IFRS 9. If the Group reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Group shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortized cost. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

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, and its carrying amounts are calculated based on weighted average by share type. 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. 11004925801. 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.

In accordance with Jin Guan Bao Tsai No. 11004931041 issued on August 24, 2021, starting from 2003 policy year, the downward adjustments of bonus due to the offset between mortality gain (loss) and gain (loss) from difference of interest rates should be calculated and recognized according to the regulations issued by the authorities.

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

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

4) Special reserve

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

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

5) Premium deficiency reserve

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

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

6) Other reserve

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

7) Liability adequacy reserve

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

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

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

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

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

d. Cathay Century and its subsidiaries

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

The descriptions of these reserves are as follows:

1) Unearned premium reserve

For an in-force contract with a remaining policy period or an unexpired insured risk, the calculation 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. In addition, the above precautions were amended in accordance with Rule No. 11101405951 on June 30, 2022, and name was changed to “Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises”. According to the point eight of the Notices, when the actual claims net of the debit amounts to special reserves for catastrophic events exceeds the expected claims after deducting the special reserve for major accidents, or the total accumulated deposit reaches the full water level, an appropriate amount should be written off or recovered from the special reserves for fluctuation of risk pursuant to the third point of the “Regulations Governing the Reserves for Commercial-business Earthquake Insurance and Typhoon and Flood Insurance”. The write off and recovery of special reserves for

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

a) Special reserves for catastrophic events

Special reserves for catastrophic events are provided at the rates for each insurance type required by the authorities.

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

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

b) Special reserves for fluctuation of risk

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

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

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

4) Premium deficiency reserve

For unexpired in-force contracts or unterminated incurred risks of each insurance, if the estimated amounts of the future claims and expenses exceed the sum of the unearned premium reserves and the expected future premium income, the 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 future lease payments resulting from 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, and there is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the year in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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 pre-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. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on 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.

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

a. Estimated impairment of loans

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

b. Fair value measurements and valuation processes

Where some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group, in accordance with relevant regulations 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

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	\$ 23,521,722	\$ 25,804,834	\$ 18,822,804
Cash in banks	196,573,679	142,995,682	180,998,775
Time deposits	120,276,124	115,356,201	65,913,834
Checks for clearing	3,193,747	5,633,023	1,887,645
Cash equivalents	20,142,597	33,985,224	3,162,340
Due from banks	60,732,714	88,281,746	35,160,006
Less: Loss allowance	<u>(40,586)</u>	<u>(42,810)</u>	<u>(18,118)</u>
	<u>\$ 424,399,997</u>	<u>\$ 412,013,900</u>	<u>\$ 305,927,286</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Financial assets mandatorily classified as at FVTPL</u>			
Stocks	\$ 434,514,310	\$ 416,247,404	\$ 517,455,802
Funds and beneficiary certificates	716,846,780	706,159,006	813,114,810
Government bonds	2,812,813	9,106,147	9,613,984
Corporate bonds	14,161,658	10,439,754	20,782,390
Financial debentures	87,093,779	51,335,119	54,267,213
Overseas bonds	279,018,956	268,876,240	290,347,529
Short-term notes	140,853,909	95,605,849	173,280,891
Futures trading margin	160,965	159,636	490,462
Structured time deposits	14,073,504	13,981,139	14,507,477
Derivative instruments	<u>73,439,614</u>	<u>103,114,335</u>	<u>55,386,424</u>
	<u>\$ 1,762,976,288</u>	<u>\$ 1,675,024,629</u>	<u>\$ 1,949,246,982</u>
<u>Financial liabilities at FVTPL</u>			
Designated as at FVTPL			
Bonds	\$ 39,660,890	\$ 39,076,751	\$ 39,832,757
Held for trading			
Derivative instruments	88,612,352	142,950,303	102,085,233
Security lending payable (non-hedging)	502,791	639,802	3,238,100
Security lending payable (hedging)	<u>17,262</u>	<u>332,388</u>	<u>13,084</u>
	<u>\$ 128,793,295</u>	<u>\$ 182,999,244</u>	<u>\$ 145,169,174</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, 2023	December 31, 2022	March 31, 2022
<u>Financial assets mandatorily classified as at FVTPL</u>			
Stocks	\$ 425,911,760	\$ 409,746,186	\$ 510,106,596
Funds and beneficiary certificates	681,952,031	661,870,978	788,163,294
Financial debentures	20,242,897	16,235,380	12,930,187
Overseas bonds	277,867,689	267,877,938	288,363,513
Structured time deposits	<u>14,073,504</u>	<u>13,981,139</u>	<u>14,507,477</u>
	<u>\$ 1,420,047,881</u>	<u>\$ 1,369,711,621</u>	<u>\$ 1,614,071,067</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, 2023 and 2022 are as below:

	For the Three Months Ended March 31	
	<u>2023</u>	<u>2022</u>
Gain (loss) due to application of IFRS 9 to profit or loss	\$ 81,756,747	\$ (62,533,145)
Gain if applying IAS 39 to profit or loss	<u>(21,257,093)</u>	<u>(24,975,218)</u>
Loss (gain) reclassified due to application of overlay approach	<u>\$ 60,499,654</u>	<u>\$ (87,508,363)</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, 2023 and 2022 had decreased from gain of \$78,860,483 thousand to gain of \$18,360,829 thousand, and decreased from loss of \$136,509,639 thousand to loss of \$49,001,276 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, 2023 and 2022, such interest rate swaps were valued with a net profit of \$1,077,319 thousand and net loss of \$1,879,713 thousand, respectively.

- c. As of March 31, 2022, 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. The proceeds amounting to \$2,198,340 thousand, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$2,198,728 thousand before the end of April 2022. As of March 31, 2023 and December 31, 2022, none of the aforementioned financial assets at FVTPL of Cathay United Bank and its subsidiaries were sold under repurchase agreements.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2023	December 31, 2022	March 31, 2022
Investments in equity instrument at FVTOCI			
Stocks	\$ 134,827,415	\$ 116,432,806	\$ 195,311,136
Investments in debt instrument at FVTOCI			
Government bonds	91,402,076	99,707,940	103,119,481
Corporate bonds	75,007,669	77,298,462	96,066,531
Financial debentures	56,052,899	56,897,017	55,103,264
Overseas bonds	345,570,430	338,755,440	1,142,946,990
Asset-backed securities	13,361,246	7,052,947	8,770,563
Negotiable certificates of deposits	198,768,423	246,261,699	74,381,551
Less: Litigation deposits	(36,756)	(36,548)	(42,522)
Less: Deposits in the Central Bank	(2,084,881)	(2,053,785)	(1,025,009)
Less: Derivative collateral	(4,208,684)	(11,263,064)	-
	<u>773,832,422</u>	<u>812,620,108</u>	<u>1,479,320,849</u>
	<u>\$ 908,659,837</u>	<u>\$ 929,052,914</u>	<u>\$ 1,674,631,985</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, 2023 and 2022 were \$38,302 thousand and \$141,480 thousand, respectively. Those related to investment derecognized for the three months ended March 31, 2023 and 2022 were \$256 thousand and \$21,159 thousand, respectively.
- c. In consideration of the investment strategy, the Group sold equity instruments at FVTOCI at fair values of \$2,009,477 thousand and \$9,636,030 thousand at the time of sale, and transferred unrealized loss of \$27,558 thousand and unrealized gain of \$76,897 thousand from other equity to retained earnings for the three months ended March 31, 2023 and 2022, respectively.
- d. As of March 31, 2023, December 31, 2022 and March 31, 2022, certain financial assets at FVTOCI of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$21,614,468 thousand, \$20,288,287 thousand and \$19,615,259 thousand, respectively. The proceeds amounting to \$19,434,573 thousand, \$18,969,910 thousand and \$18,575,292 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$19,655,822 thousand, \$19,113,099 thousand and \$18,589,274 thousand before the end of September 2023, May 2023 and June 2022, respectively.
- e. As of March 31, 2023, December 31, 2022 and March 31, 2022, Cathay Securities and its subsidiaries sold certain debt instruments at FVTOCI under repurchase agreements with notional amounts of \$5,672,670 thousand, \$4,274,560 thousand and \$2,768,279 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.
- h. Refer to Note 36 for information relating to reclassified debt instruments at FVTOCI to debt instruments at amortized cost.

9. DEBT INSTRUMENTS AT AMORTIZED COST

	March 31, 2023	December 31, 2022	March 31, 2022
Time deposits	\$ 8,802,978	\$ 8,735,223	\$ 6,285,648
Financial debentures	78,266,078	75,935,708	59,490,392
Corporate bonds	49,060,921	50,874,868	42,614,508
Government bonds	75,375,294	81,566,816	80,273,531
Overseas bonds	3,915,106,872	3,918,757,911	2,710,170,332
Financial asset beneficiary certificates	2,237,000	2,237,000	445,000
Asset-backed securities	64,200,249	64,605,102	47,076,273
Short-term notes	302,546,647	325,589,626	445,500,419
Less: Guarantee deposits	(1,526,962)	(1,527,314)	(931,450)
Less: Deposits in the Central Bank	(8,267,885)	(7,431,186)	(8,532,006)
Less: Derivative collateral	(1,685,403)	(5,054,740)	(3,018,701)
Less: Loss allowance (Note)	<u>(3,375,250)</u>	<u>(3,512,419)</u>	<u>(2,274,259)</u>
	<u>\$ 4,480,740,539</u>	<u>\$ 4,510,776,595</u>	<u>\$ 3,377,099,687</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of March 31, 2023, December 31, 2022 and March 31, 2022, the amounts were \$727 thousand, \$754 thousand and \$383 thousand, respectively.

- a. For the three months ended March 31, 2023 and 2022, the Group disposed of bonds before maturity due to increase in credit risk, which resulted in losses on disposal of \$121,722 thousand and gains on disposal of \$470,207 thousand, respectively; disposal of bonds close to maturity with proceeds that approximate remaining contractual cashflows, which resulted in losses on disposal of \$0 and \$1,881 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 \$2,185,872 thousand and \$8,083,211 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in losses on disposal of \$37,087 thousand and gains on disposal of \$560,065 thousand, respectively.
- b. As of March 31, 2023, December 31, 2022 and March 31, 2022, certain debt instruments at amortized cost of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$25,137,724 thousand, \$16,286,483 thousand and \$15,935,377 thousand, respectively. The proceeds amounting to \$19,296,338 thousand, \$11,761,896 thousand and \$14,471,159 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$19,396,267 thousand, \$11,835,606 thousand and \$14,475,445 thousand before the end of April 2023, March 2023 and June 2022, 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, 2023	December 31, 2022	March 31, 2022
Notes receivable	\$ 428,019	\$ 513,968	\$ 384,853
Accounts receivable	110,485,627	108,411,353	83,401,242
Interest receivables	66,438,665	63,256,303	56,393,937
Acceptances	1,087,748	996,607	1,434,885
Factoring receivables	3,993,331	4,523,885	4,811,921
Others	<u>37,616,092</u>	<u>43,277,282</u>	<u>55,702,595</u>
	220,049,482	220,979,398	202,129,433
Less: Loss allowance	<u>(4,247,178)</u>	<u>(3,826,212)</u>	<u>(2,713,016)</u>
	<u>\$ 215,802,304</u>	<u>\$ 217,153,186</u>	<u>\$ 199,416,417</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, 2023

	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	\$ 506,839	\$ 360,011	\$ 1,591,166	\$ 2,458,016	\$ 58,994	\$ 2,517,010
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(18,186)	198,512	(3,327)	176,999	-	176,999
Transferred to credit-impaired financial assets	(3,579)	(25,314)	93,654	64,761	-	64,761
Transferred to 12-month ECLs	12,416	(96,498)	(2,864)	(86,946)	-	(86,946)
Derecognition of financial assets in the period	(154,487)	(81,924)	(45,155)	(281,566)	-	(281,566)
New financial assets purchased or originated	146,551	49,011	106,566	302,128	-	302,128
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	(1,477)	(1,477)
Written off as bad debt expense	-	-	(126,297)	(126,297)	-	(126,297)
Effects of exchange rate changes and others	<u>29,402</u>	<u>(2,377)</u>	<u>28,956</u>	<u>55,981</u>	<u>-</u>	<u>55,981</u>
Ending balance	<u>\$ 518,956</u>	<u>\$ 401,421</u>	<u>\$ 1,642,699</u>	<u>\$ 2,563,076</u>	<u>\$ 57,517</u>	<u>\$ 2,620,593</u>

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>

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

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$ 1,309,202	\$ 71,398
Provision for the period	320,945	221,256
Amounts written off	(3,589)	(16,541)
Amounts recovered	28	-
Foreign exchange	<u>(1)</u>	<u>4</u>
Ending balance	<u>\$ 1,626,585</u>	<u>\$ 276,117</u>

11. DISCOUNTS AND LOANS, NET

	March 31, 2023	December 31, 2022	March 31, 2022
Export negotiations	\$ 1,418,148	\$ 1,246,793	\$ 1,701,272
Loans	2,579,167,379	2,524,404,978	2,371,341,628
Discounts and overdrafts	1,237,775	1,328,114	1,263,024
Overdue loans	<u>7,905,775</u>	<u>7,905,476</u>	<u>4,467,282</u>
	2,589,729,077	2,534,885,361	2,378,773,206
Less: Loss allowance	<u>(40,242,298)</u>	<u>(39,368,551)</u>	<u>(35,645,625)</u>
	<u>\$ 2,549,486,779</u>	<u>\$ 2,495,516,810</u>	<u>\$ 2,343,127,581</u>

- As of March 31, 2023, the gross amount of domestic discounts and loans and the related loss allowance belonging to Cathay United Bank amounted to \$1,974,823,275 thousand and \$31,617,083 thousand, respectively.
- For the three months ended March 31, 2023 and 2022, 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 \$0 thousand and \$210,119 thousand, respectively.
- Refer to Note 36 for information relating to the credit risk management and impairment of discounts and loans.

12. SUBSIDIARIES

- Subsidiaries included in the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			March 31, 2023	December 31, 2022	March 31, 2022	
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	
Cathay Life	Cathay Power Inc. ("Cathay Power")	Energy technical services	70.00	70.00	45.00	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	69.44	69.19	61.15	Note 2
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	100.00	100.00	
Conning Holdings Corp.	Conning & Company ("C&C")	Holding company	100.00	100.00	100.00	
C&C	Conning Inc.	Asset management services	100.00	100.00	100.00	
C&C	Goodwin Capital Advisers, Inc.	Asset management services	100.00	100.00	100.00	
C&C	Conning Investment Products, Inc.	Securities services	100.00	100.00	100.00	
C&C	Octagon Credit Investors, LLC ("Octagon")	Asset management services	86.34	86.34	86.13	
C&C	Pearlmark Real Estate, LLC ("Pearlmark")	Real estate investment and management	55.50	-	-	Note 3
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	
Octagon	Octagon Funds GP III LLC	Fund management services	100.00	-	-	Note 4

(Continued)

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			March 31, 2023	December 31, 2022	March 31, 2022	
Global Evolution Holding ApS	Global Evolution Financial ApS	Asset management services	99.77	99.77	99.51	
Global Evolution Financial ApS	Global Evolution Fondsmaglerselskab A/S	Asset management services	100.00	100.00	100.00	
Global Evolution Financial ApS	Global Evolution Manco S.A.	Asset management services	90.00	90.00	90.00	
Global Evolution Fondsmaglerselskab A/S	Global Evolution USA, LLC	Asset management services	100.00	100.00	100.00	
Global Evolution Fondsmaglerselskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	100.00	100.00	
Cathay Power	SUNRISE PV ONE CO., LTD. ("SUNRISE PV ONE")	Energy technical services	100.00	100.00	-	Note 1
Cathay Power	Cathy Sunrise Two Co., Ltd. ("Cathy Sunrise Two")	Energy technical services	100.00	100.00	-	Note 1
Cathay Power	Bai Yang Energy Co., Ltd. ("Bai Yang Energy")	Energy technical services	100.00	100.00	-	Note 1
Cathay Power	Cathy Sunrise Electric Power Two Co., Ltd. ("Cathy Sunrise Electric Power Two")	Energy technical services	100.00	100.00	-	Note 1
Cathay Power	Hong Cheng Sing Tech. Co., Ltd. ("Hong Cheng Sing Tech")	Energy technical services	100.00	100.00	-	Note 1
Cathay Power	Shen Lyu Co., Ltd. ("Shen Lyu")	Energy technical services	100.00	100.00	-	Note 1
Cathay Power	Nan Yang Power Co., Ltd. ("Nan Yang Power")	Energy technical services	80.00	80.00	-	Note 1
Cathay Power	CM Energy Co., Ltd. ("CM Energy")	Energy technical services	70.00	70.00	-	Note 5
Cathay Power	Neo Cathay Power Corp. ("Neo Cathay Power")	Energy technical services	100.00	100.00	-	Note 5
SUNRISE PV ONE	Shu Guang Energy Co., Ltd. ("Shu Guang Energy")	Energy technical services	70.00	70.00	-	Note 1
CM Energy	Hong Tai Energy Co., Ltd. ("Hong Tai Energy")	Energy technical services	100.00	100.00	-	Note 5
CM Energy	Tian Ji Energy Co., Ltd. ("Tian Ji Energy")	Energy technical services	100.00	100.00	-	Note 5
CM Energy	Tian Ji Power Co., Ltd. ("Tian Ji Power")	Energy technical services	100.00	100.00	-	Note 5
CM Energy	Chen Fong Power Co., Ltd. ("Chen Fong Power")	Energy technical services and electric power supply, electric transmission and power distribution machinery manufacturing	100.00	100.00	-	Note 6
Hong Tai Energy	Hong Tai Power Co., Ltd. ("Hong Tai Power")	Energy technical services	100.00	100.00	-	Note 5
Neo Cathay Power	Si Yi Co., Ltd. ("Si Yi")	Energy technical services	100.00	100.00	-	Note 5
Neo Cathay Power	Da Li Energy Co., Ltd. ("Da Li")	Energy technical services	100.00	100.00	-	Note 5
Neo Cathay Power	Yong Han Co., Ltd. ("Yong Han")	Energy technical services	100.00	100.00	-	Note 5
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	
CUBC Bank	CUBC Investment Co., LTD. (CUBC-I)	Investment service	100.00	100.00	100.00	Note 7
Cathay Securities	Cathay Futures Co., Ltd. ("Cathay Futures")	Futures services	99.99	99.99	99.99	
Cathay Securities	Cathay Securities (Hong Kong) Co., Limited. ("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 Securities Investment Trust	Cathay Private Equity Co., Ltd. ("Cathay Private Equity")	Private equity	100.00	100.00	100.00	

(Concluded)

Note 1: Cathay Life originally held 45% equity shares in Cathay Power, which were recorded as investments accounted for using equity method. On November 25, 2022, Cathay Life acquired a further part of equity shares, which increased its the ownership interest to 70%, and obtained the controls of Cathay Power and its subsidiaries. Refer to Note 38 for information relating to the business combination.

Note 2: The non-controlling interests executed the put options on the subsidiary's shares such that CHL acquired an additional 8.04% equity shares on June 22, 2022 and March 28, 2023, and its ownership interest increased from 61.15% to 69.19% and increased from 69.19% to 69.44%, respectively.

Note 3: On March 28, 2023, C&C acquired 55.50% of Pearlmark shares in cash. Refer to Note 38 for information relating to the business combination.

Note 4: Octagon Funds GP III LLC was established on March 15, 2023.

Note 5: On November 24, 2022, Cathay Power issued ordinary shares to exchange all the shares of Neo Cathay Power and CM Energy that San Ching Engineering Co., Ltd. and the Company originally held, and obtained the control of Neo Cathay Power, CM Energy and their subsidiaries.

Note 6: On December 28, 2022, CM Energy acquired 100% of Chen Fong Power shares for \$31,000 thousand in cash. Refer to Note 38 for information relating to the business combination.

Note 7: CUBC Bank substantially controls over CUBC-I's operations and the composition of its board of directors with 49% ownership through proxy agreements with the remaining shareholders and held 100% of economic benefit, therefore listing as a subsidiary of CUBC Bank.

b. Subsidiaries excluded from the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			March 31, 2023	December 31, 2022	March 31, 2022	
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, 2023	December 31, 2022	March 31, 2022
Investments in unconsolidated subsidiaries	\$ 733,173	\$ 687,870	\$ 770,751
Investments in associates	<u>32,401,209</u>	<u>32,195,431</u>	<u>32,098,182</u>
	<u>\$ 33,134,382</u>	<u>\$ 32,883,301</u>	<u>\$ 32,868,933</u>

a. Investments in unconsolidated subsidiaries

	March 31, 2023	December 31, 2022	March 31, 2022
Cathay Securities Investment Consulting	<u>\$ 733,173</u>	<u>\$ 687,870</u>	<u>\$ 770,751</u>

b. Investments in associates

	March 31, 2023	December 31, 2022	March 31, 2022
Rizal Commercial Banking Corporation	\$ 17,049,095	\$ 16,976,954	\$ 15,971,741
Cathay Insurance Company Limited (China)	5,080,415	4,950,963	4,957,506
CMG International Two Co., Ltd.	1,767,766	1,770,924	662,164
CMG International One Co., Ltd.	1,553,552	1,555,961	667,800
Taiwan Finance Corp.	1,534,509	1,526,245	1,732,213
Dasheng IV Venture Capital Co., Ltd.	1,101,358	1,147,091	1,283,699
PSS Co., Ltd.	1,015,535	963,095	974,150
Ding Teng Co., Ltd.	900,322	893,766	864,321
Dasheng Venture Capital Co., Ltd.	577,417	611,753	897,868
TaiYang Solar Power Co., Ltd.	514,149	501,756	417,431
Symphox Information Co., Ltd.	340,143	350,320	370,732
BSCOM Cathay Asset Management Co., Ltd.	283,055	285,340	332,231

(Continued)

	March 31, 2023	December 31, 2022	March 31, 2022
ThrivEnergy Co., Ltd.	\$ 218,561	\$ 215,844	\$ 216,000
Tien-Tai Optronics Corporation	139,678	137,346	139,228
Tien-Tai II Optoelectronics Co., Ltd.	134,763	132,470	135,245
Taiwan Real-estate Management Corp.	94,905	95,880	95,091
Lin Yuan Property Management Co., Ltd.	75,783	58,045	62,013
Southern Electricity Corp.	18,026	18,519	-
Tien-Tai Management Consulting Co., Ltd.	2,177	3,159	6,286
Cathay Power Inc.	-	-	688,191
Neo Cathay Power Corp.	-	-	687,631
Greenhealth Water Resources Co., Ltd.	-	-	473,818
CM Energy Co., Ltd.	-	-	458,550
WK Technology Fund VI Co., Ltd.	-	-	4,273
	<u>\$ 32,401,209</u>	<u>\$ 32,195,431</u>	<u>\$ 32,098,182</u>

Aggregate information of associates that are not individually material

	For the Three Months Ended March 31	
	2023	2022
The Group's share of:		
Net income	\$ 639,745	\$ 357,339
Other comprehensive (loss) income	<u>(434,550)</u>	<u>332,114</u>
Total comprehensive income for the period	<u>\$ 205,195</u>	<u>\$ 689,453</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 Life disposed of all shares of Greenhealth Water Resources Co., Ltd. in December 2022.
- 3) CDBS Cathay Asset Management Co., Ltd. was renamed as BSCOM Cathay Asset Management Co., Ltd. on July 28, 2022.
- 4) WK Technology Fund VI Co., Ltd. was dissolved on April 25, 2022 and completed the liquidation procedure.
- 5) 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, 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
Others	-	(5,067)	-	-	(5,067)
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>
Balance at January 1, 2023	\$ 319,283,898	\$ 121,607,590	\$ 5,747,767	\$ 1,501,343	\$ 448,140,598
Additions	-	-	1,295,136	249	1,295,385
Disposals	(28,998)	(24,312)	-	-	(53,310)
Other reclassification	-	9,390	171,198	(180,588)	-
Loss on changes in fair value of investment property	-	(9,390)	-	-	(9,390)
Foreign exchange	178,140	309,979	11,440	20,537	520,096
Others	(11,231)	-	-	-	(11,231)
Balance at March 31, 2023	<u>\$ 319,421,809</u>	<u>\$ 121,893,257</u>	<u>\$ 7,225,541</u>	<u>\$ 1,341,541</u>	<u>\$ 449,882,148</u>

For the Three Months Ended March 31

	2023	2022
Rental income from investment properties	\$ 3,152,693	\$ 3,005,460
Direct operating expenses from investment properties that generate rental income	(179,193)	(155,399)
Direct operating expenses from investment properties that do not generate rental income	<u>(4,780)</u>	<u>(145,922)</u>
	<u>\$ 2,968,720</u>	<u>\$ 2,704,139</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, 2023, the investment properties (excluding investment property under construction and prepayment for buildings and land - investments) belonging to Cathay Life amounted to \$401,764,544 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 valuation dates of December 31, 2022 and 2021. The appraisers had reviewed the original valuation reports issued on the aforementioned valuation dates and clarified that the valuation reports were still in effect on March 31, 2023 and 2022, respectively.

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

Name of Appraiser Firms	December 31, 2022	March 31, 2022	December 31, 2021
DTZ Real Estate Appraiser Firm	Chang-da, Yang; Gen-yuan, Li; Chia-ho, Tsai; Chun-chun, Hu	-	Gen-yuan, Li; Chia-ho, Tsai; Chun-chun, Hu
Savills plc Real Estate Appraiser Firm	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	-	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang
REPro KnightFrank Real Estate Appraiser Firm	Yu-hsiang, Tsai; Hsiang-yi, Hsu	-	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu
V-LAND Real Estate Appraiser Firm	His-chung, Wang	-	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin; His-chung, Wang; Hong-Zhi, Li
Shang-shang Real Estate Appraiser Firm	Hong-yuan, Wang; Jian-hao, Huang	Hong-yuan, Wang	Hong-yuan, Wang; Jian-Hao, Huang
Sinyi Real Estate Appraiser Firm	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	-	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang
Elite Real Estate Appraiser Firm	Yu-lin, Chen; Yi-hui, Luo	-	Yu-lin, Chen; Yi-hui, 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	-	Zhi-Hao, Wu; Wei-Ru, Li
LinkU Real Estate Appraisal and Consulting Services	Lin-Yu, Lian; Sheng-Feng, Lai	-	Lin-Yu, Lian; Sheng-Feng, Lai
Colliers International Group Inc.	Feng-Ru, Ke	-	-

On May 11, 2020, the Insurance Bureau of the FSC issued Jin Guan Bao Tsai No. 10904917641 to amend some of the provisions of the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, which should be applied in the preparation of the financial report beginning for the first quarter of 2020. However, the 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 sales comparison approach, income approach - direct capitalization method, income approach - discounted cash flow method, cost approach and the method of land development analysis. Commercial office buildings and residences are mainly valued by sales comparison approach and income approach because of the market liquidity and comparable sales and rental cases in the neighboring areas. Hotels, department stores and marketplaces are mainly valued by income approach - direct capitalization method and income approach - discounted cash flow method because of the stable rental income in the long term. Industrial plants for lease are valued by sales comparison approach and cost approach. Wholesale stores located in industrial districts are valued by cost approach since the buildings are constructed for specific purposes because fewer similar transactions could be referred to in the market. Vacant land and buildings under construction of logistics parks located in industrial and commercial integrated district are valued by cost approach. Land under construction with building permit is valued by comparison approach and land development analysis. Urban renewal land under construction with building permit is valued based by comparison approach and income approach based on the allocated real estates (office buildings, hotels, etc.) under the urban renewal program.

The main inputs used are as follows:

	December 31, 2022	March 31, 2022	December 31, 2021
Direct capitalization rates (net)	0.44%-5.15%	-	0.61%-5.12%
Discount rates	2.82%-4.50%	2.77%	2.35%-4.26%

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 rates for the properties acquired after May 11, 2020 had been determined in accordance with the amendment to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

The 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 based on the valuations carried out by qualified real estate appraisers in Taiwan in accordance with the "Regulations on Real Estate Appraisal". The valuation dates were December 31, 2022 and 2021, respectively. The appraisers had reviewed the original valuation reports issued on the aforementioned valuation dates and clarified that the valuation reports were still in effect on March 31, 2023 and 2022, respectively.

Name of Appraiser Office	December 31	
	2022	2021
REPro Knight Frank Real Estate Appraiser Firm	Xiang-Yi, Hsu; You-Xiang, Cai	Xiang-Yi, Hsu; Hong-Xu, Wu; You-Xiang, Cai

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 the rentals are similar to those of comparable properties in neighboring areas, the fair values have been mainly determined using the comparison approach and the income approach.

Net rental income is based on current market practices, assuming an annual rental increase 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 ROC Real Estate Appraisers Association Gazette No. 5, the house tax is determined based on the reference tables of current house values provided by each city/county to estimate the total current house value considering the area of the subject property and related public utilities. House tax is calculated based on the tax rates in the House Tax Act and the actual payment data.

Land value tax is calculated based on the changes in the announced land values of the underlying property in the past years and the actual payment data.

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

The main inputs used are as follows:

	December 31	
	2022	2021
Direct capitalization rates	1.13%-4.03%	1.20%-4.04%
Overall capital interest rate	0.84%-2.50%	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., respectively, with valuation on December 31, 2022 and 2021, respectively. The appraiser reviewed the original valuation reports issued on December 31, 2022 and 2021 and clarified that the valuation reports were still in effect on March 31, 2023 and 2022, respectively.

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

	December 31	
	2022	2021
Estimated future cash inflows	\$ 460,417	\$ 444,833
Estimated future cash inflows (outflows)	<u>15,041</u>	<u>(14,740)</u>
Estimated net cash inflows	<u>\$ 475,458</u>	<u>\$ 430,093</u>
Discount rate	2.72%	2.295%
Direct capitalization rate	2.48%	2.54%

The market monthly rentals in 2022 and 2021 ranged from \$4 thousand to \$6 thousand per ping in the areas where the investment property is located.

The investment properties were entirely leased under operating leases, and generated rental income of \$1,954 thousand and \$1,950 thousand, respectively, for the three months ended March 31, 2023 and 2022.

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 year. 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, house tax, and replacement allowance, which are estimated on the basis of current expenditures, adjustments to the future announced land value, and tax rates in accordance with the House Tax Act.

The discount rate on December 31, 2022 and 2021 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:

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$ 416,636,209	\$ 405,850,441
Amount recognized in profit or loss		
(Loss) gain from investment property	(9,390)	588,231
Amount recognized in other comprehensive income		
Exchange differences resulting from translation of the financial statements of foreign operations	488,119	487,785
Disposals	(53,310)	(34,500)
Transfers to investment property	-	(37,985)
Transfers from investment property under construction	9,390	41,573
Transfer from investment properties measured at cost	-	2,218,659
Others	<u>(11,231)</u>	<u>(5,067)</u>
Ending balance	<u>\$ 417,059,787</u>	<u>\$ 409,109,137</u>

The above amount excludes those measured at cost.

- h. See Note 29 for information relating to investment properties pledged as collateral for short-term bank borrowings.

15. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvements	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
Cost								
Balance at January 1, 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>
Depreciation and impairment								
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 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>
Cost								
Balance at January 1, 2023	\$ 69,408,189	\$ 45,560,623	\$ 10,907,605	\$ 1,502,267	\$ 133,897	\$ 24,189,936	\$ 2,335,971	\$ 154,038,488
Additions	-	-	158,136	7,129	1,154	451,887	586,681	1,204,987
Acquisitions through business combinations (Note 38)	-	-	6,946	-	-	1,077	-	8,023
Disposals	-	-	(53,791)	-	-	(83,995)	-	(137,786)
Reclassification	-	15,313	85,747	-	1,963	919,506	(1,014,549)	7,980
Foreign exchange	(4,809)	(708)	(10,685)	(80)	(1,000)	(3,688)	(156)	(21,126)
Balance at March 31, 2023	<u>69,403,380</u>	<u>45,575,228</u>	<u>11,093,958</u>	<u>1,509,316</u>	<u>136,014</u>	<u>25,474,723</u>	<u>1,907,947</u>	<u>155,100,566</u>
Depreciation and impairment								
Balance at January 1, 2023	98,268	24,682,675	7,422,110	1,024,463	98,577	12,161,504	-	45,487,597
Depreciation	-	220,746	298,272	29,091	2,147	355,687	-	905,943
Acquisitions through business combinations (Note 38)	-	-	5,618	-	-	1,043	-	6,661
Disposals	-	-	(51,932)	-	-	(81,256)	-	(133,188)
Reclassification	-	-	1,465	-	-	(1,465)	-	-
Foreign exchange	-	(95)	(4,319)	437	(715)	(2,465)	-	(7,157)
Balance at March 31, 2023	<u>98,268</u>	<u>24,903,326</u>	<u>7,671,214</u>	<u>1,053,991</u>	<u>100,009</u>	<u>12,433,048</u>	<u>-</u>	<u>46,259,856</u>
Carrying amount at December 31, 2022 and January 1, 2023	<u>\$ 69,309,921</u>	<u>\$ 20,877,948</u>	<u>\$ 3,485,495</u>	<u>\$ 477,804</u>	<u>\$ 35,320</u>	<u>\$ 12,028,432</u>	<u>\$ 2,335,971</u>	<u>\$ 108,550,891</u>
Carrying amount at March 31, 2023	<u>\$ 69,305,112</u>	<u>\$ 20,671,902</u>	<u>\$ 3,422,744</u>	<u>\$ 455,325</u>	<u>\$ 36,005</u>	<u>\$ 13,041,675</u>	<u>\$ 1,907,947</u>	<u>\$ 108,840,710</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. As of December 31, 2021, the Cathay United Bank disposed of two vacant premises and classified them as assets held for sale with a carrying amount of \$283,087 thousand. The two premises were originally used for the Cathay United Bank's office and business warehouse. In January and April 2022, the Cathay United Bank disposed the premises for proceeds of \$23,700 thousand and \$700,000 thousand, respectively, and recognized a disposal gain of \$440,613 thousand. No impairment loss was recognized on the classification of the premises as assets held for sale for the year ended December 31, 2021 and for the year ended December 31, 2022.

- c. Refer to Note 29 for the property and equipment that were pledged as collateral.

16. LEASE AGREEMENTS

a. Right-of-use assets

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Carrying amount</u>			
Land	\$ 254,604	\$ 175,445	\$ -
Buildings	4,843,237	4,556,008	4,405,013
Office equipment	14,236	14,706	8,323
Machine equipment	2,204	2,435	1,799
Transportation equipment	<u>74,146</u>	<u>84,603</u>	<u>88,583</u>
	<u>\$ 5,188,427</u>	<u>\$ 4,833,197</u>	<u>\$ 4,503,718</u>
Right-of-use assets presented as investment properties	<u>\$ 13,499,663</u>	<u>\$ 13,499,663</u>	<u>\$ 9,958,120</u>

For the Three Months Ended March 31

	2023	2022
Additions to right-of-use assets	<u>\$ 928,222</u>	<u>\$ 453,422</u>
Depreciation expense for right-of-use assets		
Land	\$ 3,497	\$ -
Buildings	392,036	366,954
Office equipment	2,472	2,663
Machine equipment	237	211
Transportation equipment	<u>12,799</u>	<u>12,026</u>
	<u>\$ 411,041</u>	<u>\$ 381,854</u>

b. Lease liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amount	<u>\$ 19,414,697</u>	<u>\$ 19,240,853</u>	<u>\$ 14,714,418</u>

Range of discount rates for lease liabilities is as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Land	1.24%-2.63%	1.24%-2.63%	-
Buildings	0.05%-8.57%	0.05%-8.57%	0.04%-8.57%
Office equipment	1.35%-4.76%	0.42%-4.76%	0.42%-4.76%
Machine equipment	0.36%-4.15%	0.36%-4.15%	0.36%-4.15%
Transportation equipment	0.22%-8.76%	0.22%-4.35%	0.22%-4.35%
Investment property - superficies right	2.82%-4.24%	2.82%-4.24%	2.82%-4.00%

17. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
Cost							
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
Foreign exchange	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>
Amortization and impairment							
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)
Foreign exchange	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 March 31, 2022	<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>
Cost							
Balance at January 1, 2023	\$ 7,565,876	\$ 37,659,600	\$ 402,858	\$ 5,995,545	\$ 23,566,077	\$ 216,149	\$ 75,406,105
Addition - acquired separately	99,136	-	-	-	-	-	99,136
Acquisitions through business combinations (Note 38)	-	-	-	-	147,658	-	147,658
Disposal	(87,517)	-	-	-	-	-	(87,517)
Reclassification	90,445	-	-	-	-	-	90,445
Foreign exchange	(42)	-	(3,332)	(49,592)	(98,141)	(1,801)	(152,908)
Balance at March 31, 2023	<u>\$ 7,667,898</u>	<u>\$ 37,659,600</u>	<u>\$ 399,526</u>	<u>\$ 5,945,953</u>	<u>\$ 23,615,594</u>	<u>\$ 214,348</u>	<u>\$ 75,502,919</u>
Amortization and impairment							
Balance at January 1, 2023	\$ 5,336,050	\$ 15,304,406	\$ -	\$ 2,914,844	\$ -	\$ 214,188	\$ 23,769,488
Amortization	244,800	447,103	-	95,799	-	-	787,702
Disposal	(87,517)	-	-	-	-	-	(87,517)
Foreign exchange	(257)	-	-	(23,956)	-	(1,771)	(25,984)
Balance at March 31, 2023	<u>\$ 5,493,076</u>	<u>\$ 15,751,509</u>	<u>\$ -</u>	<u>\$ 2,986,687</u>	<u>\$ -</u>	<u>\$ 212,417</u>	<u>\$ 24,443,689</u>
Carrying amount at December 31, 2022 and January 1 2023	<u>\$ 2,229,826</u>	<u>\$ 22,355,194</u>	<u>\$ 402,858</u>	<u>\$ 3,080,701</u>	<u>\$ 23,566,077</u>	<u>\$ 1,961</u>	<u>\$ 51,636,617</u>
Carrying amount at March 31, 2022	<u>\$ 2,174,822</u>	<u>\$ 21,908,091</u>	<u>\$ 399,526</u>	<u>\$ 2,959,266</u>	<u>\$ 23,615,594</u>	<u>\$ 1,931</u>	<u>\$ 51,059,230</u>

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

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

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

1) Cathay Life

Cathay Life recognized goodwill in the acquisitions of (1) all assets, liabilities and operations (except reserved assets and liabilities) of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd., on July 1, 2015; (2) 100% interest in Conning Holdings Limited on September 18, 2015; (3) 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of the Group) on February 1, 2016; and (4) 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020; (5) Cathay Power and its subsidiaries, which increased its ownership interest to 70% on November 25, 2022; (6) Chen Fong Power through CM Energy, a 70% owned subsidiary of the Group on December 28, 2022; (7) 55.5% interest in Pearlmark Real Estate LLC (through Conning & Company, a 100% owned subsidiary of the Conning Holdings Limited) on March 28, 2023. As of March 31, 2023, December 31, 2022 and March 31, 2022, the carrying amounts of goodwill were \$15,030,413 thousand, \$14,978,211 thousand and \$13,674,885 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 of goodwill, Cathay United Bank treated individual business units as cash-generating units (CGUs). Goodwill resulting from the merger was allocated to the relevant CGUs. The recoverable amount was determined by the value in use of each CGU and was calculated at the present values of the cash flow forecast for the next five years based on the going-concern assumption. Future cash flows were estimated on the basis of present operations and will be adjusted depending on the business outlook and economic trends.

18. COMMERCIAL PAPER PAYABLE, NET

	March 31, 2023	December 31, 2022	March 31, 2022
Nominal amount	\$ 76,900,000	\$ 73,880,000	\$ 63,570,000
Less: Discount on short-term bills payable	<u>(789)</u>	<u>-</u>	<u>(1,200)</u>
	<u>\$ 76,899,211</u>	<u>\$ 73,880,000</u>	<u>\$ 63,568,800</u>
Interest rate range	1.22%-1.48%	1.30%-1.58%	0.34%-0.77%

19. DEPOSITS AND REMITTANCES

	March 31, 2023	December 31, 2022	March 31, 2022
Checking deposits	\$ 13,113,462	\$ 16,598,955	\$ 14,275,912
Demand deposits	739,947,827	798,676,913	816,687,915
Demand savings deposits	1,365,117,748	1,331,212,632	1,295,374,577
Time deposits	700,995,434	638,736,493	440,667,849
Time savings deposits	405,447,341	392,058,316	358,487,227
Negotiable certificates of deposit	5,908,732	5,897,706	8,327,689
Outward remittances and remittances payable	<u>5,945,081</u>	<u>2,255,074</u>	<u>2,268,096</u>
	<u>\$ 3,236,475,625</u>	<u>\$ 3,185,436,089</u>	<u>\$ 2,936,089,265</u>

20. BONDS PAYABLE

	March 31, 2023	December 31, 2022	March 31, 2022
Financial debentures	\$ 37,146,179	\$ 37,147,398	\$ 47,360,991
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>\$ 132,146,179</u>	<u>\$ 132,147,398</u>	<u>\$ 142,360,991</u>

a. Financial debentures

	March 31, 2023	December 31, 2022	March 31, 2022
1st of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	\$ -	\$ -	4,200,000
2nd of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: August 2022	-	-	5,600,000
1st of subordinated financial debentures in 2013; fixed rate at 1.70%; maturity: April 2023	9,900,000	9,900,000	9,900,000
1st of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000	12,000,000
2nd of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000	12,700,000
2nd of subordinated financial debentures in 2017; fixed rate at 1.50%; maturity: April 2024	2,400,000	2,400,000	2,400,000
US dollars exchange rate structured note 6 months; interest rate at 1.00%; maturity: August 2022 (US\$19,600 thousand)	-	-	560,991
US dollars exchange rate structured note 6 months; interest rate between 4.8%-5.6%; maturity: June 2023 (US\$4,800 thousand)	<u>146,179</u>	<u>147,398</u>	<u>-</u>
	<u>\$ 37,146,179</u>	<u>\$ 37,147,398</u>	<u>\$ 47,360,991</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. The key terms and conditions are as follows:

- a) Issue amount: \$35,000,000 thousand.
- b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
- c) Years to maturity: Perpetual.

- d) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year from the issue date.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - g) Form of bonds: Book-entry securities.
- 2) Pursuant to Order No. Securities-TPEX-Bond-10800055731 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on June 26, 2019 through public offering. Key terms and conditions are as follows:
- a) Issue amount: \$10,000,000 thousand.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: Perpetual.
 - d) Coupon rate: Fixed rate of 3%.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - g) Form of bonds: Book-entry securities.
- c. Unsecured corporate bonds
- 1) Pursuant to Order No. Securities-TPEX-Bond-10800038242 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on May 8, 2019 through public offering. Key terms and conditions are as follows:
- a) Issue amount: \$20,000,000 thousand, which is divided into A Note of \$4,000,000 thousand, B Note of \$4,000,000 thousand and C Note of \$12,000,000 thousand by issue periods.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
 - d) Coupon rate: Fixed rate of 0.83% for A Note, 0.93% for B Note and 1.04% for C Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Form of bonds: Book-entry securities.

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

21. PROVISIONS

	March 31, 2023	December 31, 2022	March 31, 2022
Insurance liability			
Unearned premium reserve	\$ 35,730,510	\$ 36,385,842	\$ 33,967,700
Loss reserve	28,248,038	36,298,952	24,536,076
Policy reserve	6,704,101,300	6,672,193,954	6,457,615,410
Special reserve	12,725,078	12,714,102	13,672,706
Premium deficiency reserve	7,715,230	9,370,726	9,590,963
Reserve for insurance contracts with the nature of financial products	19,857,383	18,495,469	16,673,261
Reserve for foreign exchange valuation	42,166,921	49,503,457	23,044,650
Other reserve	<u>1,842,253</u>	<u>1,845,253</u>	<u>1,863,925</u>
	6,852,386,713	6,836,807,755	6,580,964,691
Provisions for employee benefits	3,364,348	4,068,167	3,879,246
Other reserves	<u>1,067,228</u>	<u>1,256,262</u>	<u>1,190,528</u>
	<u>\$ 6,856,818,289</u>	<u>\$ 6,842,132,184</u>	<u>\$ 6,586,034,465</u>

As of March 31, 2023, policy reserve belonging to Cathay Life amounted to \$6,632,306,276 thousand.

a. Cathay Life and its subsidiaries

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

1) Unearned premium reserve

	March 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 81,554	\$ -	\$ 81,554
Individual injury insurance	7,533,755	-	7,533,755
Individual health insurance	10,621,917	-	10,621,917
Group insurance	1,524,197	-	1,524,197
Investment-linked insurance	<u>124,008</u>	-	<u>124,008</u>
	<u>19,885,431</u>	<u>-</u>	<u>19,885,431</u>
Less ceded unearned premium reserve			
Individual life insurance	823,247	-	823,247
Individual injury insurance	22,535	-	22,535
Individual health insurance	232,919	-	232,919
Group insurance	<u>392</u>	-	<u>392</u>
	<u>1,079,093</u>	<u>-</u>	<u>1,079,093</u>
	<u>\$ 18,806,338</u>	<u>\$ -</u>	<u>\$ 18,806,338</u>

December 31, 2022			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 79,271	\$ -	\$ 79,271
Individual injury insurance	7,824,570	-	7,824,570
Individual health insurance	11,203,470	-	11,203,470
Group insurance	1,314,757	-	1,314,757
Investment-linked insurance	<u>125,502</u>	-	<u>125,502</u>
	<u>20,547,570</u>	-	<u>20,547,570</u>
Less ceded unearned premium reserve			
Individual life insurance	906,602	-	906,602
Individual injury insurance	20,883	-	20,883
Individual health insurance	253,267	-	253,267
Group insurance	<u>-</u>	-	<u>-</u>
	<u>1,180,752</u>	-	<u>1,180,752</u>
	<u>\$ 19,366,818</u>	<u>\$ -</u>	<u>\$ 19,366,818</u>

March 31, 2022			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
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>118,724</u>
	<u>18,718,606</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>337</u>
	<u>1,045,165</u>	-	<u>1,045,165</u>
	<u>\$ 17,673,441</u>	<u>\$ -</u>	<u>\$ 17,673,441</u>

The changes in unearned premium reserve are summarized below:

	For the Three Months Ended March 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 20,547,570	\$ -	\$ 20,547,570
Provision	19,557,817	-	19,557,817
Recovery	(20,221,081)	-	(20,221,081)
Foreign exchange	<u>1,125</u>	<u>-</u>	<u>1,125</u>
Ending balance	<u>19,885,431</u>	<u>-</u>	<u>19,885,431</u>
Less ceded unearned premium reserve			
Beginning balance	1,180,752	-	1,180,752
Decrease	<u>(101,659)</u>	<u>-</u>	<u>(101,659)</u>
Ending balance	<u>1,079,093</u>	<u>-</u>	<u>1,079,093</u>
Net ending balance	<u>\$ 18,806,338</u>	<u>\$ -</u>	<u>\$ 18,806,338</u>

	For the Three Months Ended March 31, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
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>

2) Loss reserve

	March 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance			
Filed but not paid	\$ 3,608,631	\$ 87,275	\$ 3,695,906
Not yet filed	53,344	-	53,344
Individual injury insurance			
Filed but not paid	78,517	-	78,517
Not yet filed	2,232,042	-	2,232,042
Individual health insurance			
Filed but not paid	907,198	-	907,198
Not yet filed	3,848,505	-	3,848,505
Group insurance			
Filed but not paid	81,763	-	81,763
Not yet filed	1,511,324	-	1,511,324
Investment-linked insurance			
Filed but not paid	171,844	-	171,844
Not yet filed	2,506	-	2,506
	<u>12,495,674</u>	<u>87,275</u>	<u>12,582,949</u>
Less ceded loss reserve			
Individual life insurance	117,735	-	117,735
Individual injury insurance	35	-	35
Individual health insurance	8,151	-	8,151
Group insurance	5,371	-	5,371
	<u>131,292</u>	<u>-</u>	<u>131,292</u>
	<u>\$ 12,364,382</u>	<u>\$ 87,275</u>	<u>\$ 12,451,657</u>

	December 31, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance			
Filed but not paid	\$ 3,640,563	\$ 56,967	\$ 3,697,530
Not yet filed	107,915	-	107,915
Individual injury insurance			
Filed but not paid	99,946	-	99,946
Not yet filed	2,176,688	-	2,176,688
Individual health insurance			
Filed but not paid	1,185,388	-	1,185,388
Not yet filed	4,086,747	-	4,086,747
Group insurance			
Filed but not paid	65,111	-	65,111
Not yet filed	1,128,086	-	1,128,086
Investment-linked insurance			
Filed but not paid	210,696	-	210,696
Not yet filed	1,954	-	1,954
	<u>12,703,094</u>	<u>56,967</u>	<u>12,760,061</u>
Less ceded loss reserve			
Individual life insurance	102,962	-	102,962
Individual injury insurance	35	-	35
Individual health insurance	15,629	-	15,629
Group insurance	4,270	-	4,270
	<u>122,896</u>	<u>-</u>	<u>122,896</u>
	<u>\$ 12,580,198</u>	<u>\$ 56,967</u>	<u>\$ 12,637,165</u>

March 31, 2022

	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
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	264	-	264
	<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	5,585	-	5,585
	<u>52,619</u>	<u>-</u>	<u>52,619</u>
	<u>\$ 12,071,834</u>	<u>\$ 4,354</u>	<u>\$ 12,076,188</u>

The changes in loss reserve are summarized below:

	For the Three Months Ended March 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 12,703,094	\$ 56,967	\$ 12,760,061
Provision	12,354,929	87,275	12,442,204
Recovery	(12,560,325)	(56,967)	(12,617,292)
Foreign exchange	<u>(2,024)</u>	<u>-</u>	<u>(2,024)</u>
Ending balance	<u>12,495,674</u>	<u>87,275</u>	<u>12,582,949</u>
Less ceded loss reserve			
Beginning balance	122,896	-	122,896
Increase	17,048	-	17,048
Decrease	(8,674)	-	(8,674)
Foreign exchange	<u>22</u>	<u>-</u>	<u>22</u>
Ending balance	<u>131,292</u>	<u>-</u>	<u>131,292</u>
Net ending balance	<u>\$ 12,364,382</u>	<u>\$ 87,275</u>	<u>\$ 12,451,657</u>
	For the Three Months Ended March 31, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
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>

3) Policy reserve

	March 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance (Note 1)	\$ 5,728,498,688	\$ 2,600	\$ 5,728,501,288
Injury insurance	7,544,469	-	7,544,469
Health insurance	956,848,641	-	956,848,641
Annuity insurance	1,083,188	7,262,957	8,346,145
Investment-linked insurance	<u>2,384,106</u>	<u>-</u>	<u>2,384,106</u>
Total (Note 2)	<u>6,696,359,092</u>	<u>7,265,557</u>	<u>6,703,624,649</u>
Less ceded policy reserve			
Life insurance	364,769	-	364,769
Health insurance	<u>5,295</u>	<u>-</u>	<u>5,295</u>
	<u>370,064</u>	<u>-</u>	<u>370,064</u>
	<u>\$ 6,695,989,028</u>	<u>\$ 7,265,557</u>	<u>\$ 6,703,254,585</u>
	December 31, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance (Note 1)	\$ 5,710,174,015	\$ 2,609	\$ 5,710,176,624
Injury insurance	7,566,436	-	7,566,436
Health insurance	942,869,506	-	942,869,506
Annuity insurance	1,080,857	7,771,653	8,852,510
Investment-linked insurance	<u>2,241,645</u>	<u>-</u>	<u>2,241,645</u>
Total (Note 2)	<u>6,663,932,459</u>	<u>7,774,262</u>	<u>6,671,706,721</u>
Less ceded policy reserve			
Life insurance	367,705	-	367,705
Health insurance	<u>19,900</u>	<u>-</u>	<u>19,900</u>
	<u>387,605</u>	<u>-</u>	<u>387,605</u>
	<u>\$ 6,663,544,854</u>	<u>\$ 7,774,262</u>	<u>\$ 6,671,319,116</u>

	March 31, 2022		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts	Features	Total
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>

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 \$6,704,101,148 thousand, \$6,672,193,784 thousand and \$6,457,615,328 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

The changes in policy reserve are summarized below:

	For the Three Months Ended March 31, 2023		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts	Features	Total
Beginning balance	\$ 6,663,932,459	\$ 7,774,262	\$ 6,671,706,721
Provision	125,493,772	21,535	125,515,307
Recovery	(78,392,724)	(530,231)	(78,922,955)
Reclassification	61,314	-	61,314
Foreign exchange	<u>(14,735,729)</u>	<u>(9)</u>	<u>(14,735,738)</u>
Ending balance	<u>6,696,359,092</u>	<u>7,265,557</u>	<u>6,703,624,649</u>
Less ceded policy reserve			
Beginning balance	387,605	-	387,605
Increase	8,145	-	8,145
Decrease	(27,799)	-	(27,799)
Foreign exchange	<u>2,113</u>	<u>-</u>	<u>2,113</u>
Ending balance	<u>370,064</u>	<u>-</u>	<u>370,064</u>
Net ending balance	<u>\$ 6,695,989,028</u>	<u>\$ 7,265,557</u>	<u>\$ 6,703,254,585</u>

For the Three Months Ended March 31, 2022

	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
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	<u>52,364,570</u>	<u>98</u>	<u>52,364,668</u>
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	<u>14,636</u>	<u>-</u>	<u>14,636</u>
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>

4) Special reserve

March 31, 2023

	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Participating policies dividends reserve	\$ (7,882)	\$ -	\$ -	\$ (7,882)
Dividend risk reserve	10,448	-	-	10,448
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 2,566</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,890</u>

December 31, 2022

	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Participating policies dividends reserve	\$ (13,396)	\$ -	\$ -	\$ (13,396)
Dividend risk reserve	15,805	-	-	15,805
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 2,409</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,733</u>

March 31, 2022				
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
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>

The changes in special reserve are summarized below:

For the Three Months Ended March 31, 2023				
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Beginning balance	\$ 2,409	\$ -	\$ 11,083,324	\$ 11,085,733
Provision for participating policies dividends reserve	5,515	-	-	5,515
Recovery of dividend risk reserve	<u>(5,358)</u>	<u>-</u>	<u>-</u>	<u>(5,358)</u>
Ending balance	<u>\$ 2,566</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,890</u>

For the Three Months Ended March 31, 2022				
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
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>

5) Premium deficiency reserve

	March 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 6,377,487	\$ -	\$ 6,377,487
Individual injury insurance	4,298	-	4,298
Individual health insurance	1,332,575	-	1,332,575
Group insurance	<u>36</u>	<u>-</u>	<u>36</u>
	<u>\$ 7,714,396</u>	<u>\$ -</u>	<u>\$ 7,714,396</u>
	December 31, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 6,802,796	\$ -	\$ 6,802,796
Individual injury insurance	4,495	-	4,495
Individual health insurance	1,323,134	-	1,323,134
Group insurance	<u>41</u>	<u>-</u>	<u>41</u>
	<u>\$ 8,130,466</u>	<u>\$ -</u>	<u>\$ 8,130,466</u>
	March 31, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
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>

The changes in premium deficiency reserve are summarized below:

	For the Three Months Ended March 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 8,130,466	\$ -	\$ 8,130,466
Recovery	(396,427)	-	(396,427)
Foreign exchange	<u>(19,643)</u>	<u>-</u>	<u>(19,643)</u>
Ending balance	<u>\$ 7,714,396</u>	<u>\$ -</u>	<u>\$ 7,714,396</u>

	For the Three Months Ended March 31, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 9,808,215	\$ -	\$ 9,808,215
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>

6) Other reserve

	March 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Others	<u>\$ 1,842,253</u>	<u>\$ -</u>	<u>\$ 1,842,253</u>

	December 31, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Others	<u>\$ 1,845,253</u>	<u>\$ -</u>	<u>\$ 1,845,253</u>

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

The changes in other reserve are summarized below:

	For the Three Months Ended March 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 1,845,253	\$ -	\$ 1,845,253
Recovery	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
Ending balance	<u>\$ 1,842,253</u>	<u>\$ -</u>	<u>\$ 1,842,253</u>

	For the Three Months Ended March 31, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
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>

7) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	March 31, 2023	December 31, 2022	March 31, 2022
Unearned premium reserve	\$ 19,885,431	\$ 20,547,570	\$ 18,718,606
Policy reserve	6,704,101,148	6,672,193,784	6,457,615,328
Premium deficiency reserve	7,714,396	8,130,466	9,590,845
Other reserve	<u>1,842,253</u>	<u>1,845,253</u>	<u>1,863,925</u>
Book value of insurance liabilities	<u>\$ 6,733,543,228</u>	<u>\$ 6,702,717,073</u>	<u>\$ 6,487,788,704</u>
Estimated present value of cash flows	<u>\$ 6,293,018,832</u>	<u>\$ 5,672,979,281</u>	<u>\$ 5,797,277,221</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.

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</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 2022, with neutral assumptions for the discount rate after 30 years.	Under the asset allocation situation on September 30, 2022, 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 2021, with neutral assumptions for the discount rate after 30 years.

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</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 2022, 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 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 2021, with neutral assumptions for the discount rate after 30 years.

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</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	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 the return on investment of the 5-year financial forecast of current year with neutral assumption for discount rates after 5 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, 2023, December 31, 2022 and March 31, 2022, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Life insurance	\$ 18,843,208	\$ 17,369,718	\$ 15,535,756
Investment-linked insurance	<u>1,014,175</u>	<u>1,125,751</u>	<u>1,137,505</u>
	<u>\$ 19,857,383</u>	<u>\$ 18,495,469</u>	<u>\$ 16,673,261</u>
	For the Three Months Ended March 31		
		2023	2022
Beginning balance		\$ 18,495,469	\$ 15,188,788
Premiums received		2,047,252	1,404,265
Claims and payments		(1,065,011)	(757,330)
Net provision of statutory reserve		328,445	254,293
Foreign exchange		<u>51,228</u>	<u>583,245</u>
Ending balance		<u>\$ 19,857,383</u>	<u>\$ 16,673,261</u>

9) Reserve for foreign exchange valuation

a) The hedging strategy and risk exposure

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

b) Reconciliation for reserve for foreign exchange valuation

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$ 49,503,457	\$ 9,053,726
Provision:		
Compulsory reserve	2,267,841	1,693,854
Additional reserve	<u>568,903</u>	<u>12,297,070</u>
	2,836,744	13,990,924
Recovery	<u>(10,173,280)</u>	<u>-</u>
Ending balance	<u>\$ 42,166,921</u>	<u>\$ 23,044,650</u>

c) Effects due to reserve for foreign exchange valuation

Item	For the Three Months Ended March 31, 2023		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 1,139,799	\$ 7,009,028	\$ 5,869,229
Earnings per share	0.08	0.48	0.4
Reserve for foreign exchange valuation	-	42,166,921	42,166,921
Equity attributable to owners of the Company	712,542,051	682,411,411	(30,130,640)
	For the Three Months Ended March 31, 2022		
Item	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)

b. Cathay Century and its subsidiaries

1) Unearned insurance premium reserve

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

Insurance Type	March 31, 2023			
	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	\$ 1,666,855	\$ 91,780	\$ 1,221,124	\$ 537,511
Marine insurance	236,150	9,013	190,232	54,931
Land and air insurance	7,241,364	1,681	331,606	6,911,439
Liability insurance	1,328,375	1,535	389,022	940,888
Guarantee insurance	57,221	3,857	47,405	13,673
Other property insurance	1,445,819	30,514	1,200,183	276,150
Accident insurance	1,653,683	4,880	158,794	1,499,769
Health insurance	81,469	1	10,875	70,595
Policy-oriented residential earthquake insurance	235,969	32,269	235,969	32,269
Compulsory automobile liability insurance	<u>1,257,855</u>	<u>464,789</u>	<u>754,713</u>	<u>967,931</u>
	<u>\$ 15,204,760</u>	<u>\$ 640,319</u>	<u>\$ 4,539,923</u>	<u>\$ 11,305,156</u>

December 31, 2022

Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Fire insurance	\$ 1,893,367	\$ 127,729	
Marine insurance	202,701	7,867	153,542	57,026
Land and air insurance	7,010,302	2,848	232,378	6,780,772
Liability insurance	1,292,650	1,011	403,032	890,629
Guarantee insurance	57,735	1,470	38,608	20,597
Other property insurance	1,446,086	29,349	1,166,220	309,215
Accident insurance	1,601,564	5,204	143,686	1,463,082
Health insurance	174,035	851	34,013	140,873
Policy-oriented residential earthquake insurance	238,221	29,845	238,220	29,846
Compulsory automobile liability insurance	<u>1,250,469</u>	<u>464,968</u>	<u>750,282</u>	<u>965,155</u>
	<u>\$ 15,167,130</u>	<u>\$ 671,142</u>	<u>\$ 4,482,083</u>	<u>\$ 11,356,189</u>

March 31, 2022

Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Fire insurance	\$ 1,777,761	\$ 173,318	
Marine insurance	169,190	11,352	148,082	32,460
Land and air insurance	6,394,273	9,770	211,538	6,192,505
Liability insurance	1,150,338	1,957	306,880	845,415
Guarantee insurance	47,493	2,734	23,717	26,510
Other property insurance	1,613,739	36,616	1,261,570	388,785
Accident insurance	1,619,509	9,222	153,203	1,475,528
Health insurance	273,819	(620)	91,219	181,980
Policy-oriented residential earthquake insurance	228,735	32,138	228,735	32,138
Compulsory 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>

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

	For the Three Months Ended March 31			
	2023		2022	
	Unearned Premium Reserve	Ceded Unearned Premium Reserve	Unearned Premium Reserve	Ceded Unearned Premium Reserve
Beginning balance	\$ 15,838,272	\$ 4,482,083	\$ 15,305,826	\$ 4,361,937
Provision	15,843,469	4,539,224	15,244,865	4,354,895
Recovery	(15,868,037)	(4,489,925)	(15,345,619)	(4,379,697)
Foreign exchange	<u>31,375</u>	<u>8,541</u>	<u>44,022</u>	<u>19,342</u>
Ending balance	<u>\$ 15,845,079</u>	<u>\$ 4,539,923</u>	<u>\$ 15,249,094</u>	<u>\$ 4,356,477</u>

2) Loss reserve

a) Loss reserve and ceded loss reserve

Items	March 31, 2023			
	Loss Reserve		Ceded Loss Reserve	
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Filed not yet paid	\$ 8,563,797	\$ 1,083,565	\$ 3,744,718	\$ 5,902,644
Not yet filed	<u>5,483,941</u>	<u>533,786</u>	<u>1,680,876</u>	<u>4,336,851</u>
	<u>\$ 14,047,738</u>	<u>\$ 1,617,351</u>	<u>\$ 5,425,594</u>	<u>\$ 10,239,495</u>

Items	December 31, 2022			
	Loss Reserve		Ceded Loss Reserve	
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Filed not yet paid	\$ 9,206,621	\$ 1,230,106	\$ 3,972,173	\$ 6,464,554
Not yet filed	<u>12,626,344</u>	<u>475,820</u>	<u>2,418,383</u>	<u>10,683,781</u>
	<u>\$ 21,832,965</u>	<u>\$ 1,705,926</u>	<u>\$ 6,390,556</u>	<u>\$ 17,148,335</u>

Items	March 31, 2022			
	Loss Reserve		Ceded Loss Reserve	
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Filed not yet paid	\$ 5,949,274	\$ 1,150,619	\$ 2,719,909	\$ 4,379,984
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) Net changes in loss reserve and ceded loss reserve

For the three months ended March 31, 2023

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	Loss Reserve (5)=(1)-(2)+ (3)-(4)
Filed not yet paid	\$ 8,594,924	\$ 9,236,940	\$ 1,083,565	\$ 1,230,106	\$ (788,557)
Not yet filed	<u>5,449,980</u>	<u>12,593,469</u>	<u>533,786</u>	<u>475,820</u>	<u>(7,085,523)</u>
	<u>\$ 14,044,904</u>	<u>\$ 21,830,409</u>	<u>\$ 1,617,351</u>	<u>\$ 1,705,926</u>	<u>\$ (7,874,080)</u>

Items	Ceded Reinsurance Business		Net Changes in
	Provision (6)	Recovery (7)	Ceded Loss Reserve (8)=(6)-(7)
Filed not yet paid	\$ 3,758,896	\$ 3,985,634	\$ (226,738)
Not yet filed	<u>1,665,262</u>	<u>2,402,699</u>	<u>(737,437)</u>
	<u>\$ 5,424,158</u>	<u>\$ 6,388,333</u>	<u>\$ (964,175)</u>

For the three months ended March 31, 2022

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	Loss Reserve (5)=(1)-(2)+ (3)-(4)
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
	Provision (6)	Recovery (7)	Ceded Loss Reserve (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>

Refer to Note 39 for the impact of the COVID-19 on Cathay Century and its subsidiaries.

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

Insurance Type	March 31, 2023		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 3,693,129	\$ 309,961	\$ 4,003,090
Marine insurance	681,791	233,864	915,655
Land and air insurance	2,613,180	1,344,687	3,957,867
Liability insurance	555,218	810,235	1,365,453
Guarantee insurance	47,572	34,774	82,346
Other property insurance	886,921	162,785	1,049,706
Accident insurance	272,729	522,399	795,128
Health insurance	419,426	798,200	1,217,626
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>477,396</u>	<u>1,800,822</u>	<u>2,278,218</u>
	<u>\$ 9,647,362</u>	<u>\$ 6,017,727</u>	<u>\$ 15,665,089</u>
Insurance Type	December 31, 2022		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 4,182,815	\$ 82,858	\$ 4,265,673
Marine insurance	671,037	208,516	879,553
Land and air insurance	2,372,432	1,327,669	3,700,101
Liability insurance	661,738	762,778	1,424,516
Guarantee insurance	48,770	34,605	83,375
Other property insurance	801,742	528,210	1,329,952
Accident insurance	256,038	528,089	784,127
Health insurance	957,852	7,837,730	8,795,582
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>484,303</u>	<u>1,791,709</u>	<u>2,276,012</u>
	<u>\$ 10,436,727</u>	<u>\$ 13,102,164</u>	<u>\$ 23,538,891</u>

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	<u>449,057</u>	<u>1,855,143</u>	<u>2,304,200</u>
	<u>\$ 7,099,893</u>	<u>\$ 5,307,376</u>	<u>\$ 12,407,269</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, 2023		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 2,084,631	\$ 142,780	\$ 2,227,411
Marine insurance	514,936	151,176	666,112
Land and air insurance	82,472	38,148	120,620
Liability insurance	223,619	297,282	520,901
Guarantee insurance	13,666	19,278	32,944
Other property insurance	634,841	80,738	715,579
Accident insurance	20,580	40,198	60,778
Health insurance	23,488	90,222	113,710
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>146,485</u>	<u>821,054</u>	<u>967,539</u>
	<u>\$ 3,744,718</u>	<u>\$ 1,680,876</u>	<u>\$ 5,425,594</u>

Insurance Type	December 31, 2022		
	Filed Not Yet		
	Paid	Not Yet Filed	Total
Fire insurance	\$ 2,379,825	\$ 38,119	\$ 2,417,944
Marine insurance	482,299	133,887	616,186
Land and air insurance	108,566	37,903	146,469
Liability insurance	283,097	281,830	564,927
Guarantee insurance	13,774	19,391	33,165
Other property insurance	489,080	109,591	598,671
Accident insurance	23,411	41,044	64,455
Health insurance	42,960	940,321	983,281
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>149,161</u>	<u>816,297</u>	<u>965,458</u>
	<u>\$ 3,972,173</u>	<u>\$ 2,418,383</u>	<u>\$ 6,390,556</u>

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>

e) Reconciliation of loss reserve and ceded loss reserve

	For the Three Months Ended March 31			
	2023		2022	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	\$ 23,538,891	\$ 6,390,556	\$ 11,835,272	\$ 4,119,854
Provision	15,662,255	5,424,158	12,403,647	4,271,643
Recovery	(23,536,335)	(6,388,333)	(11,837,060)	(4,121,383)
Foreign exchange	<u>278</u>	<u>(787)</u>	<u>5,410</u>	<u>3,737</u>
Ending balance	<u>\$ 15,665,089</u>	<u>\$ 5,425,594</u>	<u>\$ 12,407,269</u>	<u>\$ 4,273,851</u>

3) Special reserve

a) Special reserve for compulsory automobile liability insurance

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$ 926,605	\$ 851,422
Provision	23,808	61,472
Recovery	<u>(12,989)</u>	<u>(63,834)</u>
Ending balance	<u>\$ 937,424</u>	<u>\$ 849,060</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, recognized as expense in its own compulsory automobile liability insurance business starting from April 1, 2021. In the case of a deficit in the annual net insurance premium in the business run by a property insurance company in the future, the deficit shall be compensated with the special reserve first; if there is still any shortage, it shall be handled in accordance with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

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

	For the Three Months Ended March 31, 2023		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	\$ 393,265	\$ 308,499	\$ 701,764
Provision	-	-	-
Recovery	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 393,265</u>	<u>\$ 308,499</u>	<u>\$ 701,764</u>

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

If the Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises (formerly Directions for Strengthening Natural Disaster Insurance (Commercial Earthquake, Typhoon and Flood Insurance) Reserve by Non-Life Insurance Enterprises), Directions in Strengthening the Reserve Provision Made by the Co-Insurance Members Undertaking the Taiwan Residential Earthquake Insurance, and Directions for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises were not applied. There is no material impact on the Cathay Century and its subsidiaries income before tax and earnings per share for the three months ended March 31, 2023 and 2022, respectively. The special reserve under liabilities would decrease by \$393,265 thousand and \$1,429,782 thousand, and the special reserve under equity would increased by \$308,748 thousand and \$310,139 thousand.

For the year ended December 31, 2022, the Cathay Century and its subsidiaries recovered of \$1,036,518 thousand from the special reserve for fluctuation of risk in accordance with the Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises, since the actual retained claims resulted from disasters exceeded the expected claims net of the reversal of the special reserve for a catastrophic event.

4) Premium deficiency reserve

a) Premium deficiency reserve and ceded premium deficiency reserve

Insurance Type	March 31, 2023			
	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	-	834	-	834
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ -</u>	<u>\$ 834</u>	<u>\$ -</u>	<u>\$ 834</u>

December 31, 2022

Insurance Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Fire insurance	\$ 28,236	\$ 11,735	
Marine insurance	3	192	-	195
Land and air insurance	-	94	-	94
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	1,200,000	-	-	1,200,000
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ 1,228,239</u>	<u>\$ 12,021</u>	<u>\$ -</u>	<u>\$ 1,240,260</u>

March 31, 2022

Insurance Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Fire insurance	\$ -	\$ -	
Marine insurance	-	-	-	-
Land and air insurance	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>

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

For the Three Months Ended March 31, 2023									
Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$ -	\$ 28,236	\$ -	\$ 11,735	\$ (39,971)	\$ -	\$ -	\$ -	\$ (39,971)
Marine insurance	-	3	-	192	(195)	-	-	-	(195)
Land and air insurance	-	-	834	94	740	-	-	-	740
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	1,200,000	-	-	(1,200,000)	-	-	-	(1,200,000)
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 1,228,239</u>	<u>\$ 834</u>	<u>\$ 12,021</u>	<u>\$ (1,239,426)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,239,426)</u>

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

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

	For the Three Months Ended March 31			
	2023	Ceded Premium Deficiency Reserve	2022	Ceded Premium Deficiency Reserve
Beginning balance	\$ 1,240,260	\$ -	\$ -	\$ -
Provision	834	-	118	-
Recovery	<u>(1,240,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 834</u>	<u>\$ -</u>	<u>\$ 118</u>	<u>\$ -</u>

5) Policy reserve

a) Details of policy reserve and ceded policy reserve

March 31, 2023

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	\$ 152	\$ -	\$ -	\$ 152

December 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	\$ 170	\$ -	\$ -	\$ 170

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

b) Net changes in policy reserve and ceded policy reserve

For the three months ended March 31, 2023

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve (5)=(1)-(2)+(3)-(4)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	
Health insurance	\$ -	\$ 18	\$ -	\$ -	\$ (18)

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

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	\$ -	\$ -	\$ -

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, 2022 and 2021, respectively, and recognized as follows:

	For the Three Months Ended March 31	
	2023	2022
Employee benefit expenses	\$ 101,112	\$ 111,809

23. OTHER FINANCIAL ASSETS AND LIABILITIES

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Other financial assets</u>			
Separate account insurance product assets	\$ 671,735,955	\$ 655,426,996	\$ 714,689,756
Others	13,742,423	14,405,663	15,646,616
	<u>\$ 685,478,378</u>	<u>\$ 669,832,659</u>	<u>\$ 730,336,372</u>
<u>Other financial liabilities</u>			
Separate account insurance product liabilities	\$ 671,735,955	\$ 655,426,996	\$ 714,689,756
Principal received from the sale of structured products	62,358,537	56,044,354	34,358,564
Others	9,442,716	9,177,045	7,786,229
	<u>\$ 743,537,208</u>	<u>\$ 720,648,395</u>	<u>\$ 756,834,549</u>

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

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Separate account insurance product assets</u>			
Cash in bank	\$ 1,858,378	\$ 1,635,905	\$ 614,587
Financial assets at FVTPL	663,768,768	649,304,281	704,538,650
Other receivables	<u>5,999,908</u>	<u>4,379,432</u>	<u>9,420,820</u>
	<u>\$ 671,627,054</u>	<u>\$ 655,319,618</u>	<u>\$ 714,574,057</u>
<u>Separate account insurance product liabilities</u>			
Other payables	\$ 406,901	\$ 599,679	\$ 230,976
Reserve for separate accounts - insurance contracts	263,605,345	257,742,323	298,582,096
Reserve for separate accounts - investment contracts	<u>407,614,808</u>	<u>396,977,616</u>	<u>415,760,985</u>
	<u>\$ 671,627,054</u>	<u>\$ 655,319,618</u>	<u>\$ 714,574,057</u>
		For the Three Months Ended March 31	
		2023	2022
<u>Separate account insurance product income</u>			
Premium income		\$ 5,617,582	\$ 8,289,400
Interest income		3,522	156
Gains (losses) from financial assets at FVTPL		12,408,680	(15,898,787)
Foreign exchange (losses) gains		<u>(1,912,194)</u>	<u>7,300,629</u>
		<u>\$ 16,117,590</u>	<u>\$ (308,602)</u>
<u>Separate account insurance product expenses</u>			
Claims and payments		\$ 4,688,623	\$ 3,163,125
Cash surrender value		4,162,212	4,715,029
Provision (reversal) of separate account reserve		6,269,111	(9,276,939)
Administrative expenses		1,035,224	1,124,426
Non-operating income and expenses		<u>(37,580)</u>	<u>(34,243)</u>
		<u>\$ 16,117,590</u>	<u>\$ (308,602)</u>

For the three months ended March 31, 2023 and 2022, the rebates earned from counterparties due to the business of separate account insurance products were \$160,753 thousand and \$203,917 thousand, respectively, which were recorded under net gain on service fee income and commission fee.

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

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Separate account insurance product assets</u>			
Cash in bank	\$ 9,532	\$ 4,944	\$ 10,842
Financial assets at FVTPL	99,353	102,417	104,841
Others	<u>16</u>	<u>17</u>	<u>16</u>
	<u>\$ 108,901</u>	<u>\$ 107,378</u>	<u>\$ 115,699</u>
<u>Separate account insurance product liabilities</u>			
Reserve for separate accounts - insurance contracts	<u>\$ 108,901</u>	<u>\$ 107,378</u>	<u>115,699</u>
		For the Three Months Ended March 31	
		2023	2022
<u>Separate account insurance product income</u>			
Premium income		\$ 13	\$ 13
Losses from financial assets at FVTPL		-	(1,818)
Interest income		<u>-</u>	<u>8</u>
		<u>\$ 13</u>	<u>\$ (1,797)</u>
<u>Separate account insurance product expenses</u>			
Provision (reversal) of separate account reserve		\$ 13	\$ (2,147)
Other		<u>-</u>	<u>350</u>
		<u>\$ 13</u>	<u>\$ (1,797)</u>

24. EQUITY

- a. Share capital

	March 31, 2023	December 31, 2022	March 31, 2022
Number of shares authorized (in thousands)	<u>18,000,000</u>	<u>18,000,000</u>	<u>18,000,000</u>
Shares authorized	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>
Number of shares issued and fully paid (in thousands)			
Ordinary shares	<u>14,669,210</u>	<u>14,669,210</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>\$ 162,025,102</u>	<u>\$ 162,025,102</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.

On October 20, 2022, the board of directors resolved the capital increase through issuance of 1,500,000 thousand ordinary shares and the issue price was \$35 per share. The above transaction was approved by the FSC Jin Guan Zheng Fa No. 1110361791, and the subscription base date was determined by the board of directors to be December 27, 2022.

Issuance of preference shares

- 1) On September 9, 2016, the board of directors resolved to 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 B 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:

	March 31, 2023	December 31, 2022	March 31, 2022
Additional paid-in capital	\$ 210,405,009	\$ 210,405,009	\$ 172,905,009
Treasury share transactions	2,539,377	2,539,377	2,539,377
Additional paid-in capital - employee stock options	1,192,146	1,175,607	497,629
Conversion of convertible bonds	1,144,486	1,144,486	1,144,486
Others	<u>54,166</u>	<u>53,568</u>	<u>37,650</u>
	<u>\$ 215,335,184</u>	<u>\$ 215,318,047</u>	<u>\$ 177,124,151</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 present the remaining balance after the appropriation of the 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 the current year or actual needs) and reversal of special reserve in accordance with the laws and regulations 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 the 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 20% 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 2022 that were proposed by the board of directors on April 27, 2023 and the appropriations of earnings of 2021 that had been resolved by the shareholders in their meeting on June 17, 2022, were as follows:

	Appropriation of Earnings	
	2022	2021
Legal reserve	\$ 2,638,501	\$ 14,275,164
Special reserve	227,719,196	52,628
Cash dividends of ordinary shares (Note)	13,202,289	46,092,235
Cash dividends of preference shares (Note)	3,390,924	3,390,924

Note: The payment of cash dividends for ordinary shares and cash dividends for preference shares were distributed in capital surplus and the legal reserve.

The appropriations of earnings for 2022 will be resolved by the shareholders in their meeting.

d. Special reserves

	March 31, 2023	December 31, 2022	March 31, 2022
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 for appropriation at the first-time adoption of IFRSs (3)	2,994,565	2,994,565	2,994,565
Special reserve for appreciation of investment properties (4)	108,931,710	108,931,710	108,879,082
Special reserve transferred from insurance liabilities (5)	<u>34,764,311</u>	<u>34,764,311</u>	<u>34,764,311</u>
	<u>\$ 150,768,651</u>	<u>\$ 150,768,651</u>	<u>\$ 150,716,023</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 the financial statements of foreign operations

	For the Three Months Ended	
	March 31	
	2023	2022
Beginning balance	\$ (13,027,301)	\$ (18,652,251)
Recognized for the period	202,052	3,126,219
Share of associates accounted for using the equity method	(20,299)	902,119
Tax effects	9,355	(374,951)
Other comprehensive income recognized for the period	<u>191,108</u>	<u>3,653,387</u>
Ending balance	<u>\$ (12,836,193)</u>	<u>\$ (14,998,864)</u>

2) Unrealized loss on financial assets at FVTOCI

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$ (58,533,041)	\$ 47,131,473
Recognized for the period	23,448,416	(125,800,355)
Share of associates accounted for using the equity method	(271,185)	(571,374)
Reclassification adjustments		
Disposal of debt instruments	(95,629)	(2,703,994)
Tax effects	<u>(2,359,748)</u>	<u>24,343,462</u>
Other comprehensive income (loss) recognized for the period	<u>20,721,854</u>	<u>(104,732,261)</u>
Cumulative unrealized loss (income) of equity instruments transferred to retained earnings due to disposal	<u>27,558</u>	<u>(76,897)</u>
Ending balance	<u>\$ (37,783,629)</u>	<u>\$ (57,677,685)</u>

3) Gain on hedging instruments

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$ 950,265	\$ 335,851
Recognized for the period	(100,610)	(99,709)
Reclassification adjustments		
Hedged item that affects profit or loss	228,625	109,805
Tax effects	<u>(26,281)</u>	<u>436</u>
Other comprehensive income recognized for the period	<u>101,734</u>	<u>10,532</u>
Ending balance	<u>\$ 1,051,999</u>	<u>\$ 346,383</u>

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

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$ (428,795)	\$ (889,397)
Recognized for the period	175,608	333,517
Tax effects	<u>(35,121)</u>	<u>(66,704)</u>
Other comprehensive income recognized for the period	<u>140,487</u>	<u>266,813</u>
Ending balance	<u>\$ (288,308)</u>	<u>\$ (622,584)</u>

5) Remeasurement of defined benefit plans

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$ (1,097,143)	\$ (966,130)
Recognized for the period	(2,723)	(826)
Share of associate accounted for using the equity method	(142,567)	1,863
Tax effects	<u>29,202</u>	<u>29</u>
Other comprehensive (loss) income recognized for the period	<u>(116,088)</u>	<u>1,066</u>
Ending balance	<u>\$ (1,213,231)</u>	<u>\$ (965,064)</u>

6) Property revaluation surplus

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$ 12,609,000	\$ 11,281,909
Recognized for the period	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 12,609,000</u>	<u>\$ 11,281,909</u>

7) Other comprehensive loss on reclassification using the overlay approach

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$(171,329,940)	\$ 64,764,671
Recognized for the period		
Unrealized gain (loss)	73,339,528	(71,032,650)
Reclassification adjustments		
Disposal of financial instruments	(13,181,068)	(16,520,122)
Tax effects	<u>(4,652,634)</u>	<u>6,955,489</u>
Other comprehensive income (loss) recognized for the period	<u>55,505,826</u>	<u>(80,597,283)</u>
Ending balance	<u>\$(115,824,114)</u>	<u>\$ (15,832,612)</u>

8) Other equity - other

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$ (2,493,326)	\$ (3,224,389)
Other	<u>-</u>	<u>-</u>
Ending balance	<u>\$ (2,493,326)</u>	<u>\$ (3,224,389)</u>

f. Non-controlling interests

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$ 12,867,695	\$ 12,000,581
Attributed to non-controlling interest		
Net profit for the period	164,356	168,521
Exchange differences on translation of the financial statements of foreign operations	(37,185)	419,841
Unrealized gain (loss) on financial assets at FVTOCI	118,339	(171,496)
Other comprehensive income on reclassification using the overlay approach	341,194	44,409
Acquisition of non-controlling interests in subsidiaries (Note 38)	15,585	-
Others	<u>(34,233)</u>	<u>(309,745)</u>
Ending balance	<u>\$ 13,435,751</u>	<u>\$ 12,152,111</u>

25. NET PROFIT FOR THE PERIOD

a. Net gain on service fee and commission fee

	For the Three Months Ended March 31	
	2023	2022
Service fee revenue	\$ 9,351,146	\$ 8,870,891
Commission fee revenue	<u>2,494,812</u>	<u>2,575,360</u>
	<u>11,845,958</u>	<u>11,446,251</u>
Service fee expense	(2,852,627)	(2,616,440)
Commission fee expense	<u>(4,795,908)</u>	<u>(4,566,671)</u>
	<u>(7,648,535)</u>	<u>(7,183,111)</u>
	<u>\$ 4,197,423</u>	<u>\$ 4,263,140</u>

b. Net income on insurance operations

	For the Three Months Ended March 31	
	2023	2022
Retained premiums earned	\$ 106,592,341	\$ 107,007,942
Separate account insurance product income	<u>16,117,603</u>	<u>(310,399)</u>
	<u>122,709,944</u>	<u>106,697,543</u>
Claims and payments	(109,567,428)	(77,052,080)
Separate account insurance product expenses	(16,117,603)	310,399
Others	<u>(70,950)</u>	<u>(216,506)</u>
	<u>(125,755,981)</u>	<u>(76,958,187)</u>
	<u>\$ (3,046,037)</u>	<u>\$ 29,739,356</u>

c. Net changes in insurance liability reserves

	For the Three Months Ended March 31	
	2023	2022
Net change in loss reserve	\$ 7,093,367	\$ (743,947)
Net change in policy reserve	(46,611,988)	(70,344,614)
Net change in premium deficiency reserve	1,635,853	318,164
Net change in special reserve	(10,976)	2,057
Net change in other reserves	3,000	2,000
Net change in reserve for insurance contracts with the nature of financial products	<u>(328,445)</u>	<u>(254,293)</u>
	<u>\$ (38,219,189)</u>	<u>\$ (71,020,633)</u>

d. Employee benefit expenses

	For the Three Months Ended March 31	
	2023	2022
Short-term benefits		
Salaries	\$ 14,810,404	\$ 14,448,866
Labor and health insurance expenses	1,335,287	1,351,835
Post-employment benefits	552,104	571,331
Remuneration of directors	47,927	88,913
Others	<u>312,299</u>	<u>308,908</u>
	<u>\$ 17,058,021</u>	<u>\$ 16,769,853</u>
An analysis of employee benefit expenses by function		
Profit from operations	\$ 2,437,974	\$ 2,684,831
Operating expenses	<u>14,620,047</u>	<u>14,085,022</u>
	<u>\$ 17,058,021</u>	<u>\$ 16,769,853</u>

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 compensation of employees and remuneration of directors for the three months ended March 31, 2023 and 2022, which were accrued at the rates of 0.01% and no higher than 0.05%, respectively, were as follows:

	For the Three Months Ended March 31	
	2023	2022
	Cash	Cash
Compensation of employees	\$ 690	\$ 3,429
Remuneration of directors	450	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 2022 and 2021 which were resolved by the Company's board of directors on March 9, 2023 and March 11, 2022, respectively, were as follows:

	For the Years Ended December 31	
	2022	2021
	Cash	Cash
Compensation of employees	\$ 4,098	\$ 14,057
Remuneration of directors	1,800	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, 2022 and 2021.

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

f. Depreciation and amortization

	For the Three Months Ended March 31	
	2023	2022
Right-of-use assets	\$ 411,041	\$ 381,854
Property and equipment	905,943	663,892
Intangible assets	<u>787,702</u>	<u>740,815</u>
	<u>\$ 2,104,686</u>	<u>\$ 1,786,561</u>
 An analysis of depreciation by function		
Operating expenses	<u>\$ 1,316,984</u>	<u>\$ 1,045,746</u>
 An analysis of amortization by function		
Operating expenses	<u>\$ 787,702</u>	<u>\$ 740,815</u>

26. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2023	2022
Current tax		
In respect of the current period	\$ 770,711	\$ 181,731
Adjustments for prior years	423	(30,141)
Others	943,519	400,413
Deferred tax		
In respect of the current period	(1,650,069)	4,881,147
Adjustments for prior years	(544)	-
Income tax expense recognized in profit or loss	<u>\$ 64,040</u>	<u>\$ 5,433,150</u>

b. Income tax recognized directly in equity

	For the Three Months Ended March 31	
	2023	2022
Current tax		
Derecognition of equity instruments at FVTOCI	\$ 20,957	\$ (2,665)
Deferred tax		
Derecognition of equity instruments at FVTOCI	(20,957)	2,665
Capital surplus	-	30,088
Income tax recognized directly in equity	<u>\$ -</u>	<u>\$ 30,088</u>

c. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2023	2022
<u>Deferred tax</u>		
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ (35,121)	\$ (66,704)
Exchange differences on the translation of financial statements of foreign operations	9,355	(374,951)
Unrealized (gain) loss on financial assets at FVTOCI	(2,387,259)	24,286,221
(Gain) loss on hedging instruments	(26,281)	436
Remeasurement of defined benefit plans	545	165
Shares of other comprehensive loss of associates accounted for using the equity method	56,168	57,105
Other comprehensive loss on reclassified using overlay approach	<u>(4,652,634)</u>	<u>6,955,489</u>
Income tax benefit recognized in other comprehensive income	<u>\$ (7,035,227)</u>	<u>\$ 30,857,761</u>

d. Income tax assessments

The income tax returns of the Group and subsidiaries were as follows:

	<u>Year of Assessment</u>	<u>Note</u>
The Company	2017	-
Cathay Life	2017	In the process of administrative remedy for 2015 and 2017
Cathay United Bank	2017	In the process of administrative remedy for 2015 and 2017
Cathay Century	2017	-
Cathay Securities	2017	In the process of administrative remedy for 2015.
Cathay Venture	2020	Not yet approved for 2018, in the process of administrative remedy for 2016.
Cathay Securities Investment Trust	2017	-

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

27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2023	2022
Basic earnings per share	<u>\$ 0.48</u>	<u>\$ 2.60</u>

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

Net Income for the Period

	For the Three Months Ended March 31	
	2023	2022
Net income for the period attributable to owners of the Company	<u>\$ 7,009,028</u>	<u>\$ 34,206,762</u>

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

	For the Three Months Ended March 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>14,669,210</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 will be 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
Cathay Industrial R&D Center	Subsidiary
Global Evolution Holding ApS	Subsidiary
Cathay Power Inc.	Subsidiary (Note 1)
SUNRISE PV ONE CO., LTD.	Subsidiary (Note 2)
Cathy Sunrise Two Co., Ltd.	Subsidiary (Note 2)
Cathy Sunrise Electric Power Two Co., Ltd.	Subsidiary (Note 2)
Bai Yang Energy Co., Ltd.	Subsidiary (Note 2)
Hong Cheng Sing Tech. Co., Ltd.	Subsidiary (Note 2)
Shen Lyu Co., Ltd.	Subsidiary (Note 2)
Nan Yang Power., Ltd.	Subsidiary (Note 2)
Neo Cathy Power Corp.	Subsidiary (Note 1)
CM Energy Co., Ltd.	Subsidiary (Note 1)
Shu Guang Energy Co., Ltd.	Subsidiary (Note 2)
Si Yi Co., Ltd.	Subsidiary (Note 2)
Da Li Energy Co., Ltd.	Subsidiary (Note 2)
Yong Han Co., Ltd.	Subsidiary (Note 2)
Hong Tai Energy Co., Ltd.	Subsidiary (Note 2)
Hongtai Power H Co., Ltd.	Subsidiary (Note 2)
Tian Ji Energy Co., Ltd.	Subsidiary (Note 2)
Tian Ji Power Co., Ltd.	Subsidiary (Note 2)
Chen Fong Power Co., Ltd.	Subsidiary since December 2022

(Continued)

Related Party Name	Related Party Category
Cathay Insurance (Vietnam)	Subsidiary
Indovina Bank	Subsidiary
CUBC Bank	Subsidiary
CUBC-I	Subsidiary
CUBCN Bank	Subsidiary
Cathay Futures	Subsidiary
Cathay Private Equity	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
Lin Yuan Property Management Co., Ltd.	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
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
Tien-Tai energy Co., Ltd.	Other related party
Cathay Cultural Foundation	Other related party
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cathay Life Insurance Employees' Welfare Committee	Other related party
Cathay United Bank Employees' Welfare Committee	Other related party
Cathay Real Estate Development Employees' Welfare Committee	Other related party
Hsin Chung Co., Ltd.	Other related party
Pai Hsing Investment Co., Ltd.	Other related party
Bannan Realty 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
Sanchong Realty Co., Ltd.	Other related party

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Ann Fong Co., Ltd.	Other related party
Srisawad Corporation Public Company Limited	Other related party
Quantifeed Holdings Limited	Other related party
Taiwan Asset Management Corporation	Other related party
Taipei Forex Inc.	Other related party
HanTech Venture Capital Corporation	Other related party
Financial information service Co., Ltd.	Other related party
Zhulun Realty Co., Ltd.	Other related party
EasyCard Corporation	Other related party
Tai Lung Capital Inc.	Other related party
Jinhua Realty Co., Ltd.	Other related party
Bioengine Capital Inc.	Other related party
Lin Yuan Investment Co., Ltd.	Other related party
Others	Other related party

(Concluded)

Note 1: Associate before November 2022

Note 2: Other related party before November 2022

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	<u>March 31, 2023</u>		<u>December 31, 2022</u>		<u>March 31, 2022</u>	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party Vietinbank	\$ 50,458	\$ 8	\$ 169,946	\$ 139	\$ 60,848	\$ 6

b) Due to commercial banks

Name	<u>March 31, 2023</u>		<u>December 31, 2022</u>		<u>March 31, 2022</u>	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party Vietinbank	\$ 33,509	\$ 983	\$ 1,296,629	\$ 4,111	\$ 18,279	\$ -

c) Investments in marketable bonds (financial assets at FVOCI)

Name	<u>March 31, 2023</u>		<u>December 31, 2022</u>		<u>March 31, 2022</u>	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party Vietinbank	\$ 388,361	\$ 6,143	\$ 386,264	\$ 24,266	\$ 375,781	\$ 5,889

2) Balance of shares issued by related parties

Name	March 31, 2023	December 31, 2022	March 31, 2022
Associate			
PSS Co., Ltd.	\$ 29,885	\$ 22,400	\$ 15,728
Other related party			
Srisawad Corporation Public Company Limited	5,882,023	5,511,187	6,178,996
CDIB & PARTNERS Investment Holding Corporation	1,435,317	1,389,761	1,599,615
Cathay Real Estate Development Co., Ltd.	1,173,857	1,046,860	1,297,420
Taiwan Asset Management Corporation	996,202	1,021,279	1,521,780
Financial information service Co., Ltd.	575,660	577,792	757,070
EasyCard Corporation	187,608	14,940	-
Daiwa - Cathay Capital Markets Co., Ltd.	143,200	143,800	145,800
Cathay Healthcare Management Co., Ltd.	137,033	106,343	97,845
HanTech Venture Capital Corporation	84,985	72,622	95,489
Quantifeed Holdings Limited	63,133	62,162	15,383
Taipei Forex Inc.	61,360	58,603	54,827
Ann Fong Co., Ltd. Enterprise Co., Ltd.	22,339	14,463	19,530
	<u>10,762,717</u>	<u>10,019,812</u>	<u>11,783,755</u>
	<u>\$ 10,792,602</u>	<u>\$ 10,042,212</u>	<u>\$ 11,799,483</u>

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

3) Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Three Months Ended March 31	
		2023	2022
Associate			
ThrivEnergy Co., Ltd.	Ordinary shares	\$ -	\$ 216,000

4) Receivable

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party			
Funds managed by Cathay Securities Investment Trust	\$ 298,846	\$ 265,853	\$ 265,061

5) Loans

Name	March 31, 2023		December 31, 2022		March 31, 2022	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Associate						
TaiYang Solar Power Co., Ltd.	\$ 53,321	\$ 353	\$ 54,647	\$ 1,318	\$ 58,613	\$ 291
Taiwan Real-estate Management Corp.	<u>33,000</u>	<u>187</u>	<u>33,000</u>	<u>635</u>	<u>33,000</u>	<u>130</u>
	<u>86,321</u>	<u>540</u>	<u>87,647</u>	<u>1,953</u>	<u>91,613</u>	<u>421</u>
Other related party						
Cathay Real Estate Development Co., Ltd.	620,000	2,758	620,000	11,113	-	-
Tien-Tai energy Co., Ltd.	66,032	463	67,919	1,648	73,579	382
Others	<u>3,584,891</u>	<u>17,997</u>	<u>3,528,289</u>	<u>53,602</u>	<u>3,127,888</u>	<u>10,484</u>
	<u>4,270,923</u>	<u>21,218</u>	<u>4,216,208</u>	<u>66,363</u>	<u>3,201,467</u>	<u>10,866</u>
	<u>\$ 4,357,244</u>	<u>\$ 21,758</u>	<u>\$ 4,303,855</u>	<u>\$ 68,316</u>	<u>\$ 3,293,080</u>	<u>\$ 11,287</u>

6) Deposits

Name	March 31, 2023		December 31, 2022		March 31, 2022	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary						
Cathay Securities Investment Consulting	\$ 647,781	\$ 1,498	\$ 621,212	\$ 1,369	\$ 639,210	\$ 66
Associate						
Lin Yuan Property Management Co., Ltd.	227,402	535	247,327	1,606	200,513	308
CMG International Two Corp.	202,809	177	31,820	271	75,240	2
CMG International One Corp.	130,874	167	43,320	236	65,645	2
Symphox Information Co., Ltd.	<u>91,050</u>	<u>152</u>	<u>220,167</u>	<u>217</u>	<u>146,273</u>	<u>25</u>
	<u>652,135</u>	<u>1,031</u>	<u>542,634</u>	<u>2,330</u>	<u>487,671</u>	<u>337</u>
Other related party						
Cathay Life Insurance Employees' Welfare Committee	2,408,007	8,111	2,301,702	24,533	2,394,710	4,632
Cathay United Bank Employees' Welfare Committee	760,833	7,246	761,220	30,417	762,703	7,095
Cathay United Bank Foundation	553,580	1,789	556,325	5,623	538,664	1,102
Private equity fund managed by Cathay Private Equity	544,652	562	551,457	683	578,331	15
Cathay Real Estate Development Co., Ltd.	519,081	452	429,818	289	111,159	5
Cathay Real Estate Development Employees' Welfare Committee	465,871	1,694	467,213	5,215	437,539	977
Bannan Realty Co., Ltd.	337,633	481	544,195	532	238,683	6
Cathay Charity Foundation	301,197	979	311,735	2,862	292,938	525
Cathay Cultural Foundation	209,601	724	210,841	2,245	208,651	435
Zhulun Realty Co., Ltd.	185,450	211	-	-	-	-
Cathay Hospitality Consulting Co., Ltd	182,454	303	410,749	230	65,963	2
Yua-Yung Marketing (Taiwan) Co., Ltd.	176,561	183	168,200	238	116,971	21
Cathay Medical Care Corp.	158,127	387	522,260	570	301,107	24
Cathay Hospitality Management Co., Ltd.	129,158	215	263,959	260	113,795	4
Sanhong Realty Co., Ltd.	127,286	161	479,732	594	495,207	10
Cathay Real Estate Management Co., Ltd.	124,835	277	110,936	815	105,579	163
EasyCard Corporation	121,912	252	101,163	474	24,903	15
Jinhua Realty Co., Ltd.	118,741	95	52,842	122	64,346	1
Tai Lung Capital Inc.	77,463	232	90,881	691	104,410	127

(Continued)

Name	March 31, 2023		December 31, 2022		March 31, 2022	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Funds managed by Cathay Securities Investment Trust	\$ 41,897	\$ -	\$ 15,380	\$ 2	\$ 100,495	\$ -
Pai Hsing Investment Co., Ltd.	7,484	27	15,521	83	153,622	5
Lin Yuan Investment Co., Ltd.	2,100	2	4,309	4	140,797	1
Bioengine Capital Inc.	-	-	-	-	137,292	4
Others	9,246,047	27,778	8,693,837	68,400	9,037,418	13,719
	<u>16,799,970</u>	<u>52,161</u>	<u>17,064,275</u>	<u>144,882</u>	<u>16,525,283</u>	<u>28,888</u>
	<u>\$ 18,099,886</u>	<u>\$ 54,690</u>	<u>\$ 18,228,121</u>	<u>\$ 148,581</u>	<u>\$ 17,652,164</u>	<u>\$ 29,291</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			
	2023		2022	
	Items	Amount	Items	Amount
Associate				
Lin Yuan Property Management Co., Ltd.	Dunnan Xinyi Building, etc.	5,627	-	-
Other related party				
San Ching Engineering Co., Ltd.	Tucheng East Building etc.	711,521	Tucheng East Building etc.	251,440
Ally Logistic Property Co., Ltd.	Yangmei Erchongxi Warehouse etc.	<u>356,055</u>	-	-
		<u>1,067,576</u>		<u>251,440</u>
		<u>\$ 1,073,203</u>		<u>\$ 251,440</u>

As of March 31, 2023, December 31, 2022 and March 31, 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Lin Yuan Property Management Co., Ltd. were \$5,427 thousand, \$3,447 thousand and \$0 thousand, respectively.

As of March 31, 2023, December 31, 2022 and March 31, 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$15,579,228 thousand, \$15,573,524 thousand and \$15,770,200 thousand, respectively.

As of March 31, 2023, December 31, 2022 and March 31, 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$4,005,983 thousand, \$4,005,983 thousand and \$3,342,857 thousand, respectively.

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

Name	Rental Income	
	For the Three Months Ended	
	March 31	
	2023	2022
Associate		
Symphox Information Co., Ltd.	\$ 8,280	\$ 8,210
Lin Yuan Property Management Co., Ltd.	<u>5,688</u>	<u>4,831</u>
	<u>13,968</u>	<u>13,041</u>
Other related party		
Ally Logistic Property Co., Ltd.	252,177	218,549
Cathay Hospitality Management Co., Ltd.	50,434	50,627
Cathay Medical Care Corp.	49,264	49,094
Cathay Hospitality Consulting Co., Ltd.	48,258	46,766
Cathay Healthcare Management Co., Ltd.	22,525	21,827
Yua-Yung Marketing (Taiwan) Co., Ltd.	12,842	10,967
Hong-Sui Co., Ltd.	8,569	7,091
Cathay Real Estate Development Co., Ltd.	4,491	4,297
Hsin Chung Co., Ltd.	-	<u>3,226</u>
	<u>448,560</u>	<u>412,444</u>
	<u>\$ 462,528</u>	<u>\$ 425,485</u>

Name	Guarantee Deposits Received		
	March 31,	December 31,	March 31,
	2023	2022	2022
Associate			
Symphox Information Co., Ltd.	<u>\$ 11,708</u>	<u>\$ 11,708</u>	<u>\$ 8,000</u>
Other related party			
Ally Logistic Property Co., Ltd.	210,928	210,782	181,387
Cathay Hospitality Management Co., Ltd.	191,702	190,582	189,709
Cathay Hospitality Consulting Co., Ltd.	184,100	184,100	182,277
Cathay Medical Care Corp.	61,208	61,208	63,583
Cathay Healthcare Management Co., Ltd.	24,942	21,113	21,113
Yua-Yung Marketing (Taiwan) Co., Ltd.	7,330	5,370	4,915
Hong-Sui Co., Ltd.	5,612	4,740	4,740
Cathay Real Estate Development Co., Ltd.	4,086	4,086	4,313
Cymlin Co., Ltd.	4,081	4,081	4,081
Hsin Chung Co., Ltd.	<u>3,072</u>	<u>3,072</u>	<u>3,072</u>
	<u>697,061</u>	<u>689,134</u>	<u>659,190</u>
	<u>\$ 708,769</u>	<u>\$ 700,842</u>	<u>\$ 667,190</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	
	2023	2022
Other related party Cathay Real Estate Development Co., Ltd.	\$ <u>-</u>	\$ <u>7,844</u>

ii. Lease liabilities

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party Cathay Real Estate Development Co., Ltd.	\$ 21,379	\$ 25,561	\$ 16,718
Ally Logistic Property Co., Ltd.	3,618	4,381	5,414
Yi Ru Capital Co., Ltd.	<u>-</u>	<u>1,064</u>	<u>4,226</u>
	\$ <u>24,997</u>	\$ <u>31,006</u>	\$ <u>26,358</u>

iii. Guarantee deposits paid

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party Cathay Real Estate Development Co., Ltd.	\$ <u>4,482</u>	\$ <u>4,482</u>	\$ <u>4,482</u>

d) Acquisition of computer equipment and software

Name	For the Three Months Ended March 31	
	2023	2022
Other related party ThinkPower Information Co., Ltd.	\$ <u>4,501</u>	\$ <u>6,763</u>

8) Guarantee deposits received

Name	March 31, 2023	December 31, 2022	March 31, 2022
Associate Lin Yuan Property Management Co., Ltd.	\$ <u>5,000</u>	\$ <u>5,000</u>	\$ <u>5,000</u>
Other related party San Ching Engineering Co., Ltd.	1,638,977	1,638,378	1,870,877
Ally Logistic Property Co., Ltd.	<u>1,458,873</u>	<u>1,458,873</u>	<u>1,486,507</u>
	<u>3,097,850</u>	<u>3,097,251</u>	<u>3,357,384</u>
	\$ <u>3,102,850</u>	\$ <u>3,102,251</u>	\$ <u>3,362,384</u>

9) contract liabilities

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party Private Equity Funds managed by Cathay Private Equity	\$ <u>71,930</u>	\$ <u>-</u>	\$ <u>61,280</u>

10) Futures trader's equity

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party Fund managed by Cathay Securities Investment Trust	\$ <u>2,644,832</u>	\$ <u>2,345,956</u>	\$ <u>1,265,895</u>

11) Payables

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary Cathay Securities Investment Consulting	\$ <u>27,248</u>	\$ <u>25,883</u>	\$ <u>30,840</u>
Associate Symphox Information Co., Ltd.	96,016	59,739	57,229
Lin Yuan Property Management Co., Ltd.	<u>18,515</u>	<u>2,610</u>	<u>19,243</u>
	<u>114,531</u>	<u>62,349</u>	<u>76,472</u>
Other related party Seaward Card Co., Ltd.	15,359	13,970	22,410
Funds managed by Cathay Securities Investment Trust	6,208	5,617	6,791
ThinkPower Information Co., Ltd.	<u>-</u>	<u>5,054</u>	<u>-</u>
	<u>21,567</u>	<u>24,641</u>	<u>29,201</u>
	\$ <u>163,346</u>	\$ <u>112,873</u>	\$ <u>136,513</u>

12) Balances of bonds managed by related parties

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party Bonds managed by Octagon Credit Investors, LLC	\$ <u>5,151,521</u>	\$ <u>5,309,027</u>	\$ <u>5,026,963</u>

13) Balances of funds managed by related parties

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party			
Funds managed by Cathay Securities Investment Trust	\$ 64,610,328	\$ 63,380,239	\$ 78,940,789
Funds managed by Global Evolution Holding ApS	2,702,162	2,657,844	2,753,293
Funds managed by Octagon Credit Investors, LLC	2,258,117	2,218,342	2,138,938
Private Equity Funds managed by Cathay Private Equity	<u>1,491,879</u>	<u>1,414,805</u>	<u>1,264,427</u>
	<u>\$ 71,062,486</u>	<u>\$ 69,671,230</u>	<u>\$ 85,097,447</u>

14) Balances of related parties' discretionary management investment

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party			
Cathay Charity Foundation	\$ 120,737	\$ 108,540	\$ 126,451
Cathay Cultural Foundation	<u>57,373</u>	<u>54,935</u>	<u>60,522</u>
	<u>\$ 178,110</u>	<u>\$ 163,475</u>	<u>\$ 186,973</u>

15) Service fee income

Name	For the Three Months Ended March 31	
	2023	2022
Subsidiary		
Cathay Securities Investment Consulting	\$ 9,189	\$ 9,619
Other related party		
Cathay Real Estate Development Co., Ltd.	<u>2,778</u>	<u>3,846</u>
	<u>\$ 11,967</u>	<u>\$ 13,465</u>

16) Premium income

Name	For the Three Months Ended March 31	
	2023	2022
Other related party		
Cathay Medical Care Corp.	\$ 14,840	\$ 9,916
Cathay Hospitality Consulting Co., Ltd.	4,980	2,458
Cathay Hospitality Management Co., Ltd.	4,437	4,279
San Ching Engineering Co., Ltd.	1,412	6,994
Others	<u>16,331</u>	<u>22,824</u>
	<u>\$ 42,000</u>	<u>\$ 46,471</u>

17) Net other non-interest income and expense

Name	For the Three Months Ended March 31	
	2023	2022
<u>Other non-interest income</u>		
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ 819,124	\$ 750,831
Private Equity Funds managed by Cathay Private Equity	<u>25,682</u>	<u>20,055</u>
	<u>\$ 844,806</u>	<u>\$ 770,886</u>

18) Operating expenses

Name	For the Three Months Ended March 31	
	2023	2022
Subsidiary		
Cathay Securities Investment Consulting	\$ <u>27,320</u>	\$ <u>30,306</u>
Associate		
Lin Yuan Property Management Co., Ltd.	269,568	237,345
Symphox Information Co., Ltd.	<u>240,659</u>	<u>150,097</u>
	<u>510,227</u>	<u>387,442</u>
Other related party		
Seaward Card Co., Ltd.	86,852	72,346
Ann Fong Co., Ltd. Enterprise Co., Ltd.	46,194	47,492
Bowl Cut Entertainment Co., Ltd.	21,550	19,630
ThinkPower Information Co., Ltd.	37,138	24,827
FundRich Securities Co., Ltd.	<u>4,496</u>	<u>3,102</u>
	<u>196,230</u>	<u>167,397</u>
	<u>\$ 733,777</u>	<u>\$ 585,145</u>

19) Guarantees on duties and contracts

March 31, 2023

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party					
Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 49,443</u>	<u>\$ 49,443</u>	<u>\$ 8</u>	0.65%- 0.8%	Demand deposits

December 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>\$ 49,443</u>	<u>\$ 6</u>	0.65%- 0.8%	Demand deposits

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

20) Compensation of key management personnel

Name	For the Three Months Ended March 31	
	2023	2022
Short-term employee benefits	\$ 402,980	\$ 517,830
Post-employment benefits	6,269	6,493
Other long-term employee benefits	<u>30</u>	<u>20</u>
	<u>\$ 409,279</u>	<u>\$ 524,343</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, 2023		December 31, 2022		March 31, 2022	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary Cathay United Bank	<u>\$ 34,537</u>	<u>\$ 136</u>	<u>\$ 438,003</u>	<u>\$ 4,388</u>	<u>\$ 33,276</u>	<u>\$ 2</u>

2) Receivables

Name	Nature of Transaction	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary				
Cathay United Bank	Integrated income tax, etc.	\$ 4,739,029	\$ 3,162,531	\$ 1,832,933
Cathay Securities Investment Trust	Integrated income tax	494,100	402,738	379,528
Cathay Securities	Integrated income tax	488,366	484,896	488,520
Cathay Life	Subordinated corporation bonds interests, etc.	381,674	70,989	381,674
Cathay Century	Integrated income tax, etc.	-	-	349,704
		<u>\$ 6,103,169</u>	<u>\$ 4,121,154</u>	<u>\$ 3,432,359</u>

3) Guarantee deposits paid

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay Life	<u>\$ 34,325</u>	<u>\$ 33,709</u>	<u>\$ 33,633</u>

4) Financial assets at FVTPL

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay Life	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

5) Payables

Name	Nature of Transaction	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary				
Cathay Life	Integrated income tax	\$ 14,950,253	\$ 14,465,582	\$ 7,175,025
Cathay Century	Integrated income tax	817,832	612,702	-
		<u>15,768,085</u>	<u>15,078,284</u>	<u>7,175,025</u>
Other related party				
ThinkPower Information Co., Ltd.		-	5,054	-
		<u>\$ 15,768,085</u>	<u>\$ 15,083,338</u>	<u>\$ 7,175,025</u>

6) Lease agreements

a) Acquisition of right-of-use assets

	Name	For the Three Months Ended March 31	
		2023	2022
Subsidiary			
	Cathay Life	\$ <u>127,124</u>	\$ <u>-</u>

b) Lease liabilities

	Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary				
	Cathay Life	\$ 250,084	\$ 267,465	\$ 82,326
	Cathay United Bank	<u>3,299</u>	<u>3,789</u>	<u>720</u>
		<u>253,383</u>	<u>271,254</u>	<u>83,046</u>
Other related party				
	Ally Logistic Property Co., Ltd.	<u>3,618</u>	<u>4,381</u>	<u>5,414</u>
		\$ <u>257,001</u>	\$ <u>275,635</u>	\$ <u>88,460</u>

c) Lease expense

	Name	For the Three Months Ended March 31	
		2023	2022
Subsidiary			
	Cathay Life	\$ <u>1,421</u>	\$ <u>5,816</u>

7) Interest income

	Name	For the Three Months Ended March 31	
		2023	2022
Subsidiary			
	Cathay Life	\$ <u>310,685</u>	\$ <u>310,685</u>

8) Operating expenses

Name	For the Three Months Ended March 31	
	2023	2022
Subsidiary		
Cathay Life	\$ 3,006	\$ 2,825
Other related party		
Bowl Cut Entertainment Co., Ltd.	21,550	19,630
ThinkPower Information Co., Ltd.	11,926	14,640
Seaward Card Co., Ltd.	<u>3,045</u>	<u>2,645</u>
	<u>36,521</u>	<u>36,915</u>
	\$ 39,527	\$ 39,740

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. 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			
	2023		2022	
	Items	Amount	Items	Amount
Other related party				
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	\$ 711,521	Tucheng East Building, etc.	\$ 251,440
Ally Logistic Property Co., Ltd.	Yangmei Erchongxi Warehouse, etc.	<u>356,055</u>		<u>-</u>
		<u>\$ 1,067,576</u>		<u>\$ 251,440</u>

As of March 31, 2023, December 31, 2022 and March 31, 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$15,579,228 thousand, \$15,573,524 thousand and \$15,770,200 thousand, respectively.

As of March 31, 2023, December 31, 2022 and March 31, 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$4,005,983 thousand, \$4,005,983 thousand and \$3,342,857 thousand, respectively.

ii. Real-estate rental

Name	Rental Income	
	For the Three Months Ended	
	March 31	
	2023	2022
Subsidiary		
Cathay United Bank	\$ 152,079	\$ 154,829
Other related party		
Ally Logistic Property Co., Ltd.	<u>252,177</u>	<u>218,549</u>
	<u>\$ 404,256</u>	<u>\$ 373,378</u>

Name	Guarantee Deposits Received		
	March 31,	December 31,	March 31,
	2023	2022	2022
Subsidiary			
Cathay United Bank	\$ <u>191,579</u>	\$ <u>191,579</u>	\$ <u>187,398</u>
Other related party			
Ally Logistic Property Co., Ltd.	210,928	210,782	181,387
Cathay Hospitality			
Management Co., Ltd.	191,702	190,582	189,709
Cathay Hospitality Consulting			
Co., Ltd.	<u>184,100</u>	<u>184,100</u>	<u>182,277</u>
	<u>586,730</u>	<u>585,464</u>	<u>553,373</u>
	<u>\$ 778,309</u>	<u>\$ 777,043</u>	<u>\$ 740,771</u>

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

b) Shares transactions

Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Three Months Ended	
		March 31	
		2023	2022
Associate			
ThrivEnergy Co., Ltd.	Ordinary shares	\$ <u>-</u>	\$ <u>216,000</u>

c) Balance of shares issued by related parties

Name	Nature of Transaction	March 31, 2023	December 31, 2022	March 31, 2022
Other related party				
Srisawad Corporation Public Company Limited	Ordinary shares	\$ 2,952,277	\$ 2,718,023	\$ 3,073,036
Cathay Real Estate Development Co., Ltd.	Ordinary shares	1,173,857	1,046,860	1,297,420
CDIB & PARTNERS Investment Holding Corporation	Ordinary shares	717,660	694,980	799,740
Daiwa - Cathay Capital Markets Co., Ltd.	Ordinary shares	<u>143,200</u>	<u>143,800</u>	<u>145,800</u>
		<u>\$ 4,986,994</u>	<u>\$ 4,603,663</u>	<u>\$ 5,315,996</u>

d) Cash in banks

Name	Nature of Transaction	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary				
Cathay United Bank	Time deposits	\$ 2,109,783	\$ 1,867,186	\$ 1,419,563
	Demand deposits	43,462,024	43,913,419	39,102,019
	Checking deposits	186,803	197,778	186,544
	Security deposits	<u>195,510</u>	<u>1,409,644</u>	<u>6</u>
		<u>45,954,120</u>	<u>47,388,027</u>	<u>40,708,132</u>
Indovina Bank	Time deposits	3,294,534	3,045,564	1,875,649
	Demand deposits	<u>20,700</u>	<u>17,002</u>	<u>11,893</u>
		<u>3,315,234</u>	<u>3,062,566</u>	<u>1,887,542</u>
		<u>\$ 49,269,354</u>	<u>\$ 50,450,593</u>	<u>\$ 42,595,674</u>

e) Loans

Name	For the Three Months Ended March 31, 2023		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 893,626</u>	1.45%-6.51%	<u>\$ 885,515</u>
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>

f) Balance of bonds managed by related parties

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party			
Bonds managed by Octagon Credit Investors, LLC	<u>\$ 5,151,521</u>	<u>\$ 5,309,027</u>	<u>\$ 5,026,963</u>

g) Balance of funds managed by related parties

Name	Item	March 31, 2023	December 31, 2022	March 31, 2022
Other related party				
Funds managed by Octagon Credit Investors, LLC	Market value	<u>\$ 2,258,117</u>	<u>\$ 2,218,342</u>	<u>\$ 2,138,938</u>
	Cost	<u>\$ 2,327,107</u>	<u>\$ 2,336,430</u>	<u>\$ 2,151,577</u>
Funds managed by Global Evolution Holding ApS	Market value	<u>\$ 2,702,162</u>	<u>\$ 2,657,844</u>	<u>\$ 2,753,293</u>
	Cost	<u>\$ 2,613,310</u>	<u>\$ 2,611,516</u>	<u>\$ 2,506,634</u>
Funds managed by Cathay Securities Investment Trust	Market value	<u>\$ 64,052,803</u>	<u>\$ 62,661,305</u>	<u>\$ 77,716,646</u>
	Cost	<u>\$ 76,826,667</u>	<u>\$ 76,547,914</u>	<u>\$ 83,310,132</u>
Private Equity Funds managed by Cathay Private Equity	Market value	<u>\$ 1,453,891</u>	<u>\$ 1,380,514</u>	<u>\$ 1,227,610</u>
	Cost	<u>\$ 1,469,983</u>	<u>\$ 1,389,261</u>	<u>\$ 1,190,055</u>

h) Balance of discretionary management investments

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay Securities Investment Trust	<u>\$ 254,796,202</u>	<u>\$ 202,504,395</u>	<u>\$ 289,321,313</u>

i) Other receivables

Name	March 31, 2023	December 31, 2022	March 31, 2022
The Company			
Cathay Financial Holdings (Note)	\$ 14,950,253	\$ 14,465,582	\$ 7,175,025
Subsidiary			
Indovina Bank	151,607	111,737	114,263
Cathay Century	80,891	131,089	65,158
Cathay Venture	-	961,728	-
	<u>232,498</u>	<u>1,204,554</u>	<u>179,421</u>
	<u>\$ 15,182,751</u>	<u>\$ 15,670,136</u>	<u>\$ 7,354,446</u>

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

j) Guarantee deposits paid (for future transactions)

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary Cathay Futures	\$ <u>3,675,302</u>	\$ <u>3,390,281</u>	\$ <u>2,706,989</u>

k) Guarantee deposits received

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party San Ching Engineering Co., Ltd.	\$ 1,638,977	\$ 1,638,378	\$ 1,870,877
Ally Logistic Property Co., Ltd.	<u>1,458,873</u>	<u>1,458,873</u>	<u>1,486,507</u>
	<u>\$ 3,097,850</u>	<u>\$ 3,097,251</u>	<u>\$ 3,357,384</u>

l) Other payables

Name	March 31, 2023	December 31, 2022	March 31, 2022
The Company Cathay Financial Holdings (Note)	\$ 381,674	\$ 70,989	\$ 381,674
Subsidiary Cathay United Bank	<u>559,694</u>	<u>303,859</u>	<u>671,918</u>
	<u>\$ 941,368</u>	<u>\$ 374,848</u>	<u>\$ 1,053,592</u>

Note: The payables are comprised of remuneration of directors and supervisors and accrued interests of bonds payable.

m) Bonds payable

Name	March 31, 2023	December 31, 2022	March 31, 2022
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	
	2023	2022
Subsidiary Cathay Century	<u>\$ 105,686</u>	<u>\$ 102,512</u>

o) Other operating costs

	Name	For the Three Months Ended March 31	
		2023	2022
Subsidiary			
	Cathay United Bank	\$ 240,071	\$ 262,193
	Cathay Securities Investment Trust	<u>39,496</u>	<u>115,054</u>
		<u>\$ 279,567</u>	<u>\$ 377,247</u>

p) Finance costs

	Name	For the Three Months Ended March 31	
		2023	2022
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	
		2023	2022
Subsidiary			
	Cathay United Bank	\$ 1,792,449	\$ 1,932,888
Associate			
	Lin Yuan Property Management Co., Ltd.	<u>258,724</u>	<u>224,523</u>
		<u>\$ 2,051,173</u>	<u>\$ 2,157,411</u>

r) Non-operating income

	Name	For the Three Months Ended March 31	
		2023	2022
Subsidiary			
	Cathay Century	<u>\$ 209,561</u>	<u>\$ 163,029</u>

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

s) Others

As of March 31, 2023, December 31, 2022 and March 31, 2022, 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, 2023	December 31, 2022	March 31, 2022
SWAP	<u>US\$ 4,208,000</u>	<u>US\$ 4,340,000</u>	<u>US\$ 2,485,000</u>
CCS	<u>NT\$ 100,000</u>	<u>NT\$ 100,000</u>	<u>NT\$ 100,000</u>

2) Cathay United Bank and its subsidiaries

a) Loans and Deposits

March 31, 2023

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	22	\$ 59,464	\$ 13,602	V	\$ -	None	None	\$ (3)	\$ 238
Self-used housing mortgage loans	251	2,841,560	2,680,813	V	-	Real estate, stocks and certificates of deposits	None	(21)	33,645
Other loans	Cathay Real Estate Development Co., Ltd.	620,000	620,000	V	-	Real estate	None	-	6,200

December 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 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	29	\$ 259,204	\$ 11,735	V	\$ -	None	None	\$ (233)	\$ 184
Self-used housing mortgage loans	262	2,986,723	2,644,407	V	-	Real estate, stocks and certificates of deposits	None	6,687	33,375
Other loans	Cathay Real Estate Development Co., Ltd.	2,420,000	620,000	V	-	Real estate	None	6,200	6,200

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

Deposits

Name	March 31, 2023		December 31, 2022		March 31, 2022	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
The Company						
Cathay Financial Holdings	\$ 34,537	\$ 136	\$ 438,003	\$ 4,388	\$ 33,276	\$ 2
Subsidiary						
Cathay Life	43,376,865	85,798	44,848,736	135,469	38,568,504	3,567
Cathay Life (Vietnam)	3,493,481	51,210	3,234,204	148,787	1,887,542	27,799
Cathay Securities	3,051,120	6,536	3,365,442	8,703	3,929,416	500
Cathay Century	2,631,995	4,339	3,790,370	7,074	3,021,477	149
Lin Yuan	1,840,694	10,826	1,626,645	40,546	1,511,675	10,043
Cathay Futures	1,591,748	16,395	1,722,934	15,206	552,113	34
Cathay Securities						
Investment Consulting	647,781	1,498	621,212	1,369	639,210	66
Cathay Industrial R&D Center	353,251	301	514,600	838	552,964	55
Cathay Insurance (Vietnam)	266,172	3,418	272,684	13,676	249,671	3,135
Cathay Venture	181,966	56	410,300	122	39,563	1
Cathay Securities Investment Trust	120,917	108	216,349	239	468,803	19
	<u>57,555,990</u>	<u>180,485</u>	<u>60,623,476</u>	<u>372,029</u>	<u>51,420,938</u>	<u>45,368</u>
Associate						
Lin Yuan Property Management Co., Ltd.	227,402	535	247,327	1,606	200,513	308
CMG International Two Corp.	202,809	177	31,820	271	75,240	2
CMG International One Corp.	130,874	167	43,320	236	65,645	2
Symphox Information Co., Ltd.	91,050	152	220,167	217	146,273	25
	<u>652,135</u>	<u>1,031</u>	<u>542,634</u>	<u>2,330</u>	<u>487,671</u>	<u>337</u>
Other related party						
Cathay Life Insurance Employees' Welfare Committee	2,408,007	8,111	2,301,702	24,533	2,394,710	4,632
Cathay United Bank Employees' Welfare Committee	760,833	7,246	761,220	30,417	762,703	7,095
Cathay United Bank Foundation	553,580	1,789	556,325	5,623	538,664	1,102
Private equity fund managed by Cathay Private Equity	544,652	562	551,457	683	578,331	15
Cathay Real Estate Development Co., Ltd.	519,081	452	429,818	289	111,159	5
Cathay Real Estate Development Employees' Welfare Committee	465,871	1,694	467,213	5,215	437,539	977
Bannan Realty Co., Ltd.	337,633	481	544,195	532	238,683	6
Cathay Charity Foundation	301,197	979	311,735	2,862	292,938	525
Cathay Cultural Foundation	209,601	724	210,841	2,245	208,651	435
Zhulun Realty Co., Ltd.	185,450	211	-	-	-	-
Cathay Hospitality Consulting Co., Inc.	182,454	303	410,749	230	65,963	2
Yua-Yung Marketing (Taiwan) Co., Ltd.	176,561	183	168,200	238	116,971	21
Cathay Medical Care Corp.	158,127	387	522,260	570	301,107	24
Cathay Hospitality Management Co., Ltd.	129,158	215	263,959	260	113,795	4
Cathay Real Estate Management Co., Ltd.	124,835	277	110,936	815	105,579	163
EasyCard Corporation	121,912	252	101,163	474	24,903	15
Sanchong Realty Co., Ltd.	127,286	161	479,732	594	495,207	10
Jinhua Realty Co., Ltd.	118,741	95	52,842	122	64,346	1
Tai Lung Capital Inc.	77,463	232	90,881	691	104,410	127
Fund managed by Cathay Securities Investment Trust	41,897	-	15,380	2	100,495	-
Pai Hsing Investment Co., Ltd.	7,484	27	15,521	83	153,622	5
Lin Yuan Investment Co., Ltd.	2,100	2	4,309	4	140,797	1
Bioengine Capital Inc.	-	-	-	-	137,292	4
Others	9,246,047	27,778	8,693,837	68,400	9,037,418	13,719
	<u>16,799,970</u>	<u>52,161</u>	<u>17,064,275</u>	<u>144,882</u>	<u>16,525,283</u>	<u>28,888</u>
	<u>\$ 75,042,632</u>	<u>\$ 233,813</u>	<u>\$ 78,668,388</u>	<u>\$ 523,629</u>	<u>\$ 68,467,168</u>	<u>\$ 74,595</u>

Name	March 31, 2023		December 31, 2022		March 31, 2022	
	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)
<u>Due from commercial banks</u>						
Other related party Vietinbank	\$ 50,458	\$ 8	\$ 169,946	\$ 139	\$ 60,848	\$ 6
<u>Due to commercial banks</u>						
Other related party Vietinbank	33,509	(983)	1,296,629	(4,111)	18,279	-

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 marketable bonds (financial assets at FVOCI)

Item/Name	March 31, 2023		December 31, 2022		March 31, 2022	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
<u>Bond investment</u>						
Other related party Vietinbank	\$ 388,361	\$ 6,143	\$ 386,264	\$ 24,266	\$ 375,781	\$ 5,889

Ownership Balance

Item/Name	March 31, 2023	December 31, 2022	March 31, 2022
<u>Stock investment</u>			
Other related party Srisawad Corporation Public Company Limited	\$ 2,929,746	\$ 2,793,164	\$ 3,105,960
Taiwan Asset Management Corporation	996,202	1,021,279	1,521,780
FISC	575,660	577,792	757,070
CDIB & PARTNERS Investment Holding Corporation	717,657	694,781	799,875
EasyCard Corporation	187,608	14,940	-

c) Derivatives

March 31, 2023

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)	2022.07.13-2024.03.25	\$ 128,150,432	\$ 1,864,003	Valuation adjustment for financial assets at FVTPL	\$ 1,749,675
					Valuation adjustment for FVTPL financial liabilities	(74,552)
	SWAP - exchange between customers (USD)	2021.04.29-2023.05.04	3,045,400	(571)	Valuation adjustment for financial assets at FVTPL	129,129
Cathay Century	SWAP - exchange between customers (USD)	2022.07.26-2024.02.15	2,768,269	12,062	Valuation adjustment for FVTPL financial liabilities	(129,700)
					Valuation adjustment for financial assets at FVTPL	25,441
					Valuation adjustment for FVTPL financial liabilities	(17,981)

December 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)	2022.04.08-2023.12.21	\$ 133,272,720	\$ 3,415,063	Valuation adjustment for financial assets at FVTPL	\$ 3,095,742
					Valuation adjustment for FVTPL financial liabilities	(29,541)
	SWAP - exchange between customers (USD)	2021.04.29-2023.05.04	3,070,800	(8,152)	Valuation adjustment for financial assets at FVTPL	126,487
Cathay Century	SWAP - exchange between customers (USD)	2022.01.11-2023.12.21	2,791,357	65,093	Valuation adjustment for FVTPL financial liabilities	(142,400)
					Valuation adjustment for financial assets at FVTPL	78,977
					Valuation adjustment for FVTPL financial liabilities	(26,847)

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
Cathay Century	SWAP - exchange between customers (USD)	2021.04.20-2023.03.13	2,724,814	68,727	Valuation adjustment for FVTPL financial liabilities	(38,100)
					Valuation adjustment for financial assets at FVTPL	67,450
					Valuation adjustment for FVTPL financial liabilities	-

d) Lease agreements

i. Acquisition of right-to-use assets

Name	For the Three Months Ended March 31	
	2023	2022
Subsidiary Cathay Life	\$ -	\$ 633,982

ii. Lease liabilities

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary Cathay Life	\$ 923,503	\$ 1,074,210	\$ 1,595,972

iii. Guarantee deposits paid

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary Cathay Life	\$ 191,579	\$ 191,579	\$ 187,398

e) Others

Item/Name	For the Three Months Ended March 31		
	2023	2022	
<u>Service fee revenue</u>			
Subsidiary Cathay Life	\$ 2,032,526	\$ 2,195,075	
<u>General expenses-others</u>			
Associate Symphox Information Co., Ltd.	185,131	101,938	
Item/Name	March 31, 2023	December 31, 2022	March 31, 2022
<u>Receivables for insurance commission</u>			
Subsidiary Cathay Life	\$ 559,694	\$ 303,859	\$ 671,918
<u>Guarantee deposits paid</u>			
Subsidiary Cathay Futures	1,002,257	1,496,350	1,042,569
<u>Payables from integrated tax</u>			
The Company Cathay Financial Holdings	4,733,629	3,157,131	1,826,933

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	
		2023	2022
Premium income	Subsidiary Cathay Life	\$ 104,268	\$ 102,512
Operating costs			
Marketing costs	Subsidiary Cathay Life	207,725	161,487

b) Receivables from related parties

Item	Name	March 31, 2023	December 31, 2022	March 31, 2022
Other receivables	The Company			
	Cathay Financial Holdings (Note)	<u>\$ 817,832</u>	<u>\$ 612,702</u>	<u>\$ -</u>

Note: Including income tax receivable under the integrated income tax system.

The outstanding receivables from related parties are unsecured. For the three months ended March 31, 2023 and 2022, no impairment losses were recognized for receivables from related parties.

c) Payables to related parties

Item	Name	March 31, 2023	December 31, 2022	March 31, 2022
Other payables	The Company			
	Cathay Financial Holdings (Note)	\$ -	\$ -	\$ 349,704
	Subsidiary			
	Cathay Life	<u>80,891</u>	<u>131,089</u>	<u>65,158</u>
		<u>\$ 80,891</u>	<u>\$ 131,089</u>	<u>\$ 414,862</u>

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

The outstanding payables from related parties are unsecured.

d) Cash in bank

Item	Name	March 31, 2023	December 31, 2022	March 31, 2022
Checking deposits and demand deposits	Subsidiary			
	Cathay United Bank	\$ 2,611,965	\$ 3,770,340	\$ 3,001,461
	Indovina Bank	15,473	29,776	8,868
Time deposits	Subsidiary			
	Indovina Bank	242,762	242,908	240,803
	Cathay United Bank	<u>20,030</u>	<u>20,030</u>	<u>20,016</u>
		<u>\$ 2,890,230</u>	<u>\$ 4,063,054</u>	<u>\$ 3,271,148</u>

e) Financial assets at FVTPL (mutual funds)

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party			
Funds managed by Cathay			
Securities Investment Trust	\$ <u>308,449</u>	\$ <u>360,558</u>	\$ <u>825,177</u>

f) Balance of discretionary management investments

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay Securities Investment Trust	\$ <u>1,469,964</u>	\$ <u>1,307,709</u>	\$ <u>1,593,216</u>

g) Lease agreements

Lease liabilities

Name	<u>Lease Liabilities</u>		
	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay Life	\$ <u>51,031</u>	\$ <u>81,520</u>	\$ <u>173,304</u>

h) SWAP

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

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay United Bank	US\$ <u>90,900</u>	US\$ <u>90,900</u>	US\$ <u>95,200</u>

4) Cathay Securities and its subsidiaries

a) Cash in bank

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay United Bank	\$ <u>3,226,878</u>	\$ <u>3,515,520</u>	\$ <u>4,022,923</u>

Cash in bank includes cash and cash equivalents, and cash and cash equivalents-receipts under custody from customers security subscription, pending settlement money and restricted assets recorded under other current assets, and operating deposits recorded under other non-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, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay United Bank	<u>\$ 1,415,506</u>	<u>\$ 1,573,034</u>	<u>\$ 458,772</u>

c) Futures trader's equity

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay Life	\$ 3,675,302	\$ 3,390,281	\$ 2,706,989
Cathay United Bank	<u>1,002,257</u>	<u>1,496,350</u>	<u>1,042,569</u>
	<u>4,677,559</u>	<u>4,886,631</u>	<u>3,749,558</u>
Other related party			
Funds managed by Cathay Securities Investment Trust	<u>2,644,832</u>	<u>2,345,956</u>	<u>1,265,895</u>
	<u>\$ 7,322,391</u>	<u>\$ 7,232,587</u>	<u>\$ 5,015,453</u>

d) Other payables

Name	March 31, 2023	December 31, 2022	March 31, 2022
The Company			
Cathay Financial Holdings (Note)	<u>\$ 488,366</u>	<u>\$ 484,896</u>	<u>\$ 488,520</u>

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

e) Lease agreements

Lease liabilities

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay Life	<u>\$ 96,699</u>	<u>\$ 111,110</u>	<u>\$ 153,371</u>

5) Cathay Securities Investment Trust

a) Cash and cash equivalents

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay United Bank	<u>\$ 101,486</u>	<u>\$ 204,252</u>	<u>\$ 477,647</u>

b) Financial assets at FVTPL

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party Funds managed by Cathay Securities Investment Trust	\$ <u>146,690</u>	\$ <u>118,908</u>	\$ <u>81,156</u>

c) Accounts receivable

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party Funds managed by Cathay Securities Investment Trust	\$ <u>298,846</u>	\$ <u>265,853</u>	\$ <u>265,061</u>

For the three months ended March 31, 2023 and 2022, no impairment losses were recognized for receivables from related parties.

d) Accounts payable

Name	March 31, 2023	December 31, 2022	March 31, 2022
The Company Cathay Financial Holdings (Note)	\$ <u>494,100</u>	\$ <u>402,738</u>	\$ <u>379,528</u>

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

e) Balance of discretionary management investments

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay Life	\$ 254,796,202	\$ 202,504,395	\$ 289,321,313
Cathay Century	<u>1,469,964</u>	<u>1,307,709</u>	<u>1,593,216</u>
	<u>256,266,166</u>	<u>203,812,104</u>	<u>290,914,529</u>
Other related party			
Cathay Charity Foundation	<u>120,737</u>	<u>108,540</u>	<u>126,451</u>
	<u>\$ 256,386,903</u>	<u>\$ 203,920,644</u>	<u>\$ 291,040,980</u>

f) Management fee income

Name	For the Three Months Ended March 31	
	2023	2022
Subsidiary		
Cathay Life	\$ 39,496	\$ 115,054
Other related party		
Funds managed by Cathay Securities Investment Trust	<u>819,124</u>	<u>750,831</u>
	<u>\$ 858,620</u>	<u>\$ 865,885</u>

6) Cathay Venture

a) Cash and cash equivalents

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay United Bank	<u>\$ 181,966</u>	<u>\$ 410,300</u>	<u>\$ 39,563</u>

b) Financial assets at FVTPL

Name	March 31, 2023	December 31, 2022	March 31, 2022
Other related party			
Cathay Healthcare Management Co., Ltd.	\$ 137,033	\$ 106,343	\$ 97,845
Funds managed by Cathay Securities Investment Trust	<u>99,374</u>	<u>238,840</u>	<u>307,563</u>
	<u>\$ 236,407</u>	<u>\$ 345,183</u>	<u>\$ 405,408</u>

c) Other payables

Name	March 31, 2023	December 31, 2022	March 31, 2022
Subsidiary			
Cathay Life	<u>\$ -</u>	<u>\$ 963,178</u>	<u>\$ -</u>

Cathay Venture acquired financial assets at FVTPL and financial assets at FVTOCI \$479,700 thousand and \$483,478 thousand, respectively, from Cathay Life on December 2022.

29. PLEDGED ASSETS

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

Item	Description	March 31, 2023	December 31, 2022	March 31, 2022
Demand deposits, 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, reimbursement account, performance bond, provisions for business and collateral	\$ 16,353,682	\$ 15,524,945	\$ 16,007,075
Due from the Central Bank (deposit reserves - general accounts)	(Note)	-	-	6,000,000
Financial assets at FVTOCI	Provisions for business and collateral	50,000,000	56,800,000	-
Debt instrument at amortized cost	Provisions for business and collateral	7,796,004	995,314	57,670,810
Investment properties	Short-term loans	290,341	290,341	291,175
Property and equipment	Pledge of borrowings	<u>7,799,686</u>	<u>7,707,466</u>	<u>-</u>
		<u>\$ 82,239,713</u>	<u>\$ 81,318,066</u>	<u>\$ 79,969,060</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 pandemic had expired in June 2022.

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, 2023, December 31, 2022 and March 31, 2022 Cathay United Bank and its subsidiaries had the following material commitments for entrusted items and guarantees:

	March 31, 2023	December 31, 2022	March 31, 2022
Trust and security held for safekeeping	\$ 993,078,218	\$ 962,935,721	\$ 916,168,721
Collection and payment on behalf of customers	30,315,803	29,385,182	30,863,335
Book-entry for government bonds and depository for short-term marketable securities under management	491,073,163	498,066,239	372,001,054
Entrusted financial management business	16,896,502	15,904,189	25,801,493
Guarantees on duties and contracts	19,642,640	19,613,957	18,547,175
Unused commercial letters of credit	8,268,554	7,830,013	11,440,335
Irrevocable loan commitments	158,270,761	167,901,940	165,775,844
Unused credit card line commitments	723,603,508	709,649,620	696,659,370
Underwritten securities	500,000	500,000	-
Financial guarantee contracts	1,479,986	1,618,136	1,513,526

- c. As of March 31, 2023, the remaining capital commitments for the contracted private equity fund of Cathay Life was NT\$445,015 thousand, US\$3,811,484 thousand, EUR385,913 thousand and GBP1,538 thousand.

- d. As of March 31, 2023, December 31, 2022 and March 31, 2022, the Cathay Life has entered into irrevocable corporate finance and consumer lending loans but yet loaning amounts were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
NTD	\$ 11,212,475	\$ 11,025,641	\$ 13,938,107

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, 2023 (Reviewed)	December 31, 2022 (Audited)	March 31, 2022 (Reviewed)	LIABILITIES AND EQUITY	March 31, 2023 (Reviewed)	December 31, 2022 (Audited)	March 31, 2022 (Reviewed)
CASH AND CASH EQUIVALENTS	\$ 7,538,774	\$ 7,943,654	\$ 38,863	COMMERCIAL PAPER PAYABLE, NET	\$ 74,700,000	\$ 73,880,000	\$ 58,730,000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	34,132,000	33,575,500	35,763,000	PAYABLES	16,299,377	15,901,806	7,723,926
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	179,263	195,035	147,234	CURRENT TAX LIABILITIES	5,030,239	3,947,034	7,057,511
RECEIVABLES, NET	6,105,068	4,121,685	3,432,360	BONDS PAYABLE	50,000,000	50,000,000	50,000,000
CURRENT TAX ASSETS	5,131,463	5,131,669	4,294,817	OTHER BORROWING	5,000,000	5,000,000	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	780,286,135	696,821,834	835,380,032	PROVISIONS	546,019	753,962	753,099
PROPERTY AND EQUIPMENT, NET	167,896	161,431	52,375	LEASE LIABILITIES	269,846	290,119	92,659
RIGHT-OF-USE ASSETS	269,255	289,676	91,242	DEFERRED TAX LIABILITIES	266,714	266,714	266,714
DEFERRED TAX ASSETS	335,387	333,745	33,885	OTHER LIABILITIES	384	270	638
OTHER ASSETS	<u>378,749</u>	<u>306,016</u>	<u>117,664</u>	Total liabilities	<u>152,112,579</u>	<u>150,039,905</u>	<u>124,624,547</u>
				EQUITY			
				Share capital			
				Ordinary shares	146,692,102	146,692,102	131,692,102
				Preference shares	15,333,000	15,333,000	15,333,000
				Capital surplus	215,335,184	215,318,047	177,124,151
				Retained earnings			
				Legal reserve	73,747,059	73,747,059	59,471,895
				Special reserve	150,768,651	150,768,651	150,716,023
				Unappropriated earnings	237,313,217	230,331,762	302,082,660
				Other equity	<u>(156,777,802)</u>	<u>(233,350,281)</u>	<u>(81,692,906)</u>
				Total equity	<u>682,411,411</u>	<u>598,840,340</u>	<u>754,726,925</u>
TOTAL	<u>\$ 834,523,990</u>	<u>\$ 748,880,245</u>	<u>\$ 879,351,472</u>	TOTAL	<u>\$ 834,523,990</u>	<u>\$ 748,880,245</u>	<u>\$ 879,351,472</u>

Cathay Financial Holding Co., Ltd.

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

	For the Three Months Ended March 31	
	2023	2022
REVENUE		
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 6,886,562	\$ 35,045,800
Other operating income	<u>893,328</u>	<u>310,826</u>
Total revenue	<u>7,779,890</u>	<u>35,356,626</u>
EXPENSES AND LOSSES		
Operating expenses	(488,886)	(415,658)
Other expenses and losses	<u>(390,117)</u>	<u>(658,896)</u>
Total expenses and losses	<u>(879,003)</u>	<u>(1,074,554)</u>
INCOME BEFORE TAX	6,900,887	34,282,072
INCOME TAX BENEFIT (EXPENSE)	<u>108,141</u>	<u>(75,310)</u>
NET INCOME	<u>7,009,028</u>	<u>34,206,762</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified subsequently to profit or loss:		
(Loss) gain on equity instruments at fair value through other comprehensive income	(15,772)	3,743
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	8,910,689	5,503,441
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income (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>67,650,004</u>	<u>(186,904,930)</u>
Other comprehensive income (loss) for the period, net of income tax	<u>76,544,921</u>	<u>(181,397,746)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 83,553,949</u>	<u>\$(147,190,984)</u>
EARNINGS PER SHARE		
Basic	<u>\$0.48</u>	<u>\$2.60</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 the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Other Equity			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	Property Revaluation Surplus			Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach
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)
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	-	76,897	-	(76,897)	-	-	-	-	-	-	-
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>
BALANCE AT JANUARY 1, 2023	\$ 146,692,102	\$ 15,333,000	\$ 215,318,047	\$ 73,747,059	\$ 150,768,651	\$ 230,331,762	\$ (13,027,301)	\$ (58,533,041)	\$ 950,265	\$ (428,795)	\$ (1,097,143)	\$ 12,609,000	\$ (171,329,940)	\$ (2,493,326)	\$ 598,840,340
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	598	-	-	(15)	-	-	-	-	-	-	-	-	583
Net income for the three months ended March 31, 2023	-	-	-	-	-	7,009,028	-	-	-	-	-	-	-	-	7,009,028
Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	-	191,108	20,721,854	101,734	140,487	(116,088)	-	55,505,826	-	76,544,921
Total comprehensive income (loss) for three months ended March 31, 2023	-	-	-	-	-	7,009,028	191,108	20,721,854	101,734	140,487	(116,088)	-	55,505,826	-	83,553,949
Share-based payment transactions	-	-	16,539	-	-	-	-	-	-	-	-	-	-	-	16,539
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(27,558)	-	27,558	-	-	-	-	-	-	-
BALANCE AT MARCH 31, 2023	<u>\$ 146,692,102</u>	<u>\$ 15,333,000</u>	<u>\$ 215,335,184</u>	<u>\$ 73,747,059</u>	<u>\$ 150,768,651</u>	<u>\$ 237,313,217</u>	<u>\$ (12,836,193)</u>	<u>\$ (37,783,629)</u>	<u>\$ 1,051,999</u>	<u>\$ (288,308)</u>	<u>\$ (1,213,231)</u>	<u>\$ 12,609,000</u>	<u>\$ (115,824,114)</u>	<u>\$ (2,493,326)</u>	<u>\$ 682,411,411</u>

Cathay Financial Holding Co., Ltd.

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

	For the Three Months Ended	
	March 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 6,900,887	\$ 34,282,072
Adjustments for:		
Depreciation expenses	47,048	35,879
(Gain) loss on of financial assets at fair value through profit or loss	(556,500)	497,000
Interest income	(336,660)	(310,797)
Interest expenses	376,681	153,347
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(6,886,562)	(35,045,800)
Gain on disposal and retirement of property and equipment	(4)	-
Compensation cost of share-based payments	76	-
Changes in operating assets and liabilities		
Other assets	(4,568)	221
Payables	(388,693)	(318,265)
Provisions	2,897	3,225
Other liabilities	114	59
Cash used in operations	(845,284)	(703,059)
Interest received	24,607	200
Interest paid	(282,732)	(54,225)
Income tax paid	(2,461)	(31)
Net cash used in operating activities	(1,105,870)	(757,115)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(15,118)	(594)
Disposal of property and equipment	245	-
Increase in other assets	(65,649)	(24,340)
Net cash used in investing activities	(80,522)	(24,934)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper payable	820,000	220,000
Repayments of the principal portion of lease liabilities	(38,488)	(32,321)
Net cash generated from financing activities	781,512	187,679
NET DECREASE IN CASH AND CASH EQUIVALENTS	(404,880)	(594,370)
CASH AND CASH EQUIVALENTS AT THE BEGINNINGS OF THE PERIOD	7,943,654	633,233
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 7,538,774	\$ 38,863

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	
	2023	2022
Cash and cash equivalents	\$ 359,318,846	\$ 276,279,862
Receivables	90,461,321	78,708,282
Financial assets at fair value through profit or loss	1,350,202,670	1,539,527,952
Financial assets at fair value through other comprehensive income	467,999,181	1,350,475,200
Financial assets at amortized cost	3,967,268,165	2,780,975,109
Financial assets for hedging	96,611	251,542
Investments accounted for using the equity method	110,566,334	106,397,739
Investment property	490,789,241	476,589,276
Loans	440,868,763	482,470,870
Reinsurance assets	2,092,839	1,920,081
Property and equipment	28,942,955	28,696,503
Right-of-use assets	463,232	333,338
Intangible assets	25,357,467	27,122,578
Deferred tax assets	65,343,630	65,642,698
Other assets	40,783,413	62,200,112
Separate account insurance product assets	<u>671,627,054</u>	<u>714,574,057</u>
Total	<u>\$ 8,112,181,722</u>	<u>\$ 7,992,165,199</u>
Liabilities		
Payables	\$ 11,551,130	\$ 22,861,504
Current tax liabilities	137,010	160,141
Financial liabilities at fair value through profit or loss	27,558,722	54,930,618
Financial liabilities for hedging	3,436,279	764,202
Bonds payable	80,000,000	80,000,000
Insurance liabilities	6,684,306,245	6,453,030,859
Reserve for insurance contracts with the nature of financial products	1,084,543	1,207,873
Reserve for foreign exchange valuation	42,166,921	23,044,650
Provisions	56,245	56,245
Lease liabilities	13,248,970	9,056,175
Deferred tax liabilities	41,657,079	34,487,001
Other liabilities	8,585,477	11,688,354
Separate account insurance product liabilities	<u>671,627,054</u>	<u>714,574,057</u>
Total liabilities	<u>7,585,415,675</u>	<u>7,405,861,679</u>
Equity		
Share capital	63,515,274	58,515,274
Capital surplus	90,930,990	60,474,631
Retained earnings	529,353,360	555,891,162
Other equity	<u>(157,033,577)</u>	<u>(88,577,547)</u>
Total equity	<u>526,766,047</u>	<u>586,303,520</u>
Total	<u>\$ 8,112,181,722</u>	<u>\$ 7,992,165,199</u>

Cathay Life Insurance Co., Ltd.

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

	For the Three Months Ended March 31	
	2023	2022
Operating revenue	\$ 163,539,872	\$ 184,258,873
Operating costs	(162,049,337)	(149,294,811)
Operating expenses	<u>(5,787,473)</u>	<u>(5,879,010)</u>
Operating (loss) income	(4,296,938)	29,085,052
Non-operating income and expenses	<u>491,031</u>	<u>455,083</u>
(Loss) profit before income tax	(3,805,907)	29,540,135
Income tax benefit (expense)	<u>1,650,382</u>	<u>(3,498,488)</u>
Net (loss) income	(2,155,525)	26,041,647
Other comprehensive income (loss)	<u>72,098,255</u>	<u>(174,060,802)</u>
 Total comprehensive income (loss)	 <u>\$ 69,942,730</u>	 <u>\$(148,019,155)</u>
 Basic (loss) earnings per share	 <u>\$(0.34)</u>	 <u>\$4.45</u>

Cathay Lujiazui Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2023	2022
Cash and cash equivalents	\$ 3,765,558	\$ 1,973,370
Receivables	1,390,387	1,415,902
Financial assets at fair value through profit or loss	84,046,634	69,518,614
Financial assets at amortized cost	930,741	1,119,428
Loans	2,832,746	2,166,217
Reinsurance assets	125,291	151,557
Property and equipment	102,091	118,388
Right-of-use assets	397,841	460,468
Intangible assets	29,409	34,071
Other assets	2,745,391	2,770,110
Separate account insurance product assets	108,901	115,699
Total	\$ 96,474,990	\$ 79,843,824
Liabilities		
Payables	\$ 1,855,425	\$ 1,961,664
Insurance liabilities	60,666,754	48,001,966
Reserve for insurance contracts with the nature of financial instruments	18,772,840	15,465,388
Lease liabilities	416,306	462,135
Other liabilities	377,197	198,829
Separate account insurance product liabilities	108,901	115,699
Total liabilities	82,197,423	66,205,681
Equity		
Capital	13,497,155	13,497,155
Retained earnings	(28,565)	(678,164)
Other equity	808,977	819,152
Total equity	14,277,567	13,638,143
Total	\$ 96,474,990	\$ 79,843,824

Cathay Lujiazui Life Insurance Co., Ltd.

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

	For the Three Months Ended March 31	
	2023	2022
Operating revenue	\$ 7,159,086	\$ 5,847,706
Operating costs	(6,775,237)	(5,513,310)
Operating expenses	(513,683)	(473,182)
Operating loss	(129,834)	(138,786)
Non-operating income and expenses	409	(266)
Loss before income tax	(129,425)	(139,052)
Income tax benefit	227,463	81,963
Net income (loss)	98,038	(57,089)
Other comprehensive income	725,098	606,942
 Total comprehensive income	 \$ 823,136	 \$ 549,853
 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)

	March 31	
Assets	2023	2022
Cash and cash equivalents	\$ 7,040,198	\$ 8,186,181
Receivables	1,193,452	838,829
Financial assets at fair value through profit or loss	19,830,836	20,072,070
Financial assets at amortized cost	7,180,451	4,712,408
Loans	242,326	144,036
Property and equipment	13,531	13,332
Right-of-use assets	126,538	148,778
Intangible assets	1,528	2,640
Other assets	108,212	101,889
Total	\$ 35,737,072	\$ 34,220,163
Liabilities		
Payables	\$ 268,231	\$ 217,669
Insurance liabilities	12,239,069	9,970,050
Lease liabilities	119,540	147,740
Total liabilities	12,626,840	10,335,459
Equity		
Capital	20,370,930	20,370,930
Retained earnings	1,184,390	(455,664)
Other equity	1,554,912	3,969,438
Total equity	23,110,232	23,884,704
Total	\$ 35,737,072	\$ 34,220,163

Cathay Life Insurance Company (Vietnam)

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

	For the Three Months Ended March 31	
	2023	2022
Operating revenue	\$ 1,437,194	\$ 1,233,478
Operating costs	(749,216)	(590,147)
Operating expenses	(305,719)	(253,221)
Operating income	382,259	390,110
Non-operating income and expenses	2,518	3,695
Net income	384,777	393,805
Other comprehensive income	1,538,471	714,999
Total comprehensive income	\$ 1,923,248	\$ 1,108,804
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)**

	March 31	
	2023	2022
Assets		
Current assets	\$ 307,744	\$ 330,114
Financial assets at amortized cost	1,750,680	1,556,709
Investment property	7,188,866	7,328,934
Property and equipment	<u>2</u>	<u>2</u>
Total	<u>\$ 9,247,292</u>	<u>\$ 9,215,759</u>
Liabilities		
Current liabilities	\$ 16,321	\$ 11,688
Deferred tax liabilities	634,930	604,886
Other non-current liabilities	<u>77,458</u>	<u>96,521</u>
Total liabilities	<u>728,709</u>	<u>713,095</u>
Equity		
Capital	7,223,435	7,223,435
Retained earnings	1,740,555	1,573,589
Other equity	<u>(445,407)</u>	<u>(294,360)</u>
Total equity	<u>8,518,583</u>	<u>8,502,664</u>
Total	<u>\$ 9,247,292</u>	<u>\$ 9,215,759</u>

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

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

	For the Three Months Ended March 31	
	2023	2022
Operating revenue	\$ 85,380	\$ 59,162
Operating expenses	<u>(9,192)</u>	<u>(16,719)</u>
Profit before income tax	76,188	42,443
Income tax expense	<u>(19,047)</u>	<u>(10,611)</u>
Net income	57,141	31,832
Other comprehensive income	<u>27,744</u>	<u>322,819</u>
Total comprehensive income	<u>\$ 84,885</u>	<u>\$ 354,651</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)

	March 31	
	2023	2022
Assets		
Current assets	\$ 1,140,045	\$ 3,110,966
Investment property	<u>11,668,913</u>	<u>10,004,830</u>
Total	<u>\$ 12,808,958</u>	<u>\$ 13,115,796</u>
Liabilities		
Current liabilities	\$ 377	\$ 209
Total liabilities	<u>377</u>	<u>209</u>
Equity		
Capital	16,654,013	16,654,013
Retained earnings	779,955	1,099,962
Other equity	<u>(4,625,387)</u>	<u>(4,638,388)</u>
Total equity	<u>12,808,581</u>	<u>13,115,587</u>
Total	<u>\$ 12,808,958</u>	<u>\$ 13,115,796</u>

Cathay Woolgate Exchange Holding 1 Limited

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

	For the Three Months Ended	
	March 31	
	2023	2022
Operating revenue	\$ 4,520	\$ 1,341
Operating income (expenses)	<u>2,538</u>	<u>(130,838)</u>
Net income (loss)	7,058	(129,497)
Other comprehensive income	<u>206,505</u>	<u>102,495</u>
Total comprehensive income (loss)	<u>\$ 213,563</u>	<u>\$ (27,002)</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)**

	March 31	
	2023	2022
Assets		
Current assets	\$ 8,034	\$ 29,056
Investment property	<u>117,868</u>	<u>101,059</u>
Total	<u>\$ 125,902</u>	<u>\$ 130,115</u>
 Liabilities		
Current liabilities	\$ 377	\$ 209
Total liabilities	<u>377</u>	<u>209</u>
 Equity		
Capital	168,222	168,222
Retained earnings	4,018	8,495
Other equity	<u>(46,715)</u>	<u>(46,811)</u>
Total equity	<u>125,525</u>	<u>129,906</u>
Total	<u>\$ 125,902</u>	<u>\$ 130,115</u>

Cathay Woolgate Exchange Holding 2 Limited

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

	For the Three Months Ended March 31	
	2023	2022
Operating revenue	\$ -	\$ -
Operating expenses	<u>(177)</u>	<u>(1,555)</u>
Net loss	(177)	(1,555)
Other comprehensive income	<u>2,023</u>	<u>1,017</u>
Total comprehensive income (loss)	<u>\$ 1,846</u>	<u>\$ (538)</u>
Basic earnings per share	Note	Note

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

Cathay Walbrook Holding 1 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31	
	2023	2022
Current assets	\$ 1,293,753	\$ 1,181,303
Investment property	18,193,739	19,384,087
Other non-current assets	64	64
Total	\$ 19,487,556	\$ 20,565,454
Liabilities		
Current liabilities	\$ 25,178	\$ 12,377
Non-current liabilities	11,846,727	11,826,406
Total liabilities	<u>11,871,905</u>	<u>11,838,783</u>
Equity		
Capital	10,189,090	10,189,090
Retained earnings	(345,169)	758,267
Other equity	(2,228,270)	(2,220,686)
Total equity	<u>7,615,651</u>	<u>8,726,671</u>
Total	\$ 19,487,556	\$ 20,565,454

Cathay Walbrook Holding 1 Limited

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

	For the Three Months Ended	
	March 31	
	2023	2022
Operating revenue	\$ 198,671	\$ 198,051
Operating costs	(190,424)	(91,860)
Operating expenses	18,316	9,199
Profit before income tax	26,563	115,390
Income tax expense	(41,228)	(39,377)
Net (loss) income	(14,665)	76,013
Other comprehensive income	122,699	67,018
Total comprehensive income	\$ 108,034	\$ 143,031
Basic earnings per share	Note	Note

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

Cathay Walbrook Holding 2 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31	
	2023	2022
Current assets	\$ 68,726	\$ 64,339
Investment property	957,565	1,020,215
Other non-current assets	64	64
Total	\$ 1,026,355	\$ 1,084,618
Liabilities		
Current liabilities	\$ 1,650	\$ 855
Non-current liabilities	630,846	629,764
Total liabilities	632,496	630,619
Equity		
Capital	536,268	536,268
Retained earnings	(25,503)	34,188
Other equity	(116,906)	(116,457)
Total equity	393,859	453,999
Total	\$ 1,026,355	\$ 1,084,618

Cathay Walbrook Holding 2 Limited

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

	For the Three Months Ended	
	March 31	
	2023	2022
Operating revenue	\$ 10,460	\$ 10,424
Operating costs	(10,121)	(4,892)
Operating expenses	651	172
Profit before income tax	990	5,704
Income tax expense	(2,111)	(2,013)
Net (loss) income	(1,121)	3,691
Other comprehensive income	6,344	3,488
Total comprehensive income	\$ 5,223	\$ 7,179
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)

	March 31	
Assets	2023	2022
Current assets	\$ 6,444,452	\$ 6,073,853
Current tax assets	212,692	-
Financial assets at fair value through profit or loss	1,387,139	1,319,561
Financial assets for hedging	7,066	-
Financial assets at fair value through other comprehensive income	3,207	6,067
Property and equipment	1,019,345	1,103,578
Right-of-use assets	645,987	734,240
Intangible assets	14,953,417	14,279,824
Deferred tax assets	267,496	286,962
Other non-current assets	<u>414,068</u>	<u>569,324</u>
Total	<u>\$ 25,354,869</u>	<u>\$ 24,373,409</u>
Liabilities		
Current liabilities	\$ 2,465,727	\$ 2,776,441
Lease liabilities	758,671	843,912
Financial liabilities for hedging	-	3,453
Deferred tax liabilities	1,040,355	949,304
Other non-current liabilities	<u>3,115,124</u>	<u>4,119,874</u>
Total liabilities	<u>7,379,877</u>	<u>8,692,984</u>
Equity		
Capital	99,343	99,343
Capital surplus	15,624,196	15,624,196
Retained earnings	5,009,998	4,300,848
Other equity	(3,485,985)	(5,237,909)
Non-controlling interests	<u>727,440</u>	<u>893,947</u>
Total equity	<u>17,974,992</u>	<u>15,680,425</u>
Total	<u>\$ 25,354,869</u>	<u>\$ 24,373,409</u>

Conning Holdings Limited

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

	For the Three Months Ended March 31	
	2023	2022
Operating revenue	\$ 2,466,312	\$ 2,398,374
Operating costs	(297,020)	(256,640)
Operating expenses	(1,995,769)	(1,728,337)
Operating income	173,523	413,397
Non-operating income and expenses	(1,500)	-
Profit before income tax	172,023	413,397
Income tax expense	(58,294)	(141,373)
Net income	113,729	272,024
Other comprehensive (loss) income	(97,845)	465,098
 Total comprehensive income	 \$ 15,884	 \$ 737,122
 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)

	March 31	
Assets	2023	2022
Current assets	\$ 205,016	\$ 404,455
Investment property	1,679,744	1,662,565
Deferred tax assets	39,567	15,185
Other assets	<u>177,867</u>	<u>169,616</u>
Total	<u>\$ 2,102,194</u>	<u>\$ 2,251,821</u>
Liabilities		
Current liabilities	\$ 286	\$ 320
Leased liabilities	<u>1,260,196</u>	<u>1,345,760</u>
Total liabilities	<u>1,260,482</u>	<u>1,346,080</u>
Equity		
Share capital	1,000,000	1,000,000
Retained earnings	<u>(158,288)</u>	<u>(94,259)</u>
Total equity	<u>841,712</u>	<u>905,741</u>
Total	<u>\$ 2,102,194</u>	<u>\$ 2,251,821</u>

Cathay Industrial Research and Design Center Co., Ltd.

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

	For the Three Months Ended	
	March 31	
	2023	2022
Operating revenue	\$ 203	\$ 45
Operating costs	(12,518)	(13,368)
Operating expenses	<u>(314)</u>	<u>(254)</u>
Operating loss	(12,629)	(13,577)
Non-operating income and expenses	<u>(519)</u>	<u>(519)</u>
Loss before income tax	(13,148)	(14,096)
Income tax benefit	<u>2,629</u>	<u>2,819</u>
Net loss	(10,519)	(11,277)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>\$ (10,519)</u>	<u>\$ (11,277)</u>
Basic loss per share	<u>\$(0.11)</u>	<u>\$(0.11)</u>

Cathay Power Inc.
Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31, 2023
Assets	
Current assets	\$ 691,871
Equity investments accounted for using the equity method	18,025
Property and equipment	10,684,303
Right-of-use assets	709,768
Intangible assets	98,375
Deferred tax assets	956
Other non-current assets	<u>1,311,616</u>
Total	<u>\$ 13,514,914</u>
 Liabilities	
Current liabilities	\$ 2,381,536
Lease liabilities	721,363
Other non-current liabilities	<u>6,074,945</u>
Total liabilities	<u>9,177,844</u>
 Equity	
Share capital	3,703,770
Capital surplus	152,479
Retained earnings	128,080
Non-controlling interests	<u>352,741</u>
Total equity	<u>4,337,070</u>
 Total	<u>\$ 13,514,914</u>

Cathay Power Inc.

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

	From January 1 to March 31, 2023	From November 25 to December 31, 2022
Operating revenue	\$ 288,440	\$ 158,389
Operating costs	(221,191)	(124,897)
Operating expenses	<u>(30,295)</u>	<u>(31,901)</u>
Profit before income tax	36,954	1,591
Income tax expense	<u>(7,723)</u>	<u>(1,412)</u>
Net income	29,231	179
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 29,231</u>	<u>\$ 179</u>
Basic earnings per share	<u>\$ 0.08</u>	<u>\$ 0.0005</u>

Note: Cathay Power Inc. has been included in the consolidated financial statements as a subsidiary since November 25, 2022. EPS was calculated from November 25, 2022 to December 31, 2022.

Cathay Century Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2023	2022
Cash and cash equivalents	\$ 8,342,961	\$ 13,251,692
Receivables	3,196,285	2,276,355
Financial assets at fair value through profit or loss	7,627,078	11,560,905
Financial assets at fair value through other comprehensive income	686,506	712,981
Financial assets at amortized cost	8,008,305	7,155,041
Investments accounted for using the equity method	3,143,177	3,030,378
Loans	116,385	177,934
Reinsurance assets	13,102,459	9,790,584
Property and equipment	346,060	203,026
Right-of-use assets	75,019	204,354
Intangible assets	94,362	81,264
Deferred tax assets	4,550,218	239,985
Other assets	<u>1,366,324</u>	<u>633,025</u>
Total	<u>\$ 50,655,139</u>	<u>\$ 49,317,524</u>
Liabilities		
Payables	\$ 3,512,013	\$ 2,815,399
Financial liabilities at fair value through profit or loss	63,778	123,011
Lease liabilities	74,450	204,368
Insurance liabilities	32,555,574	29,870,807
Provisions	429,852	464,214
Deferred tax liabilities	295,736	270,948
Other liabilities	<u>1,133,759</u>	<u>995,506</u>
Total liabilities	<u>38,065,162</u>	<u>34,744,253</u>
Equity		
Share capital	7,057,052	3,057,052
Capital surplus	16,557,317	518,326
Retained earnings	(10,360,908)	11,273,160
Other equity	<u>(663,484)</u>	<u>(275,267)</u>
Total equity	<u>12,589,977</u>	<u>14,573,271</u>
Total	<u>\$ 50,655,139</u>	<u>\$ 49,317,524</u>

Cathay Century Insurance Co., Ltd.

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

	For the Three Months Ended	
	March 31	
	2023	2022
Operating revenue	\$ 6,039,656	\$ 5,926,393
Operating costs	(5,700,151)	(3,799,915)
Operating expenses	<u>(1,105,608)</u>	<u>(1,166,543)</u>
Operating (loss) income	(766,103)	959,935
Non-operating income and expenses	<u>(139)</u>	<u>(1,588)</u>
(Loss) profit before income tax	(766,242)	958,347
Income tax benefit (expense)	<u>190,874</u>	<u>(122,546)</u>
Net (loss) income	(575,368)	835,801
Other comprehensive income (loss)	<u>365,573</u>	<u>(709,843)</u>
Total comprehensive (loss) income	<u>\$ (209,795)</u>	<u>\$ 125,958</u>
Basic (loss) earnings per share	<u>\$ (0.82)</u>	<u>\$ 2.73</u>

Cathay Insurance Co., Ltd. (Vietnam)

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31	
	2023	2022
Cash and cash equivalents	\$ 286,672	\$ 268,452
Receivables	83,316	65,530
Financial assets at amortized cost	661,627	607,811
Reinsurance assets	401,107	212,676
Property and equipment	3,607	5,542
Right-of-use assets	5,504	11,882
Intangible assets	35,497	19,246
Other assets	<u>58,148</u>	<u>65,726</u>
Total	<u>\$ 1,535,478</u>	<u>\$ 1,256,865</u>
 Liabilities		
Payables	\$ 202,068	\$ 199,746
Insurance liabilities	594,768	373,098
Lease liabilities	6,036	12,665
Deferred tax liabilities	134	97
Other liabilities	<u>25,330</u>	<u>18,686</u>
Total liabilities	<u>828,336</u>	<u>604,292</u>
 Equity		
Capital	845,585	845,585
Retained earnings	5,248	(25,576)
Other equity	<u>(143,691)</u>	<u>(167,436)</u>
Total equity	<u>707,142</u>	<u>652,573</u>
Total	<u>\$ 1,535,478</u>	<u>\$ 1,256,865</u>

Cathay Insurance Co., Ltd. (Vietnam)

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

	For the Three Months Ended March 31	
	2023	2022
Operating revenue	\$ 125,324	\$ 99,131
Operating costs	(29,232)	(21,850)
Operating expenses	(84,892)	(70,629)
Operating income	11,200	6,652
Non-operating income and expenses	1,023	(21)
Profit before income tax	12,223	6,631
Income tax expense	(3,263)	(2,022)
Net income	8,960	4,609
Other comprehensive (loss) income	(2,623)	20,901
 Total comprehensive income	 \$ 6,337	 \$ 25,510
 Basic earnings per share	 Note	 Note

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

Cathay United Bank Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31	
	2023	2022
Cash and cash equivalents	\$ 73,277,999	\$ 52,792,101
Due from the Central Bank and call loans to banks	366,729,398	239,558,280
Financial assets at fair value through profit or loss	284,374,052	294,943,939
Financial assets at fair value through other comprehensive income	398,657,043	288,415,481
Debt instruments at amortized cost	493,735,934	580,970,040
Notes and bonds purchased under resale agreements	20,262,845	41,826,106
Receivables	107,786,403	87,703,866
Assets held for sale	-	271,823
Loans	2,032,580,938	1,789,713,235
Investments accounted for using the equity method	26,557,027	26,767,939
Other financial assets	4,584,608	4,506,550
Property and equipment	23,054,478	23,289,318
Right-of-use assets	3,221,555	3,714,389
Investment property	2,209,212	622,940
Intangible assets	7,797,074	7,735,508
Deferred tax assets	4,065,145	4,110,325
Other assets	34,367,846	27,864,117
Total	\$ 3,883,261,557	\$ 3,474,805,957
Liabilities		
Deposits from the Central Bank and banks	\$ 132,606,740	\$ 98,138,532
Due to the Central Bank and banks	-	1,076,000
Financial liabilities at fair value through profit or loss	100,262,835	86,395,784
Notes and bonds under repurchase agreements	38,730,911	29,526,029
Payables	40,437,470	21,252,740
Current tax liabilities	391,968	49,163
Deposits and remittances	3,204,778,775	2,897,104,244
Financial debentures payable	37,146,179	47,360,991
Other financial liabilities	58,974,065	30,608,394
Provisions	3,235,037	3,540,609
Lease liabilities	3,275,908	3,766,719
Deferred tax liabilities	1,845,023	1,815,056
Other liabilities	10,668,596	7,806,763
Total liabilities	3,632,353,507	3,228,441,024
Equity		
Share capital	108,598,655	106,985,830
Capital surplus	38,869,080	38,687,276
Retained earnings	113,974,935	105,180,297
Other equity	(10,534,620)	(4,488,470)
Total equity	250,908,050	246,364,933
Total	\$ 3,883,261,557	\$ 3,474,805,957

Cathay United Bank Co., Ltd.

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

	For the Three Months Ended March 31	
	2023	2022
Interest income	\$ 22,555,706	\$ 11,216,998
Interest expense	<u>(10,633,801)</u>	<u>(1,873,760)</u>
Net interest income	11,921,905	9,343,238
Net income and gains other than interest income	<u>8,408,389</u>	<u>6,702,693</u>
Profit from operations	<u>20,330,294</u>	<u>16,045,931</u>
Reversal (provision) for bad debt, commitments and guarantee reserve	311,003	(268,261)
Operating expenses	<u>(9,701,875)</u>	<u>(7,730,102)</u>
Profit before income tax	10,939,422	8,047,568
Income tax expense	<u>(1,826,000)</u>	<u>(1,315,000)</u>
Net income	9,113,422	6,732,568
Other comprehensive income (loss)	<u>4,049,996</u>	<u>(6,718,747)</u>
 Total comprehensive income	 <u>\$ 13,163,418</u>	 <u>\$ 13,821</u>
 Basic earnings per share	 <u>\$0.84</u>	 <u>\$0.62</u>

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

	March 31	
Assets	2023	2022
Cash and cash equivalents	\$ 12,291,002	\$ 1,993,649
Due from the Central Bank and call loans to banks	4,179,673	5,690,531
Financial assets at fair value through profit or loss	5,752,661	1,875,494
Financial assets at fair value through other comprehensive income	9,901,976	11,405,949
Notes and bonds purchased under resale agreements	-	6,728,475
Receivables	606,828	497,156
Loans	38,780,368	40,402,688
Property and equipment	680,903	675,153
Right-of-use assets	126,604	149,194
Intangible assets	31,263	33,269
Deferred tax assets	187,156	-
Other assets	<u>100,783</u>	<u>75,941</u>
Total	<u>\$ 72,639,217</u>	<u>\$ 69,527,499</u>
Liabilities		
Due to the Central Bank and banks	\$ 13,911,023	\$ 11,468,169
Financial liabilities at fair value through profit or loss	209,525	18,780
Payables	1,444,190	1,351,331
Current tax liabilities	69,011	113,815
Deposits and remittances	48,546,532	47,357,861
Provisions	7,220	9,928
Lease liabilities	106,879	121,651
Deferred tax liabilities	48,989	132,191
Other liabilities	<u>27,627</u>	<u>14,496</u>
Total liabilities	<u>64,370,996</u>	<u>60,588,222</u>
Equity		
Capital	6,094,911	6,094,911
Retained earnings	1,740,210	2,500,084
Other equity	<u>433,100</u>	<u>344,282</u>
Total equity	<u>8,268,221</u>	<u>8,939,277</u>
Total	<u>\$ 72,639,217</u>	<u>\$ 69,527,499</u>

Indovina Bank Limited

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

	For the Three Months Ended March 31	
	2023	2022
Interest income	\$ 1,099,806	\$ 913,696
Interest expense	<u>(680,702)</u>	<u>(462,174)</u>
Net interest income	419,104	451,522
Net income and gains other than interest income	<u>174,843</u>	<u>37,943</u>
Profit from operations	<u>593,947</u>	<u>489,465</u>
(Provision) reversal for bad debt, commitments, and guarantee reserve	(241,012)	27,745
Operating expenses	<u>(183,253)</u>	<u>(162,305)</u>
Profit before income tax	169,682	354,905
Income tax expense	<u>(57,287)</u>	<u>(75,632)</u>
Net income	112,395	279,273
Other comprehensive income (loss)	<u>176,111</u>	<u>(92,176)</u>
Total comprehensive income	<u>\$ 288,506</u>	<u>\$ 187,097</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)

	March 31	
Assets	2023	2022
Cash and cash equivalents	\$ 1,424,660	\$ 1,208,922
Due from the Central Bank and call loans to banks	2,058,813	1,432,988
Financial assets at fair value through other comprehensive income	779	732
Debt instruments at amortized cost	149,278	-
Receivables	151,260	88,898
Loans	14,309,415	9,970,947
Property and equipment	199,409	155,768
Right-of-use assets	97,127	69,662
Intangible assets	37,809	25,474
Deferred tax assets	13,757	9,116
Other assets	<u>75,468</u>	<u>73,163</u>
Total	<u>\$ 18,517,775</u>	<u>\$ 13,035,670</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 7,201,575	\$ 2,926,023
Payables	187,711	269,282
Current tax liabilities	27,364	12,611
Deposits and remittances	7,374,445	6,658,758
Provisions	1,704	1,343
Lease liabilities	103,262	74,765
Other liabilities	<u>7,339</u>	<u>9,770</u>
Total liabilities	<u>14,903,400</u>	<u>9,952,552</u>
Equity		
Share capital	3,020,769	3,020,769
Retained earnings	568,380	238,628
Other equity	<u>25,226</u>	<u>(176,279)</u>
Total equity	<u>3,614,375</u>	<u>3,083,118</u>
Total	<u>\$ 18,517,775</u>	<u>\$ 13,035,670</u>

Cathay United Bank (Cambodia) Corporation Limited

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

	For the Three Months Ended March 31	
	2023	2022
Interest income	\$ 304,579	\$ 183,552
Interest expense	<u>(129,266)</u>	<u>(43,648)</u>
Net interest income	175,313	139,904
Net income and gains other than interest income	<u>23,988</u>	<u>12,814</u>
Profit from operations	<u>199,301</u>	<u>152,718</u>
Provision for bad debt, commitments, and guarantee reserve	(29)	(5,575)
Operating expenses	<u>(106,946)</u>	<u>(103,363)</u>
Profit before income tax	92,326	43,780
Income tax expense	<u>(11,860)</u>	<u>(9,699)</u>
Net income	80,466	34,081
Other comprehensive (loss) income	<u>(26,022)</u>	<u>100,348</u>
 Total comprehensive income	 <u>\$ 54,444</u>	 <u>\$ 134,429</u>
 Basic earnings per share	 <u>\$0.80</u>	 <u>\$0.34</u>

Cathay United Bank (China) Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2023	2022
Cash and cash equivalents	\$ 1,147,935	\$ 1,180,111
Due from the Central Bank and call loans to banks	4,718,780	23,838,944
Financial assets at fair value through profit or loss	2,202,555	2,128,839
Financial assets at fair value through other comprehensive income	23,810,050	19,294,020
Debt instruments at amortized cost	2,805,919	1,422,705
Receivables	29,714,074	6,457,204
Current tax assets	-	7,483
Loans	32,233,914	30,537,350
Property and equipment	198,167	240,304
Right-of-use assets	305,348	381,213
Intangible assets	144,698	129,742
Deferred tax assets	73,504	-
Other assets	<u>343,234</u>	<u>234,360</u>
Total	<u>\$ 97,698,178</u>	<u>\$ 85,852,275</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 12,328,749	\$ 14,191,325
Financial liabilities at fair value through profit or loss	1,630,848	1,817,268
Notes and bonds sold under repurchase agreements	-	5,718,812
Payables	30,461,995	6,746,138
Current tax liabilities	3,128	-
Deposits and remittances	32,975,425	35,938,405
Other financial liabilities	2,440,131	3,657,080
Provisions	12,340	15,172
Lease liabilities	333,164	408,907
Deferred tax liabilities	-	4,156
Other liabilities	<u>740,078</u>	<u>349,468</u>
Total liabilities	<u>80,925,858</u>	<u>68,846,731</u>
Equity		
Capital	14,377,562	14,377,562
Capital surplus	2,522,670	2,522,670
Retained earnings	1,123,146	847,846
Other equity	<u>(1,251,058)</u>	<u>(742,534)</u>
Total equity	<u>16,772,320</u>	<u>17,005,544</u>
Total	<u>\$ 97,698,178</u>	<u>\$ 85,852,275</u>

Cathay United Bank (China) Co., Ltd.

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

	For the Three Months Ended March 31	
	2023	2022
Interest income	\$ 559,341	\$ 522,294
Interest expense	<u>(306,234)</u>	<u>(297,214)</u>
Net interest income	253,107	225,080
Net income and gains other than interest income	<u>89,163</u>	<u>166,635</u>
Profit from operations	<u>342,270</u>	<u>391,715</u>
Reversal (provision) for bad debt and guarantee reserve	28,935	(50,236)
Operating expenses	<u>(252,835)</u>	<u>(235,588)</u>
Profit before income tax	118,370	105,891
Income tax expense	<u>(29,129)</u>	<u>(32,070)</u>
Net income	89,241	73,821
Other comprehensive (loss) income	<u>(122,863)</u>	<u>347,459</u>
Total comprehensive (loss) income	<u>\$ (33,622)</u>	<u>\$ 421,280</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)

	March 31	
Assets	2023	2022
Current assets	\$ 36,045,899	\$ 46,236,574
Financial assets at fair value through other comprehensive income - non-current	311	419
Investments accounted for using the equity method	2,421,161	2,734,570
Property and equipment	282,764	250,460
Right-of-use assets	102,703	164,619
Intangible assets	64,574	57,821
Deferred tax assets	34,062	6,574
Other non-current assets	585,976	635,069
Total	\$ 39,537,450	\$ 50,086,106
Liabilities		
Current liabilities	\$ 25,911,711	\$ 36,414,880
Lease liabilities - non-current	46,728	99,761
Deferred tax liabilities	-	20,738
Other non-current liabilities	32,567	37,769
Total liabilities	25,991,006	36,573,148
Equity		
Share capital	7,700,000	7,300,000
Capital surplus	914,810	898,167
Retained earnings	4,109,843	4,169,002
Other equity	821,791	1,145,789
Total equity	13,546,444	13,512,958
Total	\$ 39,537,450	\$ 50,086,106

Cathay Securities Corporation

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

	For the Three Months Ended March 31	
	2023	2022
Revenues	\$ 1,430,990	\$ 1,388,867
Service fee expenses	(69,313)	(91,269)
Employee benefit expenses	(397,517)	(408,446)
Operating expenses	(452,021)	(400,191)
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	33,181	(26,327)
Non-operating income and expenses	15,121	7,444
Profit before income tax	560,441	470,078
Income tax expense	(93,693)	(74,820)
Net income	466,748	395,258
Other comprehensive income	36,760	72,666
Total comprehensive income	\$ 503,508	\$ 467,924
Basic earnings per share	\$0.61	\$0.54

Cathay Futures Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2023	2022
Current assets	\$ 15,662,235	\$ 13,123,820
Financial assets at fair value through other comprehensive income - non-current	955,191	1,285,964
Property and equipment	65,650	67,597
Investment property	290,341	291,175
Right-of-use assets	9,244	16,365
Intangible assets	22,462	11,335
Deferred tax assets	252	-
Other non-current assets	158,684	151,984
Total	\$ 17,164,059	\$ 14,948,240
Liabilities		
Current liabilities	\$ 15,175,981	\$ 12,720,715
Deferred tax liabilities	6,399	6,554
Other non-current liabilities	5,147	12,401
Total liabilities	15,187,527	12,739,670
Equity		
Share capital	667,000	667,000
Capital surplus	2,455	680
Retained earnings	383,535	285,661
Other equity	923,542	1,255,229
Total equity	1,976,532	2,208,570
Total	\$ 17,164,059	\$ 14,948,240

Cathay Futures Co., Ltd.

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

	For the Three Months Ended March 31	
	2023	2022
Revenues	\$ 102,089	\$ 101,740
Operating expenses	<u>(113,680)</u>	<u>(120,674)</u>
Operating loss	(11,591)	(18,934)
Non-operating income and expenses	<u>56,881</u>	<u>14,935</u>
Profit (loss) before income tax	45,290	(3,999)
Income tax (expense) benefit	<u>(9,004)</u>	<u>75</u>
Net income (loss)	36,286	(3,924)
Other comprehensive (loss) income	<u>(45,183)</u>	<u>79,076</u>
Total comprehensive (loss) income	<u>\$ (8,897)</u>	<u>\$ 75,152</u>
Basic earnings (loss) per share	<u>\$0.54</u>	<u>\$(0.06)</u>

Cathay Securities (Hong Kong) Limited

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

	March 31	
	2023	2022
Assets		
Current assets	\$ 1,428,348	\$ 1,131,143
Investments accounted for using the equity method	(73,431)	2,071
Property and equipment	499	27,135
Right-of-use assets	16,140	1,820
Intangible assets	1,931	(6,128)
Other non-current assets	<u>46,242</u>	<u>101,702</u>
Total	<u>\$ 1,419,729</u>	<u>\$ 1,257,743</u>
Liabilities		
Current liabilities	\$ 972,420	\$ 717,043
Non-current liabilities	<u>2,495</u>	<u>14,493</u>
Total liabilities	<u>974,915</u>	<u>731,536</u>
Equity		
Capital	1,108,244	1,108,244
Retained earnings	(619,779)	(506,709)
Other equity	<u>(43,651)</u>	<u>(75,328)</u>
Total equity	<u>444,814</u>	<u>526,207</u>
Total	<u>\$ 1,419,729</u>	<u>\$ 1,257,743</u>

Cathay Securities (Hong Kong) Limited

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

	For the Three Months Ended March 31	
	2023	2022
Revenues	\$ 28,748	\$ 19,428
Service fee expenses	(619)	(615)
Employee benefit expenses	(11,075)	(12,483)
Operating expenses	(20,771)	(16,248)
Non-operating income and expenses	<u>615</u>	<u>(12,486)</u>
Net loss	(3,102)	(22,404)
Other comprehensive (loss) income	<u>(6,790)</u>	<u>15,376</u>
Total comprehensive loss	<u>\$ (9,892)</u>	<u>\$ (7,028)</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)

	March 31	
	2023	2022
Assets		
Current assets	\$ 480,128	\$ 1,380,517
Total	<u>\$ 480,128</u>	<u>\$ 1,380,517</u>
Liabilities		
Current liabilities	\$ 553,559	\$ 1,386,645
Total liabilities	<u>553,559</u>	<u>1,386,645</u>
Equity		
Capital	3,875	3,875
Retained earnings	(76,161)	(9,622)
Other equity	<u>(1,145)</u>	<u>(381)</u>
Total equity	<u>(73,431)</u>	<u>(6,128)</u>
Total	<u>\$ 480,128</u>	<u>\$ 1,380,517</u>

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

	For the Three Months Ended March 31	
	2023	2022
Operating revenues (loss)	\$ 8,843	\$ (152)
Operating costs	(6,290)	(4,352)
Operating expenses	(2,790)	(4,671)
Non-operating income and expenses	<u>88</u>	<u>4</u>
Net loss before income tax	(149)	(9,171)
Income tax expense	<u>-</u>	<u>(3,320)</u>
Net loss	(149)	(12,491)
Other comprehensive income (loss)	<u>1,112</u>	<u>(38)</u>
Total comprehensive income (loss)	<u>\$ 963</u>	<u>\$ (12,529)</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)

	March 31	
Assets	2023	2022
Current assets	\$ 4,318,561	\$ 4,034,000
Financial assets at fair value through other comprehensive income - non-current	14,161	12,221
Investments accounted for using the equity method	391,182	437,291
Property and equipment	85,011	45,589
Right-of-use assets	40,438	94,354
Intangible assets	52,850	24,119
Deferred tax assets	20,101	36,544
Guarantee deposits paid	384,565	322,057
Other non-current assets	10,255	16,203
Total	\$ 5,317,124	\$ 5,022,378
Liabilities		
Current liabilities	\$ 902,154	\$ 811,378
Non-current liabilities	101,757	222,173
Total liabilities	1,003,911	1,033,551
Equity		
Share capital	1,500,000	1,500,000
Capital surplus	23,169	16,453
Retained earnings	2,864,469	2,586,322
Other equity	(74,425)	(113,948)
Total equity	4,313,213	3,988,827
Total	\$ 5,317,124	\$ 5,022,378

Cathay Securities Investment Trust Co., Ltd.

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

	For the Three Months Ended March 31	
	2023	2022
Operating revenue	\$ 943,999	\$ 1,059,188
Operating expenses	<u>(492,986)</u>	<u>(511,916)</u>
Operating profit	451,013	547,272
Non-operating income and expenses	<u>24,380</u>	<u>(13,434)</u>
Profit before income tax	475,393	533,838
Income tax expense	<u>(92,139)</u>	<u>(110,219)</u>
Net income	383,254	423,619
Other comprehensive income	<u>1,426</u>	<u>13,240</u>
 Total comprehensive income	 <u>\$ 384,680</u>	 <u>\$ 436,859</u>
 Basic earnings per share	 <u>\$2.56</u>	 <u>\$2.82</u>

Cathay Private Equity Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
	2023	2022
Assets		
Current assets	\$ 104,416	\$ 92,294
Other non-current assets	<u>51,002</u>	<u>53,134</u>
 Total	 <u>\$ 155,418</u>	 <u>\$ 145,428</u>
 Liabilities		
Current liabilities	\$ 46,717	\$ 38,240
Other non-current liabilities	<u>575</u>	<u>2,128</u>
Total liabilities	<u>47,292</u>	<u>40,368</u>
 Equity		
Share capital	150,000	150,000
Capital surplus	361	63
Retained earnings	<u>(42,235)</u>	<u>(45,003)</u>
Total equity	<u>108,126</u>	<u>105,060</u>
 Total	 <u>\$ 155,418</u>	 <u>\$ 145,428</u>

Cathay Private Equity Co., Ltd.

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

	For the Three Months Ended March 31	
	2023	2022
Operating revenue	\$ 14,043	\$ 10,815
Operating expenses	<u>(13,552)</u>	<u>(10,527)</u>
Operating income	491	288
Non-operating income and expenses	<u>2,329</u>	<u>686</u>
Profit before income tax	2,820	974
Income tax expense	<u>(101)</u>	<u>(56)</u>
Net income	<u>2,719</u>	<u>918</u>
Total comprehensive income	<u>\$ 2,719</u>	<u>\$ 918</u>
Basic earnings per share	<u>\$0.18</u>	<u>\$0.06</u>

Cathay Venture Inc.
Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2023	2022
Current assets	\$ 401,130	\$ 1,290,545
Financial assets at fair value through profit or loss - non-current	5,323,068	4,953,614
Financial assets at fair value through other comprehensive income - non-current	497,094	-
Investments accounted for using the equity method	276,617	314,906
Property and equipment	3,341	3,216
Right-of-use assets	22,860	4,014
Deferred tax assets	66,775	68,036
Other non-current assets	2,086	1,944
Total	<u>\$ 6,592,971</u>	<u>\$ 6,636,275</u>
Liabilities		
Current liabilities	\$ 43,055	\$ 41,720
Non-current liabilities	23,199	8,748
Total liabilities	<u>66,254</u>	<u>50,468</u>
Equity		
Share capital	5,181,730	5,181,730
Capital surplus	576,952	576,667
Retained earnings	753,860	826,932
Other equity	14,175	478
Total equity	<u>6,526,717</u>	<u>6,585,807</u>
Total	<u>\$ 6,592,971</u>	<u>\$ 6,636,275</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	
	2023	2022
Operating revenue	\$ 338,932	\$ 185,997
Operating costs	(9,691)	(12,203)
Operating expenses	(4,109)	(4,568)
Non-operating income and expenses	(231)	103
Profit before income tax	324,901	169,329
Income tax expense	(1,679)	(8,092)
Net income	323,222	161,237
Other comprehensive income	13,612	-
Total comprehensive income	<u>\$ 336,834</u>	<u>\$ 161,237</u>
Basic earnings per share	<u>\$0.62</u>	<u>\$0.31</u>

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

For the three months ended March 31, 2023

Unit: %

	Return on Assets		Return on Equity		Net Income Ratio
	Before Tax	After Tax	Before Tax	After Tax	
The Group	0.06	0.06	1.11	1.10	10.49
The Company	0.87	0.89	1.08	1.09	94.85
Cathay Life	(0.05)	(0.03)	(0.77)	(0.44)	(1.32)
Cathay Century	(1.39)	(1.04)	(6.04)	(4.53)	(9.53)
Cathay United Bank	0.29	0.24	4.48	3.73	44.83
Cathay Securities	1.49	1.24	4.22	3.51	32.62

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

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 691 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 (55 locations).
- 3) Cathay Securities sets up co-selling offices in Cathay Life's 32 branches to facilitate account opening services through sharing business facilities and locations.

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

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

34. SEGMENT INFORMATION

a. General information on operating segments

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

- 1) Banking operating segment: The banking operating segment is engaged in permitted businesses of commercial banks provided by the Banking Act of the Republic of China, foreign exchange business, guarantee business, advisory service of foreign currency investments, trust business, offshore banking units and other financial business of investments from returning expatriates.
- 2) Life insurance operating segments: The life insurance operating segment is engaged in interest-sensitive sales of traditional insurance, investment-linked insurance and annuity insurance and providing financial planning services and policy loan services.
- 3) Property insurance operating segment: The property insurance operating segment is engaged in fire insurance, marine insurance, land and air insurance, liability insurance, financial guarantee insurance, reinsurance and other insurance.
- 4) Securities operating segment: The securities operating segment is engaged in 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, 2023

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 12,949,097	\$ 46,651,420	\$ 154,963	\$ 98,993	\$ (341,207)	\$ 59,513,266
Net income and gains other than interest income (loss)	4,435,737	7,565,443	(7,969,976)	1,233,101	3,632,676	8,896,981
Profit (loss) from operations	17,384,834	54,216,863	(7,815,013)	1,332,094	3,291,469	68,410,247
Reversal (provision) for bad debt, commitments and guarantee reserve	98,897	247,385	-	(44)	-	346,238
Net changes in insurance liability reserve	-	(46,357,719)	8,138,530	-	-	(38,219,189)
Operating expenses	(9,988,370)	(8,584,733)	(913,227)	(723,424)	(3,090,118)	(23,299,872)
Profit (loss) from continuing operations before taxes	7,495,361	(478,204)	(589,710)	608,626	201,351	7,237,424
Income tax (expense) benefit	(1,931,557)	1,893,138	187,645	(93,707)	(119,559)	(64,040)
Net income (loss) from continuing operations	5,563,804	1,414,934	(402,065)	514,919	81,792	7,173,384

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) reversal 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

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 of risk management

i. The board of directors

- i) The board of directors should establish appropriate risk management framework and culture, ratify appropriate risk management policy and review it regularly and allocate resources in the most effective manner.
- ii) The board of directors and senior management should consistently promote, execute risk management and keep the consistency of the operational objectives of Cathay Life as well as operational strategies and operations management.
- iii) The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.
- iv) The board of directors should delegate authority to risk management department to deal with violation to risk limits by other departments.

ii. Risk management committee

- i) The committee should propose the risk management policies, framework and organizational functions and establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly and making necessary suggestions for improvement.
- ii) The committee should execute the risk management policies set by the board of directors and review the development, build-up and performance of overall management mechanisms regularly.
- iii) The committee should assist and monitor the risk management activities.
- iv) The committee should assist in the review of the risk limit development process.
- v) The committee should arrange the risk category, risk limit allocation and risk taking 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. Subsidiaries

Each subsidiary's risk management department or related unit should develop risk management policies based on the nature of its business and needs and report to Cathay Life's risk management committee for future reference.

c) Range and nature of risk assessment or risk reporting

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

i. Market risk

Market risk is the risk of losses in value of Cathay Life's financial assets arising from the changes in market prices of financial instruments. Cathay Life adopts measurement indicators for market risk based on VaR and reviews regularly. In addition, Cathay Life performs back testing to ensure the accuracy of the market risk model regularly. Furthermore, Cathay Life applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly. In response to the implementation of foreign exchange valuation reserve, Cathay Life determines the ceiling of foreign exchange risk, implements warning system and monitors foreign exchange risk regularly.

ii. Credit risk

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

iii. Country risk

Country risk is the risk that Cathay Life suffers losses from loans, financial investments and long-term investments in a specific country as a result of market price fluctuation or default of security issuers or debtors stemming from local political and/or economic situations. Cathay Life adopts measurement indicators for country risk, which are calculated by total investments in a certain country or specific area divided by total foreign investments or adjusted net assets. Cathay Life reviews and adjusts the indicator on a regular basis.

iv. Liquidity risk

Liquidity risk is comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Cathay Life is not capable of performing matured commitment because it fails to realize assets or obtain sufficient funds. Cathay Life has established measurement indicators of funding liquidity risk and reviews the indicators regularly. In addition, a funding reporting system has been established under which the risk management department manages funding liquidity based on the information provided by relevant business units. Furthermore, the cash flow analysis model has been applied and monitored regularly, and improvements should be made once unusual events occur. The cash flow analysis model is also applied to set the annual assets allocation plan to maintain appropriate liquidity of assets. Market liquidity risk is the risk of significant changes in fair values when Cathay Life sells or offsets its positions during a market disorder or a lack of sufficient market depth. Cathay Life has established a liquidity threshold for investment positions. Each investment department evaluates the market trading volumes and adequacy of positions held according to the features and objectives of its investment positions.

v. Operational risk

Operational risk is the risk caused by improper conduct or errors of internal process, personnel, system or external issues that lead to losses. Operational risk includes legal risk but excludes strategic risk and reputation risk. Cathay Life has set the standard operating procedures based on the nature of the business and established reporting system for loss events of operation risk as well as to collect and manage information with respect to losses resulting from operational risk. To maintain Cathay Life's operation and ability to provide customer services while minimizing the losses under a major crisis, Cathay Life has established business continuity management system, emergency handling mechanism and information system damage responses.

vi. Insurance risk

Cathay Life assumes certain risks which is transferred from policyholders after the collection of premiums from policyholders, and Cathay Life may bear losses due to unexpected changes when paying claims and related expenses. This risk is involved with policy design and pricing risk, underwriting risk, reinsurance risk, catastrophe risk, claim risk and reserve-related risk.

vii. Asset and liability matching risk

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

viii. Capital adequacy

Cathay Life regards RBC ratio and the net worth 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, completeness 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 in 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 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 immediacy extreme weather events or long-term climate pattern change). The Company 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 addition 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 the net worth 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 the net worth ratio.
 - iv) Regularly review RBC ratio, net worth ratio and related control standards to ensure a solid capital adequacy management.

ii. Exception management process

When RBC ratio or the net worth 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 or the net worth ratio 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, single stock 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, 2023					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 884,591	Decrease (increase)	\$ 707,673
Expense	×1.05 (×0.95)	Decrease (increase)	708,434	Decrease (increase)	566,747
Surrender rate	×1.05 (×0.95)	Increase (decrease)	99,998	Increase (decrease)	79,998
Rate of return	+0.1%	Increase	1,790,098	Increase	1,432,078
Rate of return	-0.1%	Decrease	1,790,544	Decrease	1,432,435

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

ii. Cathay Lujiazui Life

For the Three Months Ended March 31, 2023					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 42,283	Decrease (increase)	\$ 31,713
Expense	×1.05 (×0.95)	Decrease (increase)	27,189	Decrease (increase)	20,392
Surrender rate	×1.10 (×0.90)	Increase (decrease)	18,439	Increase (decrease)	13,829
Rate of return	+0.25%	Increase	227,063	Increase	170,297
Rate of return	-0.25%	Decrease	227,625	Decrease	170,719

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

iii. Cathay Life (Vietnam)

For the Three Months Ended March 31, 2023					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 1,615	Decrease (increase)	\$ 1,292
Expense	×1.05 (×0.95)	Decrease (increase)	20,752	Decrease (increase)	16,602
Surrender rate	×1.05 (×0.95)	Increase (decrease)	7,207	Increase (decrease)	5,765
Rate of return	+0.1%	Increase	8,341	Increase	6,673
Rate of return	-0.1%	Decrease	8,343	Decrease	6,674

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

- i) Changes in income before tax listed above referred to the effects of income before tax for the three months ended March 31, 2023 and 2022. The changes in equity of Cathay Life, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.
- ii) As an increase (decrease) of 0.1% in discount rates is applied to the liability adequacy test, the result of the test is still adequate for Cathay Life and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.
- iii) Sensitivity test

- Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.
- Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.

- Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.
- Rate of return sensitivity test is executed by adjusting the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

Note 1: Expense items includes underwriting expenses, commission expenses, other operating costs as well as general expenses, administration expenses, employee training expenses of operating expenses, and expected credit impairment losses and gains on reversal from non-investments.

Note 2: Rate of return is calculated as follows (to be annualized):

$$2 \times (\text{net investment} - \text{finance costs}) / (\text{the beginning balance of available funds} + \text{the ending balance of available funds, net incomes (losses) on investment} + \text{finance costs})$$

b) Concentration of insurance risks

Cathay Life's insurance business is mainly from the R.O.C., and all the insurance policies have similar risk exposure; for example, the risk exposure to the unexpected changes in trend (mortality, morbidity, and surrender rate) or the risk exposure to multiple insurance contracts caused by a single incident (for example, simultaneous risk exposure to life insurance, health insurance, and casualty insurance caused by an earthquake). Cathay Life reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

In principle, Cathay Life performs an evaluation on the retained risks by considering the risk characteristics and its risk bearing capacity, which is submitted for approval by authority, and engages in reinsurance business for the excess of risks over the retained. At the same time, Cathay Life considers unexpected human and natural disasters in each year to estimate the reasonable maximum of losses based on the retained risks and determines according to the risk characteristics and its bearing capacity whether to adjust the reinsured amount or purchase catastrophe reinsurance. Therefore, the insurance risks to some extent are diversified to reduce the potential impact on unexpected losses.

Furthermore, according to Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, special reserve for catastrophic events should be provided for huge claims and payments due to future catastrophic events, and special reserve for fluctuation of risk should be provided for abnormal changes in loss ratio and claims of each insurance type. The annual increase of special reserve for catastrophic events and fluctuation of risks should be recorded in special reserve of equity, net of tax in accordance with IAS 12.

c) Claim development trend

i. Cathay Life

i) Direct business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2016Q2-2017Q1	16,022,652	19,698,946	20,049,004	20,144,517	20,181,975	20,209,663	20,228,171	-	-
2017Q2-2018Q1	18,053,937	22,165,777	22,599,673	22,725,720	22,788,866	22,827,599	22,847,677	20,078	20,118
2018Q2-2019Q1	19,772,694	24,473,328	24,935,985	25,060,579	25,134,181	25,175,771	25,197,278	63,097	63,223
2019Q2-2020Q1	21,630,150	26,416,592	26,912,791	27,043,247	27,117,004	27,161,920	27,184,492	141,245	141,527
2020Q2-2021Q1	21,519,459	26,414,073	26,945,957	27,077,588	27,145,372	27,187,240	27,211,082	265,125	265,656
2021Q2-2022Q1	19,958,390	24,847,464	25,306,053	25,423,608	25,483,456	25,521,213	25,544,744	697,280	698,675
2022Q2-2023Q1	22,125,568	27,153,772	27,652,541	27,779,574	27,844,072	27,885,001	27,910,849	5,785,281	5,796,851
								Expected future payments	\$ 6,986,050
								Add: Assumed reserve for claims not yet filed	51,613
								Reserve for claims not yet filed	7,037,663
								Add: Unreported claims reserve for epidemic prevention insurance	27,068
								Add: Claims filed but not yet paid	4,860,047
								Loss reserve balance	<u>\$ 11,924,778</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		
2016Q2-2017Q1	16,103,354	19,813,468	20,168,320	20,264,138	20,301,761	20,329,589	20,348,365	-	-
2017Q2-2018Q1	18,179,256	22,338,184	22,773,159	22,899,499	22,962,820	23,001,884	23,022,482	20,598	20,639
2018Q2-2019Q1	19,868,021	24,577,826	25,041,707	25,166,668	25,240,730	25,282,954	25,305,512	64,782	64,911
2019Q2-2020Q1	21,660,481	26,456,342	26,954,336	27,085,549	27,159,566	27,204,844	27,228,013	142,464	142,749
2020Q2-2021Q1	21,550,230	26,460,887	26,997,827	27,130,012	27,198,139	27,240,484	27,265,113	267,286	267,820
2021Q2-2022Q1	19,992,063	24,922,217	25,384,649	25,503,015	25,563,366	25,601,822	25,626,508	704,291	705,700
2022Q2-2023Q1	22,189,031	27,247,518	27,751,029	27,879,057	27,944,173	27,985,958	28,013,225	5,824,194	5,835,842
								Expected future payments	\$ 7,037,661
								Add: Unreported claims reserve for epidemic prevention insurance	27,070
								Add: Claims filed but not yet paid	4,739,403
								Retained loss reserve balance	<u>\$ 11,804,134</u>

Note: Retained business equals direct business plus assumed reinsurance less ceded reinsurance business.

In accordance with Jin Guan Bao Shou No. 10402133590 issued on December 22, 2015 by the FSC, reserve for claims not yet filed is provided as claims filed and adjusted for related expenses. Regarding the reserve for products of statutory infectious disease monthly loss triangle estimation were used, and the reserve for claims filed but not yet paid was provided on a case-by-case basis. The loss reserve is the sum of the above reserve, and due to uncertainty, estimation, and judgment, there is a high degree of complexity in the provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Life may be delayed in certain cases, and estimates of the payments for cases not yet filed are involved with a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in the specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in the specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

ii. Cathay Lujiazui Life

i) Direct business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2016Q2-2017Q1	292,571	528,853	559,245	565,588	565,588	565,588	565,588	-
2017Q2-2018Q1	350,926	381,176	460,754	460,754	460,754	460,754	460,754	-
2018Q2-2019Q1	411,426	766,864	852,071	852,071	852,071	852,071	852,071	-
2019Q2-2020Q1	396,320	561,453	825,667	825,667	825,667	825,667	825,667	-
2020Q2-2021Q1	526,056	754,013	1,053,553	1,056,030	1,056,030	1,056,030	1,056,030	2,477
2021Q2-2022Q1	459,343	658,392	825,375	827,316	827,316	827,316	827,316	168,924
2022Q2-2023Q1	837,993	1,255,542	1,573,976	1,577,677	1,577,677	1,577,677	1,577,677	739,684
Expected future payments								\$ 911,085
Less: Assumed reserve for claims not yet filed								(348,427)
Reserve for claims not yet filed								562,658
Add: Claims filed but not yet paid								17,201
Loss reserve balance								<u>\$ 579,859</u>

ii) Retained business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2016Q2-2017Q1	282,448	453,528	481,655	487,219	487,219	487,219	487,219	-
2017Q2-2018Q1	338,784	364,509	441,517	441,517	441,517	441,517	441,517	-
2018Q2-2019Q1	404,636	746,715	839,006	839,006	839,006	839,006	839,006	-
2019Q2-2020Q1	396,320	561,453	813,700	813,700	813,700	813,700	813,700	-
2020Q2-2021Q1	526,056	745,246	1,080,066	1,082,400	1,082,400	1,082,400	1,082,400	2,334
2021Q2-2022Q1	459,343	650,736	828,520	830,310	830,310	830,310	830,310	179,574
2022Q2-2023Q1	837,993	1,225,945	1,560,879	1,564,251	1,564,251	1,564,251	1,564,251	726,258
Expected future payments								\$ 908,166
Less: Expected claims filed but not yet paid								(348,427)
Add: Claims filed but not yet paid								9,472
Retained loss reserve balance								<u>\$ 569,211</u>

Note: Retained business equals direct business plus assumed reinsurance less ceded reinsurance business.

Cathay Lujiazui Life provides loss reserve for claims filed but not paid and claims not yet filed. Due to uncertainty, estimation, and judgment, there is a high degree of complexity in provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Lujiazui Life may be delayed in certain cases, and estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the 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
2018Q2-2019Q1	91,032	103,327	114,777	114,777	114,777
2019Q2-2020Q1	117,612	171,795	172,201	172,201	172,201
2020Q2-2021Q1	325,137	374,384	374,412	374,473	374,473
2021Q2-2022Q1	478,196	613,363	624,017	624,118	624,118
2022Q2-2023Q1	854,024	1,069,404	1,087,979	1,088,156	1,088,156

ii) Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2018Q2-2019Q1	91,032	103,327	114,777	114,777	114,777
2019Q2-2020Q1	117,612	171,795	172,201	172,201	172,201
2020Q2-2021Q1	325,137	374,384	374,412	374,473	374,473
2021Q2-2022Q1	478,196	613,363	624,017	624,118	624,118
2022Q2-2023Q1	854,024	1,069,404	1,087,979	1,088,156	1,088,156

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

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	Within 1 Year	1 to 5 Years	Over 5 Years
March 31, 2023	\$ 667	\$ 4,605	\$ 185,890
December 31, 2022	329	4,805	182,307
March 31, 2022	475	4,382	181,570

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 system 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 method according to the changes in environment.
- The committee should enhance cross-department interaction and communication.

ii) Chief risk officer

The appointment of chief risk officers of the Group should be approved by the board of directors, who should maintain independence and should not concurrently play a business or financial role nor has the right to access any information which may affect the 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; the department is independent from the 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 departments of Cathay Century and its subsidiaries and the Company collaborated in building market risk management system. The system structure was developed in consideration of the system functionality, data source, completeness of data upload, and the safety of the environment of the system. The front-end of investment department has acquired the information system related to the investment market. The risk management system focuses on risk quantification, which is needed by middle-end, and would be only authorized to risk management personnel.

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 implements 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 the reinsurance business, the risk management mechanism is set up in accordance with the Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms. The capabilities for undertaking risk are considered in the development of the reinsurance risk management plan and maximum of accumulated retained risks of each risk unit for execution.

Accumulated risk with the portfolio of direct written premiums and other inward-insurance business is conducted before an individual case of outward/inward reinsurance is executed. When the cumulative insurance amount exceeds contract limit or self-retain limit, risk is diversified through facultative reinsurance.

According to Cathay Century and its subsidiaries' reinsurance risk management policy, the basis for managing the maximum accumulated risk limit of each risk unit requires the risk management and each insurance department to jointly review and discuss the accumulated retained risk limit of a risk unit for each insurance type every year, which is submitted to the general manager for approval before implementation. The following table summarizes the maximum accumulated retained risk limit of a risk unit by insurance type:

Insurance Type	For the Year Ended December 31	
	2023	2022
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 risk-based capital management indicators for regular review, under which risk-based capital is calculated each quarter and the risk-based capital management report is prepared every half a year as implementation of risk-based capital management.

If the risk-based capital ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose the necessary response actions to the risk management committee and inform the Company to review the impact on the Group's capital adequacy ratio.

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, 2023	December 31, 2022	March 31, 2022
Fire insurance	\$ 272,196	\$ 63,991	\$ 163,108
Marine insurance	24,907	13,770	19,398
Land and air insurance	37,946	43,477	35,159
Liability insurance	251,291	162,195	69,781
Guarantee insurance	121	268	(3,940)
Other property insurance	42,663	20,619	14,413
Accident insurance	24,366	24,291	18,060
Health insurance	80,724	146,651	20,220
Policy-oriented residential earthquake insurance	23	-	-
Compulsory automobile liability insurance	<u>179,741</u>	<u>202,982</u>	<u>83,914</u>
	913,978	678,244	420,113
Less: Loss allowance	<u>(9,139)</u>	<u>(6,782)</u>	<u>(4,201)</u>
Net amount	<u>\$ 904,839</u>	<u>\$ 671,462</u>	<u>\$ 415,912</u>

3) Receivables and payables of insurance contracts

a) Receivables

Insurance Type	Premiums Receivable		
	March 31, 2023	December 31, 2022	March 31, 2022
Fire insurance	\$ 568,093	\$ 759,964	\$ 668,675
Marine insurance	418,615	333,658	360,416
Land and air insurance	161,859	151,422	138,420
Liability insurance	334,681	387,820	360,650
Guarantee insurance	30,374	36,401	34,225
Other property insurance	232,086	203,528	210,221
Accident insurance	136,724	137,203	139,076
Health insurance	3,351	2,554	6,765
Policy-oriented residential earthquake insurance	31,827	34,303	31,230
Compulsory automobile liability insurance	<u>11,960</u>	<u>16,865</u>	<u>12,737</u>
	1,929,570	2,063,718	1,962,415
Less: Loss allowance	<u>(60,676)</u>	<u>(66,707)</u>	<u>(33,171)</u>
Net amount	<u>\$ 1,868,894</u>	<u>\$ 1,997,011</u>	<u>\$ 1,929,244</u>

Aging analysis of premiums receivable:

	March 31, 2023	December 31, 2022	March 31, 2022
Up to 90 days	\$ 1,189,407	\$ 1,416,701	\$ 1,206,844
Over 90 days	<u>740,163</u>	<u>647,017</u>	<u>755,571</u>
	<u>\$ 1,929,570</u>	<u>\$ 2,063,718</u>	<u>\$ 1,962,415</u>

The overdue amounts as of March 31, 2023, December 31, 2022 and March 31, 2022 in the above premiums receivable were \$740,163 thousand, \$647,017 thousand and \$755,571 thousand, respectively, and loss allowance of \$47,922 thousand, \$51,915 thousand and \$20,142 thousand were provided, respectively.

b) Accounts payables

Insurance Type	March 31, 2023		
	Commission Payable	Others	Total
Fire insurance	\$ 37,872	\$ 15,446	\$ 53,318
Marine insurance	16,666	14,065	30,731
Land and air insurance	225,618	125,006	350,624
Liability insurance	30,369	35,745	66,114
Guarantee insurance	4,872	901	5,773
Other property insurance	11,324	11,275	22,599
Accident insurance	11,888	43,845	55,733
Health insurance	1,156	2,398	3,554
Policy-oriented residential earthquake insurance	443	3,466	3,909
Compulsory automobile liability insurance	<u>19,981</u>	<u>-</u>	<u>19,981</u>
	<u>\$ 360,189</u>	<u>\$ 252,147</u>	<u>\$ 612,336</u>

Insurance Type	December 31, 2022		
	Commission Payable	Others	Total
Fire insurance	\$ 35,093	\$ 17,968	\$ 53,061
Marine insurance	16,012	13,468	29,480
Land and air insurance	211,671	171,261	382,932
Liability insurance	36,985	38,931	75,916
Guarantee insurance	3,869	974	4,843
Other property insurance	9,852	8,823	18,675
Accident insurance	10,709	44,745	55,454
Health insurance	1,154	1,386	2,540
Policy-oriented residential earthquake insurance	296	3,795	4,091
Compulsory automobile liability insurance	<u>20,447</u>	<u>-</u>	<u>20,447</u>
	<u>\$ 346,088</u>	<u>\$ 301,351</u>	<u>\$ 647,439</u>

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

c) Due from (to) reinsurers and ceding companies - reinsurance

Items	March 31, 2023	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 137,291	\$ 339,239
Central Re	100,644	261,857
Marsh	1,169,250	213,497
Munich Re	101,912	221,899
Transatlantic Re	91,470	141,938
Hannover Re Shanghai	220,538	62,820
Others (individually below 5%)	<u>844,700</u>	<u>1,543,679</u>
	2,665,805	2,784,929
Less: Loss allowance	<u>(27,590)</u>	<u>-</u>
Net amount	<u>\$ 2,638,215</u>	<u>\$ 2,784,929</u>

Items	December 31, 2022	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 133,226	\$ 348,927
Hannover Re Shanghai	200,869	62,337
Central Re	44,525	248,652
Marsh	1,105,438	206,638
Others (individually below 5%)	<u>538,477</u>	<u>1,217,615</u>
	2,022,535	2,084,169
Less: Loss allowance	<u>(24,515)</u>	<u>-</u>
Net amount	<u>\$ 1,998,020</u>	<u>\$ 2,084,169</u>

	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>

The overdue amounts as of March 31, 2023, December 31, 2022 and March 31, 2022 in the above due from reinsurers and ceding companies were \$25,890 thousand, \$13,877 thousand and \$14,251 thousand, respectively, and loss allowances of \$1,295 thousand, \$4,163 thousand and \$14,251 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 Cathay Century’s special reserve becomes less than the 30% of its most recent retained earned pure premiums, as audited or reviewed by an independent certified public accountant, the full amount of the special reserve should be invested in treasury bills or placed in a financial institution.

If the balance of the Cathay Century's special reserve becomes less than the 30% of its most recent retained earned pure premiums, as audited or reviewed by an independent certified public accountant, the full amount of the special reserve should be invested in treasury bills or placed in a financial institution:

- 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 amount of demand deposits placed in financial institutions, which are mentioned in the preceding paragraph, should not be less than (a) 45% of the remaining balance of the funds after subtracting the special reserves from the funds held by the Group due to the operation of CAL Insurance, or less than (b) 30% of the retained earned pure premiums for the most recent period as audited or reviewed by an independent certified public accountant. The relevant authorities may raise the percentage of demand deposits required for the Cathay Century to a level they deem appropriate on the basis of the Cathay Century's operating status.

If the total amount of unearned premium reserve and loss reserve of the Group for the 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 an independent certified public accountant, the funds held by the Group through its provision of this insurance should be deposited in full in a financial institution in the form of demand deposits.

Under Article 11 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, the various reserves for this insurance should be transferred to the various reserves set aside for handling of this insurance by the other insurer or other property and casualty insurance company if the Group suspends its business operations or ceases to provide this type of insurance.

The various reserves for this insurance should be transferred to the Motor Vehicle Accident Compensation Fund if (a) the Group has been duly ordered to suspend business and undergo rehabilitation or ordered to dissolve, or (b) its permission to operate this insurance business has been revoked, and no other insurance company can sustain this insurance business.

5) Acquisition cost of insurance contracts

For the Three Months Ended March 31, 2023					
Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 49,117	\$ 2,030	\$ 23,481	\$ 9,643	\$ 84,271
Marine insurance	23,665	132	379	951	25,127
Land and air insurance	379,252	-	23	162,792	542,067
Liability insurance	66,928	5	65	13,627	80,625
Guarantee insurance	2,303	1	128	138	2,570
Other property insurance	34,709	257	3,924	1,884	40,774
Accident insurance	104,920	8	12	42,460	147,400
Health insurance	9,065	-	-	1,992	11,057
Policy-oriented residential earthquake insurance	3,027	16	-	3,233	6,276
Compulsory automobile liability insurance	-	76,976	-	-	76,976
	<u>\$ 672,986</u>	<u>\$ 79,425</u>	<u>\$ 28,012</u>	<u>\$ 236,720</u>	<u>\$ 1,017,143</u>
For the Three Months Ended March 31, 2022					
Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 37,698	\$ 1,214	\$ 18,521	\$ 9,350	\$ 66,783
Marine insurance	22,218	36	234	684	23,172
Land and air insurance	322,895	-	786	135,002	458,683
Liability insurance	61,643	24	(589)	11,714	72,792
Guarantee insurance	1,613	93	1,503	157	3,366
Other property insurance	31,770	203	4,606	1,495	38,074
Accident insurance	82,868	43	(23)	26,644	109,532
Health insurance	19,440	(124)	(496)	700	19,520
Policy-oriented residential earthquake insurance	2,835	34	-	3,105	5,974
Compulsory automobile 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>

Acquisition costs of the insurance contracts were not deferred.

6) Profit and loss analysis of the insurance business

Direct underwriting business

For the Three Months Ended March 31, 2023						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 884,379	\$ (234,568)	\$ 60,790	\$ 445,004	\$ (202,587)	\$ 815,740
Marine insurance	312,718	32,167	24,748	79,301	44,226	132,276
Land and air insurance	3,366,741	209,422	542,044	1,615,371	264,018	735,886
Liability insurance	598,995	35,706	80,559	344,484	(59,008)	197,254
Guarantee insurance	28,096	(514)	2,442	1,209	(1,644)	26,603
Other property insurance	460,621	(604)	36,849	763,667	(277,980)	(61,311)
Accident insurance	907,277	52,078	147,388	342,106	11,022	354,683
Health insurance	52,012	(92,566)	11,057	9,465,755	(7,577,525)	(1,754,709)
Policy-oriented residential earthquake insurance	114,807	(2,252)	6,278	23	-	110,758
Compulsory automobile liability insurance	<u>705,597</u>	<u>7,386</u>	<u>76,976</u>	<u>530,220</u>	<u>13,973</u>	<u>77,042</u>
	<u>\$ 7,431,243</u>	<u>\$ 6,255</u>	<u>\$ 989,131</u>	<u>\$ 13,587,140</u>	<u>\$ (7,785,505)</u>	<u>\$ 634,222</u>

For the Three Months Ended March 31, 2022						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 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 automobile 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>

Reinsurance inward business

For the Three Months Ended March 31, 2023

Insurance Type	Net Changes in					Profit (Loss)
	Reinsurance Premium	Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	
Fire insurance	\$ 91,089	\$ (35,949)	\$ 23,481	\$ 144,525	\$ (59,241)	\$ 18,273
Marine insurance	8,059	1,146	379	12,957	(8,135)	1,712
Land and air insurance	97	(1,167)	23	3,104	(7,281)	5,418
Liability insurance	1,725	524	65	(271)	(56)	1,463
Guarantee insurance	3,297	2,387	128	26	615	141
Other property insurance	18,350	1,165	3,924	9,959	(2,269)	5,571
Accident insurance	2,709	(324)	12	6	(9)	3,024
Health insurance	-	(850)	-	-	(431)	1,281
Policy-oriented residential earthquake insurance	17,086	2,424	-	-	-	14,662
Compulsory automobile liability insurance	<u>191,415</u>	<u>(179)</u>	<u>-</u>	<u>178,179</u>	<u>(11,768)</u>	<u>25,183</u>
	<u>\$ 333,827</u>	<u>\$ (30,823)</u>	<u>\$ 28,012</u>	<u>\$ 348,485</u>	<u>\$ (88,575)</u>	<u>\$ 76,728</u>

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 automobile 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>

Ceded reinsurance business

For the Three Months Ended March 31, 2023

Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Loss (Profit)
Fire insurance	\$ 638,492	\$ (108,342)	\$ 26,191	\$ 284,039	\$ (189,752)	\$ 626,356
Marine insurance	237,088	35,710	19,585	38,562	49,930	93,301
Land and air insurance	248,407	99,228	73,816	76,517	(25,849)	24,695
Liability insurance	172,258	(14,012)	36,228	141,207	(44,026)	52,861
Guarantee insurance	30,077	8,797	3,768	118	(221)	17,615
Other property insurance	416,840	33,768	55,841	129,662	116,911	80,658
Accident insurance	80,291	15,108	17,827	37,466	(3,678)	13,568
Health insurance	(24)	(23,138)	(13)	80,095	(869,571)	812,603
Policy-oriented residential earthquake insurance	114,807	(2,251)	-	23	-	117,035
Compulsory automobile liability insurance	<u>294,955</u>	<u>4,431</u>	<u>-</u>	<u>307,462</u>	<u>2,081</u>	<u>(19,019)</u>
	<u>\$ 2,233,191</u>	<u>\$ 49,299</u>	<u>\$ 233,243</u>	<u>\$ 1,095,151</u>	<u>\$ (964,175)</u>	<u>\$ 1,819,673</u>

For the Three Months Ended March 31, 2022

Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Loss (Profit)
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 automobile 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>

7) Sensitivity to insurance risk

a) Cathay Century

For the three months ended March 31, 2023

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	\$ 837,490	45.83%	\$ (41,875)	\$ (16,700)
Marine insurance	311,110	64.84%	(15,556)	(6,047)
Land and air insurance	3,315,224	60.02%	(165,761)	(161,012)
Liability insurance	597,851	48.66%	(29,893)	(21,039)
Guarantee insurance	28,096	18.59%	(1,405)	(702)
Other property insurance	459,880	46.87%	(22,993)	(12,755)
Accident insurance	892,868	44.31%	(44,643)	(41,026)
Health insurance	52,012	37.26%	(2,601)	(1,951)
Policy-oriented residential earthquake insurance	114,807	4.07%	(5,740)	(4,592)
Compulsory automobile liability insurance	<u>705,597</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 7,314,935</u>		<u>\$ (330,467)</u>	<u>\$ (265,824)</u>

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>

Note: Expected loss rate is calculated based on the simple average loss rate of the past five years, among the health insurance excludes the impact of 2022 epidemic prevention insurance.

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, 2023

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	\$ 51,517	15.52%	\$ (2,576)	\$ (2,563)
Marine insurance	1,608	12.09%	(80)	(29)
Fire insurance	46,889	38.16%	(2,344)	(185)
Engineering insurance	742	26.44%	(37)	(6)
Accident insurance	14,408	35.17%	(720)	(714)
Liability insurance	<u>1,144</u>	1.30%	<u>(57)</u>	<u>(22)</u>
	<u>\$ 116,308</u>		<u>\$ (5,814)</u>	<u>\$ (3,519)</u>

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>

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 Co., Ltd. (Vietnam), profit or loss may be impacted to an extent; however, the impact has been mitigated through the arrangement of reinsurance to achieve the effect of risk diversification.

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, 2023, 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, 2023, the loss rates of pandemic policy are relatively high, but it has decreased compared to December 31, 2022. There are no other unexpected changes in 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 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 process of insurance claim lawsuits. In addition, each unit has appointed a director for compliance matters to minimize possible legal risk. As of March 31, 2023, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

iv) Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, the Company established “points for handling teams of catastrophe and major events” and “Operation Standards under Crisis”, under which crisis handling team is set up in reaction to the event and execute 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, 2023, measures have been taken to deal with the impact of COVID-19 or interest rate raise on operating, insurance and investment business.

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

Since the 3rd stage of liberalization of property insurance premium rate took effect, Cathay Century has conducted regular reviews in accordance with regulations. When the actual loss rate exceeds the expected loss rate to a certain percentage, premium rates will be properly adjusted to avoid persistent enlargement of losses. In addition, the actuarial department observes the changes in trend of loss rates of each product on irregular basis and adjusts pricing and coverage in a timely manner to effectively lower insurance risks.

For investment instruments, changes in risk indicators are monitored on a regular basis with cash flow analysis as well as stress testing, to control and manage the impact of fluctuations in major risk factors.

In addition, stress testing is performed for the overall business every year to assess the impacts on financial positions due to extreme scenarios of the assets and insurance risk and understand the major risk factors to respond in advance.

vi) Concentration of geographic regions and operating segments

Cathay Century's catastrophe insurance for earthquakes, typhoon and floods are mainly in the areas of Taoyuan, Hsinchu, Taichung, Chiayi, Tainan, Kaohsiung and Pingtung.

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

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

Insurance Type	For the Three Months Ended March 31, 2023				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 837,490	\$ 83,295	\$ 590,472	\$ 330,313	6.05
Marine insurance	311,110	7,865	235,843	83,132	1.52
Land and air insurance	3,315,224	-	248,384	3,066,840	56.19
Liability insurance	597,851	1,389	171,189	428,051	7.84
Guarantee insurance	28,096	3,297	30,077	1,316	0.03
Other property insurance	459,880	16,372	414,569	61,683	1.13
Accident insurance	892,868	2,709	80,291	815,286	14.94
Health insurance	52,012	-	(24)	52,036	0.96
Policy-oriented residential earthquake insurance	114,807	17,086	114,807	17,086	0.31
Compulsory automobile liability insurance	705,597	191,415	294,955	602,057	11.03
Total	\$ 7,314,935	\$ 323,428	\$ 2,180,563	\$ 5,457,800	100.00

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

- iii. Disclosure of the past performance of property insurance business regarding the management risks with low frequency of occurrence but enormous impact, to the user of financial statement assess the uncertainty of cash flows related to such risks.

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

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

b) Cathay Insurance (Vietnam)

- i. Situations that may cause concentration of insurance risk:

i) Single insurance contract or several related contracts

As of March 31, 2023, 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, 2023, the premium revenues of comprehensive travel insurance of Cathay Insurance (Vietnam) have increased year-on-year resulting from the increased demand for traveling since Vietnam has returned life to normal. Cathay Insurance (Vietnam) will keep on observing the changes in risk exposure.

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

“The Procedure for Subrogation” and “The Proceedings of the Court” are set up to safeguard the rights of Cathay Insurance (Vietnam) and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of March 31, 2023, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

iv) Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Insurance (Vietnam) established the Points for Handling Major Events of Cathay Insurance (Vietnam) under which emergency response team is set up in reaction to the event and execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and Cathay Insurance (Vietnam) and to maintain financial stability. As of March 31, 2023, there is no interaction among risks resulting from a catastrophe.

v) Concentration of geographical regions and operating segments

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

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

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

Insurance Type	For the Three Months Ended March 31, 2023				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 51,517	\$ 97	\$ 23	\$ 51,591	69.64
Marine insurance	1,608	194	1,245	557	0.75
Fire insurance	46,889	8,376	48,602	6,663	8.99
Engineering insurance	741	1,978	2,271	448	0.61
Accident insurance	14,409	-	-	14,409	19.45
Liability insurance	1,144	336	1,069	411	0.56
Total	\$ 116,308	\$ 10,981	\$ 53,210	\$ 74,079	100.00

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
Marine 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

- 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 the property insurance business. To control and manage risk with low frequency of occurrence but enormous impact, Cathay Insurance (Vietnam) assesses the risk of natural disasters and special insured items and holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

9) Development trends of claims

a) Cathay Century

March 31, 2023

Accident Year	≤ 2016	2017	2018	2019	2020	2021	2022	2023	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	\$ 10,259,775	\$ 43,545,821	\$ 5,232,959	
After the first year	-	8,025,062	8,574,948	10,063,196	11,023,615	10,637,168	43,639,505	-	
After the second year	-	7,965,701	8,479,083	9,915,122	11,009,236	10,542,283	-	-	
After the third year	-	8,000,179	8,447,631	9,900,713	10,901,359	-	-	-	
After the fourth year	-	7,977,104	8,413,409	9,925,191	-	-	-	-	
After the fifth year	-	7,993,176	8,418,881	-	-	-	-	-	
After the sixth year	-	7,993,344	-	-	-	-	-	-	
Final estimated claim payments	-	7,993,344	8,418,881	9,925,191	10,901,359	10,542,283	43,639,505	5,232,959	
Accumulated claims disbursed	-	7,939,490	8,369,945	9,709,365	9,874,857	9,034,050	38,299,870	1,801,036	
	262,734	53,854	48,936	215,826	1,026,502	1,508,233	5,339,635	3,431,923	\$ 11,887,643
Adjustment	-	-	-	-	-	-	-	225,207	225,207
Amount recognized in balance sheet	\$ 262,734	\$ 53,854	\$ 48,936	\$ 215,826	\$ 1,026,502	\$ 1,508,233	\$ 5,339,635	\$ 3,657,130	\$ 12,112,850

December 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	\$ 43,545,821	
After the first year	-	11,455,620	8,025,062	8,574,948	10,063,196	11,023,615	10,637,168	-	
After the second year	-	10,970,548	7,965,701	8,479,083	9,915,122	11,009,236	-	-	
After the third year	-	11,133,431	8,000,179	8,447,631	9,900,713	-	-	-	
After the fourth year	-	11,177,663	7,977,104	8,413,409	-	-	-	-	
After the fifth year	-	11,102,224	7,993,176	-	-	-	-	-	
After the sixth year	-	11,106,898	-	-	-	-	-	-	
Final estimated claim payments	-	11,106,898	7,993,176	8,413,409	9,900,713	11,009,236	10,637,168	43,545,821	
Accumulated claims disbursed	-	11,077,996	7,938,428	8,361,416	9,573,719	9,589,714	8,670,464	27,852,950	
	236,539	28,902	54,748	51,993	326,994	1,419,522	1,966,704	15,692,871	\$ 19,778,273
Adjustment	-	-	-	-	-	-	-	174,073	174,073
Amount recognized in balance sheet	\$ 236,539	\$ 28,902	\$ 54,748	\$ 51,993	\$ 326,994	\$ 1,419,522	\$ 1,966,704	\$ 15,866,944	\$ 19,952,346

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
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

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 \$1,638,417 thousand and \$1,617,351 thousand as of March 31, 2023, \$1,624,445 thousand and \$1,705,926 thousand as of December 31, 2022, \$1,653,885 thousand and \$1,711,844 thousand as of March 31, 2022.

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, 2023	December 31, 2022	March 31, 2022
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 1,762,976,288	\$ 1,675,024,629	\$ 1,949,246,982
Financial assets at FVTOCI	908,659,837	929,052,914	1,674,631,985
Financial assets for hedging	103,678	29,891	251,542
Financial assets at amortized cost			
Cash and cash equivalents	424,399,997	412,013,900	305,927,286
Due from the Central Bank and call loans to banks	367,448,806	266,322,216	262,487,522
Debt instruments at amortized cost	4,480,740,539	4,510,776,595	3,377,099,687
Notes and bonds purchased under resale agreements	30,714,619	38,076,491	66,660,351
Discounts and loans, net	2,549,486,779	2,495,516,810	2,343,127,581
Receivables, net	215,802,304	217,153,186	199,416,417
Other financial assets, net	685,478,378	669,832,659	730,336,372
Guarantee deposits paid	49,944,849	76,325,669	70,350,323

(Continued)

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	\$ 128,793,295	\$ 182,999,244	\$ 145,169,174
Financial liabilities for hedging	3,436,279	3,716,091	767,655
Financial liabilities at amortized cost			
Deposits from the Central Bank and banks	150,581,874	97,309,239	112,784,410
Due to the Central Bank and banks	-	-	1,076,000
Notes and bonds sold under repurchase agreements	43,988,999	34,723,428	38,543,767
Commercial paper payable, net	76,899,211	73,880,000	63,568,800
Payables	75,657,769	73,787,470	75,034,091
Deposits and remittances	3,236,475,625	3,185,436,089	2,936,089,265
Bonds payable	132,146,179	132,147,398	142,360,991
Other borrowings	12,661,567	12,763,713	1,822,066
Other financial liabilities	743,537,208	720,648,395	756,834,549
Lease liabilities	19,414,697	19,240,853	14,714,418
Guarantee deposits received	9,268,387	12,004,348	7,050,340
			(Concluded)

b. The valuation technique and assumptions used in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- 1) The carrying amount of cash and cash equivalents, accounts receivable, short-term debts and accounts payable approximates their fair value due to their short maturities.
- 2) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- 3) Fair values of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of liquidity, P/E ratio of similar entities and Price-Book ratio of similar entities).
- 4) Fair value of debt instruments without market quotations is determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk information).

- 5) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using the interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).
- 6) The Group evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Group will not default, the Group determines its credit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Group calculates its debit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the Group. The Group decides the estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Group sets estimated loss given default at 60% by considering the experiences of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded on the Taipei Exchange.

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

1) Fair value hierarchy

Items	March 31, 2023				December 31, 2022				March 31, 2022			
	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	\$ 434,514,310	\$ 427,246,202	\$ 700,777	\$ 6,567,331	\$ 416,247,404	\$ 408,945,237	\$ 568,290	\$ 6,733,877	\$ 517,455,802	\$ 498,472,106	\$ 12,297,539	\$ 6,686,157
Bonds	383,087,206	22,054,405	355,786,392	5,246,409	339,757,260	43,181,978	293,931,134	2,644,148	375,011,116	24,860,663	347,173,859	2,976,594
Other	871,774,193	494,431,086	171,593,379	205,749,728	815,745,994	497,446,455	115,564,993	202,734,546	1,000,903,178	600,538,055	206,482,713	193,882,410
Financial assets at FVTOCI												
Stocks	134,827,415	123,708,113	-	11,119,302	116,432,806	105,173,539	-	11,259,267	195,311,136	182,206,978	-	13,104,158
Bonds (Note)	581,394,320	134,177,186	447,217,134	-	579,711,806	107,142,057	472,569,749	-	1,406,006,829	132,475,722	1,273,531,107	-
Other	198,768,423	-	198,768,423	-	246,261,699	-	246,261,699	-	74,381,551	-	74,381,551	-
Liabilities												
Financial liabilities at FVTPL												
Financial liabilities designated as at FVTPL	39,660,890	-	39,660,890	-	39,076,751	-	39,076,751	-	39,832,757	-	39,832,757	-
Held for trading	520,053	520,053	-	-	972,190	972,190	-	-	3,251,184	3,251,184	-	-
<u>Derivative instruments</u>												
Assets												
Financial assets at FVTPL	73,600,579	268,476	68,350,389	4,981,714	103,273,971	399,573	97,915,434	4,958,964	55,876,886	839,291	50,677,967	4,359,628
Financial assets for hedging	103,678	-	103,678	-	29,891	-	29,891	-	251,542	-	251,542	-
Liabilities												
Financial liabilities at FVTPL	88,612,352	444,130	83,186,508	4,981,714	142,950,303	236,563	137,754,776	4,958,964	102,085,233	431,553	97,294,052	4,359,628
Financial liabilities for hedging	3,436,279	-	3,436,279	-	3,716,091	-	3,716,091	-	767,655	-	767,655	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the three months ended March 31, 2023 and 2022, there were all no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value.

2) Reconciliation for movements in Level 3 fair value measurements

	For the Three Months Ended March 31, 2023		
	Financial Assets		Financial Liabilities
	At FVTPL	At FVTOCI	At FVTPL
Beginning balance	\$ 217,071,535	\$ 11,259,267	\$ 4,958,964
Recognized in profit or loss			
(Loss) gain on financial assets and liabilities at FVTPL	(1,396,013)	-	22,750
Gain on reclassification using the overlay approach	2,037,194	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	(766)	20,003	-
Other comprehensive income reclassified using the overlay approach	(2,037,194)	-	-
Loss on financial assets at FVTOCI	-	(159,968)	-
Acquisitions or issuances	10,430,299	-	-
Disposals or settlements	(3,269,891)	-	-
Transfers out of Level 3	(289,982)	-	-
Ending balance	<u>\$ 222,545,182</u>	<u>\$ 11,119,302</u>	<u>\$ 4,981,714</u>
	For the Three Months Ended March 31, 2022		
	Financial Assets		Financial Liabilities
	At FVTPL	At FVTOCI	At FVTPL
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 the 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>

Regarding the above amounts recognized in profit or loss for the three months ended March 31, 2023 and 2022, unrealized losses of \$604,014 thousand and gains of \$698,340 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, 2023 and 2022, unrealized losses of \$22,750 thousand and \$647,995 thousand were related to financial liabilities held at the end of the period, respectively.

3) Information on significant unobservable inputs applied for Level 3 fair value measurement

The significant unobservable inputs applied for recurring Level 3 fair value measurement were as follows:

Cathay Life and its subsidiaries

March 31, 2023					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%	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.		15%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
			Growth rate of net profit after tax	(72%)-3103%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
			Dividend payout ratio	57%-140%	The higher the dividend payout ratio, the higher the fair value estimates
December 31, 2022					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates	
	Market approach	Discount for lack of liquidity	3%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates	
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.		10%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
			Growth rate of net profit after tax	(113%)-281%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
			Dividend payout ratio	57%-140%	The higher the dividend payout ratio, the higher the fair value estimates

March 31, 2022				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	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	

Cathay United Bank and its subsidiaries

March 31, 2023				
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	10%-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
	Residual Income approach	Cost of equity rate	15%-20%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

December 31, 2022				
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
	Residual 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, 2022				
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
	Residual 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 Securities and its subsidiaries

March 31, 2023					
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, 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%)

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%)

4) Valuation process for Level 3 fair value measurements.

The Group's risk management department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs. The department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

d. Fair values of financial instruments not measured at fair value

Except for the accounts whose carrying amounts approximate their fair values, including cash and cash equivalents, due from the Central Bank and call loans to banks, notes and bonds purchased under resale agreements, receivables, loans, 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, 2023

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 4,492,220,062	\$ 54,686,255	\$ 3,714,355,747	\$ 458,544	\$ 3,769,500,546

December 31, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 4,524,789,081	\$ 51,391,454	\$ 3,642,906,760	\$ 484,104	\$ 3,694,782,318

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

Note: Including those serving as refundable deposits.

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with the income approach based on a discounted cash flow analysis. Significant unobservable inputs used in Level 3 fair value measurement were the discount rates that reflect the credit risk of counterparties and the cash flows that reflect the feature of early reimbursement.

e. Hedge accounting disclosures

Cathay Life and its subsidiaries

1) Cash flow hedges

The future cash flows of the bond investments held by Cathay Life and its subsidiaries may fluctuate due to the changes in market interest rates and thus lead to risks. Accordingly, Cathay Life and its subsidiaries held interest rate derivatives to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

a) Hedging instruments

March 31, 2023					
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	\$ 9,409	\$ -	Financial assets for hedging	\$ (6,228)
IRS	666,181	7,067	-	Financial assets for hedging	(4,194)
December 31, 2022					
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	\$ 19,193	\$ -	Financial assets for hedging	\$ (31,937)
IRS	729,315	10,698	-	Financial assets for hedging	24,519
March 31, 2022					
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) Maturities of the nominal amount of hedging instruments and average price or rate

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>March 31, 2023</u>					
IRS					
Nominal principal	\$ -	\$ -	\$ 1,666,181	\$ 3,000,000	\$ -
Average fixed rate	-	-	1.7%-2.5%	1.7%	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2022</u>					
IRS					
Nominal principal	\$ -	\$ -	\$ 1,729,315	\$ 3,000,000	\$ -
Average fixed rate	-	-	1.7%-2.5%	1.7%	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>March 31, 2022</u>					
IRS					
Nominal principal	\$ -	\$ -	\$ 214,665	\$ 4,626,106	\$ -
Average fixed rate	-	-	2.5%	1.7%-2.5%	-

c) Hedged items

For the Three Months Ended March 31, 2023								
	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	\$ 6,228	\$ 9,409	N/A	\$ (6,228)	\$ -	\$ -	\$ (3,556)	Net other noninterest gain
Payables	4,194	7,067	N/A	(4,194)	-	-	-	Net other noninterest gain
Discontinued hedge - bond investments	N/A	N/A	-	N/A	N/A	N/A	-	Net other noninterest gain

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

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

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$ 18,799	\$ 51,118
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	(10,424)	(37,661)
Amount reclassified from the cash flow hedge reserve to profit or loss	(3,556)	(11,818)
Tax effects	<u>2,118</u>	<u>12,351</u>
Ending balance	<u>\$ 6,937</u>	<u>\$ 13,990</u>

2) Fair value hedges

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

a) Hedging instruments

March 31, 2023					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in the Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
Forward	\$ 49,153,550	\$ 87,202	\$ 3,436,279	Financial assets for hedging/Financial liabilities for hedging	\$ 457,200
December 31, 2022					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in the Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
Forward	\$ 49,153,550	\$ -	\$ 3,716,091	Financial liabilities for hedging	\$ (4,208,300)
March 31, 2022					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in the Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
CCS	\$ 4,844,989	\$ 223,932	\$ -	Financial assets for hedging	\$ 71,244
Forward	37,881,650	-	764,202	Financial liabilities for hedging	(959,800)

b) Maturities of the nominal amount of hedging instruments and average price or rate

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>March 31, 2023</u>					
Forward					
Nominal principal	\$ -	\$ -	\$ -	\$ 49,153,550	\$ -
Exchange rate (USD/TWD)	-	-	-	27.2701	-
<u>December 31, 2022</u>					
Forward					
Nominal principal	\$ -	\$ -	\$ -	\$ 49,153,550	\$ -
Exchange rate (USD/TWD)	-	-	-	27.2701	-
<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 (USD/TWD)	-	-	-	27.0214	-

c) Hedged items

For the Three Months Ended March 31, 2023								
	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	\$ 49,153,550	\$ -	\$ (457,200)	\$ -	Debt instruments at amortized cost	\$ (457,200)	\$ -	\$ -
<u>For the Three Months Ended March 31, 2022</u>								
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	-	-

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

	For the Three Months Ended March 31	
	2023	2022
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 931,466	\$ 284,733
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	(90,186)	(62,048)
Amount reclassified to profit or loss	232,181	121,623
Tax effects	<u>(28,399)</u>	<u>(11,915)</u>
Ending balance	<u>\$ 1,045,062</u>	<u>\$ 332,393</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, 2023

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 9,046,538	\$ -	\$ 9,046,538	\$ 8,590,969	\$ 42,635	\$ 412,934

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 30,995,001	\$ -	\$ 30,995,001	\$ 8,590,969	\$ 11,579,668	\$ 10,824,364

December 31, 2022

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 21,481,797	\$ -	\$ 21,481,797	\$ 17,230,342	\$ 2,081,387	\$ 2,170,068

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 67,385,253	\$ -	\$ 67,385,253	\$ 17,230,342	\$ 31,313,555	\$ 18,841,356

March 31, 2022

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 3,646,419	\$ -	\$ 3,646,419	\$ 3,586,811	\$ -	\$ 59,608

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 55,677,454	\$ -	\$ 55,677,454	\$ 3,586,811	\$ 31,792,848	\$ 20,297,795

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 amount.

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, if not, the financial instruments could be settled at gross amount. 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, 2023

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 66,089,410	\$ -	\$ 66,089,410	\$ 62,442,318	\$ 3,647,092	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 62,442,318	\$ -	\$ 62,442,318	\$ 62,442,318	\$ -	\$ -
Repurchase bonds	38,730,911	-	38,730,911	38,397,270	333,641	-

December 31, 2022

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 84,633,679	\$ -	\$ 84,633,679	\$ 81,976,127	\$ 2,657,552	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 81,976,127	\$ -	\$ 81,976,127	\$ 81,976,127	\$ -	\$ -
Repurchase bonds	30,731,806	-	30,731,806	26,843,862	3,887,944	-

March 31, 2022

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 53,636,428	\$ -	\$ 53,636,428	\$ 48,399,075	\$ 3,235,010	\$ 2,002,343

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 48,399,075	\$ -	\$ 48,399,075	\$ 48,399,075	\$ -	\$ -
Repurchase bonds	35,244,841	-	35,244,841	33,355,621	1,889,220	-

Note: Master netting arrangement and non-cash collateral are included.

Cathay Securities and its subsidiaries

Cathay Securities and its subsidiaries enter into secured repurchase agreements with counterparties, for which Cathay Securities and its subsidiaries provide securities as collateral. Only in the event of default, insolvency or bankruptcy, these transactions are allowed to be offset, which does not meet the offsetting criteria of financial instrument transactions, Article 42 of IAS 32, and they are not subject to enforceable master netting arrangements or other similar agreements and should be settled at gross amounts. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities and its subsidiaries is disclosed as follows:

March 31, 2023

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Repurchase bonds	\$ 5,258,088	\$ -	\$ 5,258,088	\$ 5,443,854	\$ -	\$ (185,766)

December 31, 2022

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Repurchase bonds	\$ 3,991,622	\$ -	\$ 3,991,622	4,021,487	\$ -	\$ (29,865)

March 31, 2022

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Repurchase bonds	\$ 3,298,926	\$ -	\$ 3,298,926	\$ 3,463,461	\$ -	\$ (164,535)

Note: Master netting arrangements and non-cash collateral are included.

g. Reclassification information

Section 4.4 of IFRS 9 “Financial Instruments” provides the principles and regulations for reclassification of financial assets. For practical application, the Accounting Research and Development Foundation of the Republic of China (ARDF) provided a reference guideline on October 7, 2022 on the “Financial Asset Reclassification Concerns of an insurer arising from Changes in the Business Model for Managing Financial Assets due to Drastic Changes in the International Economic Situation”. According to the press release of the FSC, if an insurer intends to reclassify financial assets, it should follow IFRS 9 regulations and the reference guideline of the ARDF.

In 2022, the global financial situation has been in full turmoil, especially from late August 2022 to late September 2022, the stock, bond and foreign exchange markets have experienced drastic changes that are rare in history. Changes are not for single market risk or specific financial asset price fluctuations, but interest rates have risen to the extreme level as defined by the International Insurance Capital Standards (ICS). Cathay Life’s senior management adjusted its investment strategy, performance evaluation and risk management activities in relation to financial assets by September 30, 2022, in order to ensure Cathay Life’s solvency and stable operation. The aforementioned adjustments indicate that Cathay Life’s business model, which was to generate cash flows by both collecting contractual cash flows and selling financial assets, has been changed to a model whose objective is to hold financial assets in order to collect contractual cash flows. Therefore, on October 1, 2022, Cathay Life reclassified its financial assets in accordance with IFRS 9, paragraphs B4.1.2B and B4.4.1 of IFRS 9.

Due to the change in business model, Cathay Life reclassified part of the financial assets at FVTOCI to financial assets measured at amortized cost on October 1, 2022. After the reclassification, other equity increased by \$242,647,172 thousand, debt investments measured at amortized cost increased by \$1,054,624,855 thousand, financial assets at FVTOCI decreased by \$755,311,088 thousand and deferred income tax assets decreased by \$56,666,595 thousand as of October 1, 2022.

h. 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, 2023					
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	\$ 19,809,928	\$ 19,434,573	\$ 19,809,928	\$ 19,434,573	\$ 375,355
Debt instruments at amortized cost					
Repurchase agreements	23,460,995	19,296,338	21,552,133	19,296,338	2,255,795

December 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 FVTOCI					
Repurchase agreements	\$ 18,473,749	\$ 18,969,910	18,473,749	18,969,910	(496,161)
Debt instruments at amortized cost					
Repurchase agreements	15,297,777	11,761,896	13,290,096	11,761,896	1,528,200

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

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, 2023

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 5,443,854	\$ 5,258,088	\$ 5,443,854	\$ 5,258,088	\$ 185,766

December 31, 2022

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 4,021,487	\$ 3,991,622	\$ 4,021,487	\$ 3,991,622	\$ 29,865

March 31, 2022

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
<u>Financial assets at 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

i. Financial risk management objectives and policies

Cathay Life and its subsidiaries

Cathay Life and its subsidiaries' major financial instruments include equity and debt investments, derivative instruments, receivables, payables and bonds payable. The main financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk analysis

a) Sources of market risk

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

Cathay Life and its subsidiaries continuously utilizes 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 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	
		2023	2022
Equity risk (stock price index)	-10%	\$ (73,496,866)	\$ (84,407,403)
Interest rate risk (yield curve)	+100bps	(105,259,508)	(224,438,330)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(18,146,444)	(12,283,086)

Note 1: Impact of credit spread changes was not included.

Note 2: Effects of hedging were considered.

Note 3: 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 4: Change in equity was included in the impact on the change in profit or loss.

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.

Note 6: Since the second quarter of 2022, Cathay Life's equity risk is calculated by including other financial instruments, such as unlisted stocks, hedge funds, private equity funds and infrastructure funds, and the disclosure for comparable period was revised accordingly.

iii. Sensitivity analysis

Summary of Sensitivity Analysis

For the Three Months Ended March 31, 2023			
Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by %	\$ 9,921,802	\$ 5,050,571
	Appreciation of CNY/USD by %	(16,911)	360,866
	Appreciation of HKD/USD by %	1,229	270,174
	Appreciation of EUR/USD by %	76,091	263,039
	Appreciation of GBP/USD by %	(61,426)	212,901
Interest rate risk	Upward parallel shift of the yield curve (USD) by bp	-	(967,909)
	Upward parallel shift of the yield curve (CNY) by bp	-	(1,785)
	Upward parallel shift of the yield curve (EUR) by bp	-	(4,262)
	Upward parallel shift of the yield curve (GBP) by bp	-	(3,063)
	Upward parallel shift of the yield curve (NTD) by bp	-	(64,880)
Equity price risk	Increase in equity price by %	1,182	7,348,505

For the Three Months Ended March 31, 2022			
Risk Factor	Variable (+/-)	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	-	(2,113,608)
	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	-	(85,002)
Equity price risk	Increase in equity price by 1%	67,829	8,692,433

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 were not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

Note 6: Since the second quarter of 2022, Cathay Life's equity risk is calculated by including other financial instruments, such as unlisted stocks, hedge funds, private equity funds and infrastructure funds, and the disclosure for comparable period was revised accordingly.

Note 7: Since the fourth quarter of the major investment of New Taiwan dollar Bond-linked ETF are foreign bonds, and Cathay Life adjusted the sensitivity disclosure of interest rate, and its disclosure for comparable period accordingly.

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 LIBORs, 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 has expired 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 at March 31, 2023, Cathay Life and its subsidiaries' financial instruments affected by the interest rate benchmark reform, which include bonds and loans (Cathay Life and its subsidiaries' main exposure is to the USD LIBOR), are summarized in the table below (excluding the positions that would naturally expire):

	<u>Carrying Amount</u>	
	<u>USD LIBOR</u>	<u>Other Interest Rates Benchmarks</u>
<u>Financial assets</u>		
Bonds	\$ 277,626,085	\$ -
Loans	874,148	-

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, 2023

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 228,821,032	\$ 16,887,329	\$ 175,306	\$ 97,409,409	\$ 16,000,000	\$ 359,293,076
Financial assets at FVTPL	53,369,093	9,460,508	97,312,460	89,072,981	10,984,540	260,199,582
Financial assets at FVTOCI	17,327,843	21,537,266	39,337,425	171,488,732	105,309,204	355,000,470
Financial assets for hedging	27,013	-	65,549	4,049	-	96,611
Financial assets at amortized cost	<u>123,272,020</u>	<u>231,748,917</u>	<u>604,393,628</u>	<u>1,998,347,576</u>	<u>1,009,506,024</u>	<u>3,967,268,165</u>
	<u>\$ 422,817,001</u>	<u>\$ 279,634,020</u>	<u>\$ 741,284,368</u>	<u>\$ 2,356,322,747</u>	<u>\$ 1,141,799,768</u>	<u>\$ 4,941,857,904</u>
Proportion	8.6%	5.7%	15.0%	47.6%	23.1%	100%

December 31, 2022

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 222,557,044	\$ 8,118,563	\$ 152,250	\$ 67,519,659	\$ 14,713,280	\$ 313,060,796
Financial assets at FVTPL	53,064,453	11,994,548	96,520,732	88,419,141	11,507,321	261,506,195
Financial assets at FVTOCI	12,849,696	20,985,346	44,478,922	162,192,932	104,411,118	344,918,014
Financial assets for hedging	10,544	-	-	8,649	-	19,193
Financial assets at amortized cost	<u>129,720,872</u>	<u>229,815,612</u>	<u>607,127,824</u>	<u>1,999,938,066</u>	<u>1,010,414,398</u>	<u>3,977,016,772</u>
	<u>\$ 418,202,609</u>	<u>\$ 270,914,069</u>	<u>\$ 748,279,728</u>	<u>\$ 2,318,078,447</u>	<u>\$ 1,141,046,117</u>	<u>\$ 4,896,520,970</u>
Proportion	8.5%	5.5%	15.3%	47.4%	23.3%	100%

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	<u>130,173,987</u>	<u>191,617,145</u>	<u>461,209,889</u>	<u>1,378,612,578</u>	<u>619,361,510</u>	<u>2,780,975,109</u>
	<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%

ii. Regional distribution of maximum risk exposure for Cathay Life's secured loans:

March 31, 2023

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 172,256,804	\$ 40,207,491	\$ 53,104,265	\$ 1,222,220	\$ 266,790,780
Non-accrual receivables	<u>518,181</u>	<u>13,836</u>	<u>19,997</u>	<u>1,368,084</u>	<u>1,920,098</u>
	<u>\$ 172,774,985</u>	<u>\$ 40,221,327</u>	<u>\$ 53,124,262</u>	<u>\$ 2,590,304</u>	<u>\$ 268,710,878</u>
Proportion	64.2%	15.0%	19.8%	1.0%	100%

December 31, 2022

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 183,312,721	\$ 42,186,493	\$ 55,912,566	\$ 1,259,825	\$ 282,671,605
Non-accrual receivables	<u>520,568</u>	<u>12,562</u>	<u>18,155</u>	<u>1,379,494</u>	<u>1,930,779</u>
	<u>\$ 183,833,289</u>	<u>\$ 42,199,055</u>	<u>\$ 55,930,721</u>	<u>\$ 2,639,319</u>	<u>\$ 284,602,384</u>
Proportion	64.6%	14.8%	19.7%	0.9%	100%

March 31, 2022

Location of Collateral	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
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%

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, 2023					
	Stage 1	Stage 2	Stage 3			Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	
Investment grade						
Debt instruments at FVTOCI	\$ 343,786,856	\$ -	\$ -	\$ -	\$ -	\$ 343,786,856
Financial assets at amortized cost	3,941,109,051	-	-	-	(1,463,613)	3,939,645,438
Non-investment grade						
Debt instruments at FVTOCI	7,292,660	139,740	3,781,214	-	-	11,213,614
Financial assets at amortized cost	9,345,621	1,480,727	18,628,111	-	(1,831,732)	27,622,727

	December 31, 2022					
	Stage 1	Stage 2	Stage 3			Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	
Investment grade						
Debt instruments at FVTOCI	\$ 334,627,073	\$ -	\$ -	\$ -	\$ -	\$ 334,627,073
Financial assets at amortized cost	3,947,124,047	-	-	-	(1,466,690)	3,945,657,357
Non-investment grade						
Debt instruments at FVTOCI	6,389,795	186,515	3,714,631	-	-	10,290,941
Financial assets at amortized cost	12,233,358	2,330,571	18,792,809	-	(1,997,323)	31,359,415

	March 31, 2022					
	Stage 1	Stage 2	Stage 3			Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime 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
Financial assets 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

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, 2023						
	Stage 1	Stage 2	Stage 3			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	Purchased or Originated Credit-impaired Financial Assets		
Secured loans and non-accrual receivables	\$ 262,013,594	\$ 1,275,594	\$ 5,421,690	\$ -	\$ (1,437,833)	\$ (2,680,153)	\$ 264,592,892

	December 31, 2022						
	Stage 1	Stage 2	Stage 3			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	Purchased or Originated Credit-impaired Financial Assets		
Secured loans and non-accrual receivables	\$ 277,691,739	\$ 1,306,065	\$ 5,604,580	\$ -	\$ (1,200,475)	\$ (3,147,892)	\$ 280,254,017

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

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, 2023	\$ 144,268	\$ 33,000	\$ 917,054	\$ -	\$ 1,094,322
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	-	-	-	-	-
Transferred to credit-impaired financial assets	-	-	-	-	-
New financial assets originated or purchased	6,564	-	-	-	6,564
Financial assets that have been derecognized during the period	(9,170)	(2,302)	-	-	(11,472)
Changes in models/risk parameters	(795)	(2,918)	(61,033)	-	(64,746)
Foreign exchange and other movements	(1,037)	(372)	(11,420)	-	(12,829)
March 31, 2023	<u>\$ 139,830</u>	<u>\$ 27,408</u>	<u>\$ 844,601</u>	<u>\$ -</u>	<u>\$ 1,011,839</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 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>

ii. Financial assets at amortized cost

	<u>Lifetime Expected Credit Losses</u>				Total of Impairment Charged in Accordance with IFRS 9
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2023	\$ 1,489,750	\$ 215,409	\$ 1,758,854	\$ -	\$ 3,464,013
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses during the duration of the period	(48)	48	-	-	-
Transferred to 12-month expected credit losses	75,463	(75,463)	-	-	-
New financial assets originated or purchased	17,502	-	-	-	17,502
Financial assets that have been derecognized during the period	(13,385)	(45)	-	-	(13,430)
Changes in models/risk parameters	(73,536)	(874)	(69,348)	-	(143,758)
Foreign exchange and other movements	<u>(13,168)</u>	<u>(1,265)</u>	<u>(14,549)</u>	<u>-</u>	<u>(28,982)</u>
March 31, 2023	<u>\$ 1,482,578</u>	<u>\$ 137,810</u>	<u>\$ 1,674,957</u>	<u>\$ -</u>	<u>\$ 3,295,345</u>

	<u>Lifetime Expected Credit Losses</u>				Total of Impairment Charged in Accordance with IFRS 9
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
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>

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, 2023	\$ 125,823	\$ 5,008	\$ 1,069,644	\$ -	\$ 1,200,475	\$ 3,147,892	\$ 4,348,367
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(21)	21	-	-	-	-	-
Transferred to credit-impaired financial assets	(30)	(8)	38	-	-	-	-
Transferred to 12-month expected credit losses	122	(122)	-	-	-	-	-
New financial assets originated or purchased	341	-	496	-	837	-	837
Financial assets that have been derecognized during the period	(4,526)	(72)	(22,708)	-	(27,306)	-	(27,306)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(467,739)	(467,739)
Changes in models/risk parameters	82,643	(4)	181,188	-	263,827	-	263,827
March 31, 2023	<u>\$ 204,352</u>	<u>\$ 4,823</u>	<u>\$ 1,228,658</u>	<u>\$ -</u>	<u>\$ 1,437,833</u>	<u>\$ 2,680,153</u>	<u>\$ 4,117,986</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, 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>\$ 4,927,252</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
March 31, 2023					
Gross carrying amount (Note)	\$ 29,432,102	\$ 62,951	\$ 459	\$ -	\$ 29,495,512
Loss rate	0%	2%	10%	50%	-
Lifetime expected credit losses	-	1,259	46	-	1,305

Note: Notes receivable of \$1,513 thousand and other receivables of \$29,493,999 thousand were included.

Aging of Receivables Recognized

	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2022</u>					
Gross carrying amount (Note)	\$ 24,167,420	\$ 63,738	\$ 175	\$ -	\$ 24,231,333
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,275	17	-	1,292

Note: Notes receivable of \$84,290 thousand and other receivables of \$24,147,043 thousand were included.

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.

The movement of loss allowance were as follows:

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	\$ 1,292	\$ 1,031
Provision for the current period	<u>13</u>	<u>43</u>
Ending balance	<u>\$ 1,305</u>	<u>\$ 1,074</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.

	March 31, 2023				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 15,554,889	\$ 1,187,888	\$ 246,840	\$ 211,276	\$ -
Other financial liabilities	765,660	378,182	1,387,393	3,504,368	1,576,457
Bonds payable (Note 1)	200,235	883,726	2,715,000	6,885,000	80,600,000
Lease liabilities (Note 2)	257,027	497,285	728,972	2,589,308	33,595,836
<u>Derivative financial liabilities</u>					
SWAP	17,066,427	15,114,104	234,150	-	-
Forward	7,460,770	2,971,200	358,000	-	-
CCS	7,185,244	238,760	480,795	-	-
	December 31, 2022				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 21,112,481	\$ 773,900	\$ 257,959	\$ 194,121	\$ -
Other financial liabilities	684,274	508,721	3,111,951	2,130,410	1,086,821
Bonds payable (Note 1)	559,620	1,194,411	2,715,000	6,885,000	80,600,000
Lease liabilities (Note 2)	365,854	603,735	693,767	2,362,748	34,174,095
<u>Derivative financial liabilities</u>					
SWAP	40,838,254	5,746,330	-	-	-
Forward	22,292,640	4,562,550	3,104,900	-	-
CCS	1,644,997	5,797,653	845,644	-	-
	March 31, 2022				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 25,531,286	\$ 790,343	\$ 854,477	\$ 208,677	\$ -
Bonds payable (Note 1)	200,235	883,726	2,715,000	8,145,000	82,055,000
Lease liabilities (Note 2)	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	-	-

Note 1: 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 2: For lease liabilities, the remaining periods used to calculate the contractual cash flows were from 1 to 70 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, Risk Management Division, Consumer Credit Risk Management Division, Corporate Credit Risk Management Division, and International Credit Risk Management Division. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts are the executive unit of credit risk control. The credit quality of the Company is strictly controlled in advance. After the loan is approved, lending portfolios are reviewed according to Cathay United Bank and Indovina Bank's loan review regulations and deficiencies are tracked to strengthen post-event risk management.

Cathay United Bank, Indovina Bank and CUBCN Bank maintain a strict policy to evaluate customers' credit ratings when providing loans, loan commitments and commercial letters of credit. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank, Indovina Bank and CUBCN Bank retain the legal right to foreclose or liquidate the collateral, which effectively reduces the credit risk of Cathay United Bank, Indovina Bank and CUBCN Bank.

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.

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 a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

ii) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

- Any financial instruments are classified as substandard, doubtful or loss.
- The lowest credit risk is classified as substandard, doubtful or loss.
- Other internal rating is determined to have fallen into default level.

The aforementioned definition of default and credit impairment applies to all financial assets held by CUBCN Bank, and is consistent with the definition applied on the relevant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

iii. Indovina Bank

Indovina Bank assesses the following indicators at each reporting date to determine if the financial assets are credit-impaired:

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

ii) Qualitative indicator

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.

- Debt settlement, debt negotiation.
- The debtor has filed for bankruptcy or may apply for bankruptcy or reorganization.
- Principal or interest could not be paid as scheduled during the settlement period.
- Other internal or external information on judging the deterioration in credit quality.

iv. CUBC Bank

CUBC Bank assesses the following indicators at each reporting date to determine if the financial assets are credit impaired:

i) Information on the overdue status of a contract

When the contract payment is overdue for more than 30 days for short-term loans or more than 90 days for long-term loans at the reporting date, it is determined as credit impairment.

ii) Loan classification from National Bank of Cambodia

A loan contract with specific position, such as substandard, doubtful and loss, at reporting date would be classified as a credit-impaired loan.

iii) Internal credit assessment indicators

The credit information used for internal credit risk management purpose that indicated credit deterioration at the reporting date would be recognized as credit-impaired assets.

d) Measurement of expected credit loss

i. Cathay United Bank

For the purpose of assessing the expected credit losses, Cathay United Bank classifies the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, and so on.

Credit Category	Definition
Enterprise loan	Grouped by risk characteristics, enterprise size and internal credit rating
Consumer loan	Grouped by product category and internal credit rating
Credit card	Grouped by product category and internal credit rating

When the credit risk of the financial instrument has not increased significantly after the initial recognition (Stage 1), Cathay United Bank will measure the allowance for losses at the 12-month expected credit losses. When the credit risk of the financial instrument has increased significantly (Stage 2) or credit impairment has existed (Stage 3) after the initial recognition, Cathay United Bank will measure the allowance for losses based on the lifetime expected credit losses.

For the measurement of the expected credit losses (“ECL”), Cathay United Bank calculates the 12-month ECL and lifetime ECL by multiplying three factors, i.e., probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) of the borrower over the next 12 months and the lifetime.

The PD and LGD applied in the impairment assessment of the credit business of Cathay United Bank is adjusted and calculated based on the internal information of each group of assets as well as the currently observable data and the forward-looking macroeconomic information (such as economic growth rate, etc.).

Cathay United Bank assesses the EAD of loan at the reporting date. According to internal and external information, Cathay United Bank considers the portion of the loan commitment that is expected to be drawn within 12 months after the reporting date and the lifetime, to determine the EAD for calculating the expected credit losses.

Cathay United Bank performs impairment assessment of debt instruments measured at FVTOCI and those measured at amortized cost in accordance with related requirements:

- i) The EAD is measured at the amortized cost of a financial asset plus its interest receivable.
- ii) The PD is based on the information regularly published by Moody's, and calculated on the basis of the adjusted historical data according to the currently observable data and the 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.

Credit Category	Definition
Loan activities and interbank borrowing business	Grouped by product category and internal/external credit rating
Bills forfaiting business	Grouped by product category and internal/external credit rating
Off-balance sheet credit business	Grouped by product category and internal/external credit rating
Bond business	Grouped by product category and internal/external credit rating
Due from banks, call loan to banks business, and reverse repurchase	Grouped by product category and internal/external credit rating
Other receivables	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 based on the historical data, 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 as a reference for the evaluation.
- The EAD is measured at current exposure method. Besides, off-balance sheet credit business also converts using credit conversion factor regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.

iii. Indovina Bank

For the purpose of assessing the expected credit losses, Indovina Bank classifies the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, counterparty type, and so on.

Category	Description
Loan portfolio	Grouped by counterparty type and enterprise size
Bond portfolio	Grouped by product category, 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 segmentation of Indovina Bank’s loan portfolio is based on its risk characteristics, such as product class, counterparty type and enterprise size. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default (“PD”) and loss given default (“LGD”) were built using the Bank’s historical delinquent information and recovery data and calibrated with 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, the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to lifetime expected credit loss method.

ii) Bond portfolio

The segmentation of Indovina Bank’s bond portfolio is based on its product class, external rating and payment rank. The measurement of expected credit loss is based on three main parameters, including probability of default, loss given default and exposure at default. The probability of default and loss given default were built using external information with sufficient historical default data and recovery rates and calibrated with 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 allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

iii) Cash equivalents, deposits and interbank lending

The segmentation of Indovina Bank's cash equivalents, due from and call loans to banks is based on its counterparty type. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default is using Sovereign PD. The loss given default is determined by the foundation approach in Basel II. 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 allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

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:

Category	Description
Loan	Grouped by product characteristics, industry and counterparty type
Credit card	Grouped by product characteristics

The measurement of expected credit loss of CUBC Bank's loan portfolio is based on its credit category, counterparty type and product category. The probabilities of default and loss given default were built by the internal and external historical delinquent information, LGD supervised under Basel II and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method.

If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

e) Write-off policy

Cathay United Bank and its subsidiaries write-off the financial assets partially or entirely to the extent of the amount which cannot be reasonably expected to be recovered.

The indicators for reasonably expected to be unrecoverable include:

- i. The recourse procedure has ceased.
- ii. The debtor's assets or income are evaluated to be insufficient to repay outstanding payments.

Financial asset which has been written-off can do peruse the recovery of debt and institute legal proceedings continuously under related policies.

f) Consideration of forward-looking information

Cathay United Bank

Cathay United Bank uses historical data to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and 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 2023 are as follows:

Credit Category	Probability of Default (PD)
Enterprise loan	Proportion of revenue less expenditures from government to GDP % Nominal GDP %
Consumer loan	GDP per capita Unemployment rate % Price index
Credit card	Price index

CUBCN Bank

CUBCN Bank uses historical data and rate of non-performing banking industry loans issued by the authorities to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression model to estimate the impairment parameter after the prospective adjustment, in order to obtain an unbiased estimate of expected credit losses.

The relevant economic factors identified by CUBCN Bank in 2023 include but are not limited to gross domestic product (GDP) published by the National Bureau of Statistics of China and other government authorities, consumer price index (CPI), producer price index (PPI) and supply of currency, 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 2023 are as follows:

Segment	Selected Factors
Loan portfolio	Vietnam GDP growth rate
Bond portfolio	Global GDP growth rate Global inflation index

CUBC Bank

CUBC Bank establishes ECL model based on historical default and loss data and uses the regression analysis to adjust the forward-looking parameters with local macroeconomic factors by considering local risk distribution and borrowers' characteristics.

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments in 2023 are as follows:

Segment	Selected Factors
Loans	Change of GDP (%) Change of volume of imports (%) Total external debt as percent of GDP (%) Change in reserves
Credit card	Total investment as percent of GDP (%) Change of inflation (%) Portfolio investment, net Change of volume of exports (%)

The valuation techniques or significant assumptions used by the Cathay United Bank and its subsidiaries for assessing the expected credit losses have no significant change as of March 31, 2023.

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 are 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, the 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 housing mortgages, credit cards, and small-scale 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, the 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, 2023	December 31, 2022	March 31, 2022
Irrevocable loan commitments	\$ 157,698,383	\$ 167,371,093	\$ 164,528,523
Credit card commitments	812,560,692	805,391,737	768,790,199
Unused commercial letters of credit	6,338,057	6,869,348	9,910,356
Guarantees on duties and contracts	19,642,640	19,613,957	18,547,175

ii) Indovina Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2023	December 31, 2022	March 31, 2022
Financial guarantee contracts	\$ 1,179,387	\$ 1,308,628	\$ 1,267,547
Unused commercial letters of credit	1,089,237	387,030	973,438

iii) CUBC Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2023	December 31, 2022	March 31, 2022
Financial guarantee contracts	\$ 19,521	\$ 19,684	\$ 21,219
Credit card commitments	338,790	330,599	290,719
Irrevocable loan commitments	283,279	268,441	283,088

iv) CUBCN Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2023	December 31, 2022	March 31, 2022
Financial guarantee contracts	\$ 281,078	\$ 289,824	\$ 224,760
Unused commercial letters of credit	841,260	573,635	556,541
Irrevocable loan commitments	289,099	262,406	964,233

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 amounts of the maximum credit risk exposure of on-balance-sheet items were as follows:

March 31, 2023

	Discounts and Loans				Total
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 2,077,898,670	\$ 58,607,084	\$ 17,521,632	\$ -	\$ 2,154,027,386
Less: Allowance impairment	(3,332,712)	(2,595,783)	(6,950,599)	-	(12,879,094)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(23,243,657)	(23,243,657)
	<u>\$ 2,074,565,958</u>	<u>\$ 56,011,301</u>	<u>\$ 10,571,033</u>	<u>\$ (23,243,657)</u>	<u>\$ 2,117,904,635</u>

	Receivable				Total
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 107,667,565	\$ 1,682,802	\$ 2,038,234	\$ -	\$ 111,388,601
Less: Allowance impairment	(518,956)	(401,421)	(1,642,699)	-	(2,563,076)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(57,517)	(57,517)
	<u>\$ 107,148,609</u>	<u>\$ 1,281,381</u>	<u>\$ 395,535</u>	<u>\$ (57,517)</u>	<u>\$ 108,768,008</u>

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	Discounts and Loans				Total
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 1,996,179,020	\$ 66,527,131	\$ 17,394,606	\$ -	\$ 2,080,100,757
Less: Allowance impairment	(3,408,785)	(2,480,491)	(6,433,892)	-	(12,323,168)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(22,695,132)	(22,695,132)
	<u>\$ 1,992,770,235</u>	<u>\$ 64,046,640</u>	<u>\$ 10,960,714</u>	<u>\$ (22,695,132)</u>	<u>\$ 2,045,082,457</u>

	Receivable				Total
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 118,271,889	\$ 1,880,551	\$ 2,003,379	\$ -	\$ 122,155,819
Less: Allowance impairment	(506,839)	(360,011)	(1,591,166)	-	(2,458,016)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(58,994)	(58,994)
	<u>\$ 117,765,050</u>	<u>\$ 1,520,540</u>	<u>\$ 412,213</u>	<u>\$ (58,994)</u>	<u>\$ 119,638,809</u>

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	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	\$ 1,827,473,544	\$ 62,035,534	\$ 11,836,171	\$ -	\$ 1,901,345,249
Less: Allowance impairment	(2,856,881)	(2,003,513)	(5,015,540)	-	(9,875,934)
Less: 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>

	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	\$ 87,041,683	\$ 1,784,313	\$ 2,073,411	\$ -	\$ 90,899,407
Less: Allowance impairment	(464,679)	(307,750)	(1,646,507)	-	(2,418,936)
Less: 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>

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 derive from the assets, liabilities and off-balance sheet items, and arise from performing obligations or engaging in transactions of cross-credit line portfolio with risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. Cathay United Bank and its subsidiaries do not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty relative to the 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, 2023		December 31, 2022		March 31, 2022	
	Amount	%	Amount	%	Amount	%
Manufacturing	\$ 200,423,405	9.21	\$ 180,834,137	8.60	\$ 162,149,863	8.43
Financial institutions and insurance	101,602,181	4.67	88,601,202	4.21	88,885,280	4.62
Leasing and real estate	217,726,237	10.00	206,214,278	9.80	188,340,564	9.79
Individuals	1,345,420,251	61.80	1,326,538,540	63.07	1,181,805,006	61.44
Others	<u>312,041,763</u>	<u>14.32</u>	<u>301,179,305</u>	<u>14.32</u>	<u>302,438,086</u>	<u>15.72</u>
	<u>\$ 2,177,213,837</u>	<u>100.00</u>	<u>\$ 2,103,367,462</u>	<u>100.00</u>	<u>\$ 1,923,618,799</u>	<u>100.00</u>

Geographic Region	March 31, 2023		December 31, 2022		March 31, 2022	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 1,900,066,480	87.27	\$ 1,824,223,790	86.73	\$ 1,655,172,736	86.04
Asia	223,890,350	10.28	225,080,654	10.70	208,622,929	10.85
America	38,662,588	1.78	39,009,043	1.85	42,652,593	2.22
Others	<u>14,594,419</u>	<u>0.67</u>	<u>15,053,975</u>	<u>0.72</u>	<u>17,170,541</u>	<u>0.89</u>
	<u>\$ 2,177,213,837</u>	<u>100.00</u>	<u>\$ 2,103,367,462</u>	<u>100.00</u>	<u>\$ 1,923,618,799</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 are 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 that can be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets held to manage liquidity risk include cash and cash equivalents, due from the Central Bank and call loans to 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 based 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, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 71,663,887	\$ 15,591,941	\$ 45,878,790	\$ 36,529	\$ 133,171,147
Non-derivative financial liabilities at FVTPL	-	768,811	193,180	39,285,660	40,247,651
Notes and bonds sold under repurchase agreements	17,623,549	21,371,763	-	-	38,995,312
Payables	21,041,644	7,626,287	2,545,034	371,733	31,584,698
Deposits and remittances	463,799,450	1,296,868,165	1,293,330,314	157,744,956	3,211,742,885
Financial debentures payable	10,316,025	340,924	-	27,100,000	37,756,949
Lease liabilities	130,211	625,258	680,047	1,871,230	3,306,746
Other capital outflow at maturity	18,316,856	33,677,981	6,670,809	757,503	59,423,149
	December 31, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 26,294,815	\$ 24,698,838	\$ 29,836,399	\$ 33,136	\$ 80,863,188
Non-derivative financial liabilities at FVTPL	93,455	-	516,815	39,613,320	40,223,590
Notes and bonds sold under repurchase agreements	19,238,256	8,399,398	-	-	27,637,654
Payables	23,033,030	3,674,958	58,834	496,028	27,262,850
Deposits and remittances	509,020,050	1,238,894,551	1,259,165,792	149,088,303	3,156,168,696
Financial debentures payable	-	10,493,264	-	27,100,000	37,593,264
Lease liabilities	129,360	547,937	675,597	1,783,493	3,136,387
Other capital outflow at maturity	20,809,680	27,951,203	4,986,616	534,345	54,281,844

	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
Central Bank and interbank lending	-	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

Additional information about the maturity analysis for lease liabilities:

	March 31, 2023	December 31, 2022	March 31, 2022
Less than 1 year	\$ 1,435,516	\$ 1,352,894	\$ 1,381,447
1-5 years	1,621,962	1,537,290	2,117,982
5-10 years	<u>249,268</u>	<u>246,203</u>	<u>293,584</u>
	<u>\$ 3,306,746</u>	<u>\$ 3,136,387</u>	<u>\$ 3,793,013</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 sheets. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheets. Maturity analysis of net settled derivative financial liabilities was as follows:

	March 31, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 355,774	\$ 9,584	\$ 29,063	\$ 84	\$ 394,505
Interest rate derivative instruments	<u>331,439</u>	<u>618,044</u>	<u>832,620</u>	<u>25,112,664</u>	<u>26,894,767</u>
	<u>\$ 687,213</u>	<u>\$ 627,628</u>	<u>\$ 861,683</u>	<u>\$ 25,112,748</u>	<u>\$ 27,289,272</u>
	December 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	\$ 141,905	\$ 10,164	\$ 6,939	\$ 145	\$ 159,153
Interest rate derivative instruments	<u>123,831</u>	<u>1,014,294</u>	<u>656,157</u>	<u>28,009,413</u>	<u>29,803,695</u>
	<u>\$ 265,736</u>	<u>\$ 1,024,458</u>	<u>\$ 663,096</u>	<u>\$ 28,009,558</u>	<u>\$ 29,962,848</u>
	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>

Gross settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: Foreign exchange SWAP;
- ii) Interest rate derivative instruments: Cross currency CCS;
- iii) Credit derivative instruments: All derivatives shown in gross amount pay a periodic fee in return for a payment by the protection seller on credit event if any occurs.

The table below shows Cathay United Bank's gross settled derivative instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. Contractual maturities are evaluated to be the most basic element for understanding all the derivative financial instruments presented on the balance sheets. The disclosed amounts are based on contractual cash flows and parts of the disclosed amounts are not in conformity with related items on consolidated balance sheets. Maturity analysis of gross settled derivative financial liabilities was as follows:

	March 31, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (3,991,771)	\$ (6,733,586)	\$ (1,013,632)	\$ (858,184)	\$ (12,597,173)
Cash inflow	5,080	22,320	1,022	-	28,422
Interest rate derivative instruments					
Cash outflow	(63,919)	(895,589)	(338,038)	(156,693)	(1,454,239)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(4,055,690)	(7,629,175)	(1,351,670)	(1,014,877)	(14,051,412)
Cash inflow subtotal	5,080	22,320	1,022	-	28,422
Net cash flow	<u>\$ (4,050,610)</u>	<u>\$ (7,606,855)</u>	<u>\$ (1,350,648)</u>	<u>\$ (1,014,877)</u>	<u>\$ (14,022,990)</u>
	December 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					
Cash outflow	\$ (8,726,496)	\$ (12,860,888)	\$ (1,873,183)	\$ (748,879)	\$ (24,209,446)
Cash inflow	1,799	17,705	2,131	-	21,635
Interest rate derivative instruments					
Cash outflow	(262,286)	(468,125)	(1,062,239)	(351,193)	(2,143,843)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(8,988,782)	(13,329,013)	(2,935,422)	(1,100,072)	(26,353,289)
Cash inflow subtotal	1,799	17,705	2,131	-	21,635
Net cash flow	<u>\$ (8,986,983)</u>	<u>\$ (13,311,308)</u>	<u>\$ (2,933,291)</u>	<u>\$ (1,100,072)</u>	<u>\$ (26,331,654)</u>
	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					
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>

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, 2023

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 124,398,971	\$ 24,071,961	\$ 9,227,451	\$ 157,698,383
Credit card commitments	16,086,123	202,709,899	593,764,670	812,560,692
Financial guarantee contracts	20,826,191	5,113,298	41,208	25,980,697

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	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 134,435,530	\$ 23,859,560	\$ 9,076,003	\$ 167,371,093
Credit card commitments	50,692,716	205,458,267	549,240,754	805,391,737
Financial guarantee contracts	21,216,584	5,225,513	41,208	26,483,305

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	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
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

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 instruments, 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 testing, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. Cathay United Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. Once the transaction reaches its stop-loss limitation, corresponding measures will be implemented immediately. In special circumstances, the transaction department should document the response plan, 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 and 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 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 (Δ NII) analysis, and economic value viewpoint (Δ EVE) analysis. Cathay United Bank and its subsidiaries adopt appropriate measurement methods to manage banking book interest risk in accordance with local regulatory requirements or internal management needs.

f) Foreign exchange risk management

i. Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies 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, as well as to raise the operating efficiency of capital and strengthen the business operation.

iii. Procedure of risk management of equity securities price

Cathay United Bank sets limits on market risk in addition to the country, industries and companies. The above limitations are approved by the board of directors. Once the transaction reaches its stop-loss limitation, a response will be implemented immediately. In special circumstances, the transaction department should document the reason plan, report to the executive management for approval and report to the board of directors regularly.

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.

March 31, 2023				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 287,904	\$ 420,425	\$ 246,099	\$ 353,080
Foreign exchange	161,866	227,124	99,901	204,818
Equity securities price	122,758	262,298	61,215	86,458

December 31, 2022				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 252,904	\$ 292,247	\$ 215,547	\$ 267,725
Foreign exchange	154,112	227,124	84,253	149,695
Equity securities price	159,701	365,415	61,215	69,494

March 31, 2022				
Factors of Market Risk	Average	Maximum	Minimum	Ending
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

Cathay United Bank transacts derivative contracts within the allowed market risk limit. The objectives in trading derivative instruments are to meet customers' hedging and trading needs or to manage Cathay United Bank's exposure to risks and to generate revenues through trading activities.

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 for holding positions during market risk stress testing and the results will be reported to the executive management regularly.

Stress Testing				
Market/Product	Scenarios	March 31, 2023	December 31, 2022	March 31, 2022
Stock market	Major domestic stock exchanges +15%	\$ 704,972	\$ 524,137	\$ 778,289
	Major domestic stock exchanges -15%	(704,972)	(524,137)	(1,225,084)
	Abroad stock exchanges +20%	161,787	39,238	90,983
	Abroad stock exchanges -20%	(161,787)	(39,238)	(90,983)
Interest rate/bond market	Major interest rate +150bp	(3,075,806)	(2,596,593)	(3,599,074)
	Major interest rate -150bp	1,532,549	1,408,178	2,361,485
Foreign exchange market	Major currencies +5%	340,454	277,947	341,397
	Major currencies -5%	(340,454)	(277,947)	(341,397)

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 prices fluctuation. Cathay United Bank’s equity portfolios include stocks and equity index options.

		March 31, 2023	
Risk Factors	Changes (+/-)	Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	\$ 68,091	\$ -
	Exchange rate of each currency - 1%	(68,091)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(20,505)	-
	Yield curves parallel shift - 1bp	10,217	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	(1,515)	56,603
	Equity securities price - 1%	1,515	(56,603)

		December 31, 2022	
Risk Factors	Changes (+/-)	Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	\$ 55,589	\$ -
	Exchange rate of each currency - 1%	(55,589)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(17,311)	-
	Yield curves parallel shift - 1bp	9,388	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	1,564	35,340
	Equity securities price - 1%	(1,564)	(35,340)

Risk Factors	Changes (+/-)	March 31, 2022	
		Sensitivity of Profit or Loss	Sensitivity of Equity
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)

Note: The information of sensitivity analysis is defined by market risk management.

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, 2023, 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, 2023 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets at FVTOCI	
Financial assets linked to USD LIBOR	<u>\$ 1,980,497</u>
Investments in debt instruments at amortized cost	
Financial assets linked to USD LIBOR	<u>\$ 1,185,897</u>
Discounts and loans	
Financial assets linked to USD LIBOR	\$ 41,664,466
Financial assets linked to SGD SOR	<u>2,290,808</u>
	<u>\$ 43,955,274</u>

The following table contains details of derivative financial instruments held by Cathay United Bank at March 31, 2023 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

Derivative Financial Instrument	Nominal Amount	Carrying Amount	
		Financial Assets	Financial Liabilities
Interest rate swaps			
Financial assets linked to USD LIBOR	<u>\$ 34,528,533</u>	<u>\$ 4,919,563</u>	<u>\$ 934,666</u>

Cathay Century and its subsidiaries

Cathay Century and its subsidiaries' major financial instruments include equity and debt investments, derivatives, receivables, and payables. The major risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk analysis

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

Cathay Century and its subsidiaries continues to use market risk management tools such as value at risk ("VaR") and stress testing to completely and effectively measure, monitor and manage market risk.

a) Value at Risk

VaR is used to measure the maximum potential loss of a portfolio in a given period and confidence level when the market risk factors changes. Cathay Century and its subsidiaries calculates 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 conducts stress testing regularly on positions by simple sensitivity analysis test and scenario analysis. Such tests cover the losses on positions resulting from changes of various risk factors in various historical scenarios.

i. Simple sensitivity test

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

ii. Scenario analysis

Scenario analysis measures the changes in the total value of the investment portfolio under a stress event, including the follows scenarios:

i) Historical scenario

By considering the fluctuations in risk factors during a specific historical event, Cathay Century and its subsidiaries evaluate that losses would be incurred for the current investment portfolio in the event.

ii) Hypothetical scenario

Cathay Century and its subsidiaries simulate rational expectations for possible extreme market changes to evaluate the losses incurred for the investment positions by considering the fluctuations in related risk factors and the relevance between the investment targets and the risk factors.

The risk management department performs stress testing with historical and hypothetical scenarios regularly. Cathay Century and its subsidiaries' risk analysis, early warning, and business management are in accordance with the stress testing report.

Table of Stress Testing

Risk Factors	Changes (+/-)	March 31, 2023	December 31, 2022	March 31, 2022
Equity price risk (index)	-10%	\$ (700,406)	\$ (682,146)	\$ (965,101)
Interest rate risk (yield curve)	+20bps	(153,845)	(152,371)	(124,415)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(121,912)	(137,826)	(144,111)

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

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

- Foreign currency risk

Cathay Century and its subsidiaries has foreign currency-denominated assets and liability, which expose Cathay Century to foreign currency risk.

- Price risk

Cathay Century and its subsidiaries was exposed to equity price risk through its investments in listed shares and mutual funds.

- Sensitivity analysis

For the Three Months Ended March 31, 2023			
Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 27,655	\$ 4,597
	CNY appreciates 1%	661	-
	HKD appreciates 1%	904	540
	EUR appreciates 1%	446	106
	VND appreciates 1%	-	7,071
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,669)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(27)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(2,045)	(870)
	Equity securities price sensitivity	Increases 1% in equity price	-

For the Year Ended December 31, 2022			
Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 30,462	\$ 4,978
	CNY appreciates 1%	667	-
	HKD appreciates 1%	912	545
	EUR appreciates 1%	492	117
	VND appreciates 1%	-	7,008
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,511)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(28)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(2,128)	(897)
	Equity securities price sensitivity	Increases 1% in equity price	-

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

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

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

Note 4: Information of subsidiaries is not disclosed due to immaterial effects on disclosures for consolidation of subsidiaries.

2) Credit risk

- a) Cathay Century and its subsidiaries' credit risk exposure of financial transactions include issuer credit risk, counterparty credit risk and credit risk of underlying assets.
 - i. Issuer's credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations 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 concentration risk analysis

i. Regional distribution of maximum risk exposure for Cathay Century and its subsidiaries' financial assets:

March 31, 2023

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 8,307,653	\$ -	\$ -	\$ -	\$ 286,672	\$ 8,594,325
Financial assets at FVTPL	294,875	-	-	-	-	294,875
Financial assets at FVTOCI	686,506	-	-	-	-	686,506
Financial assets at amortized cost	3,070,562	-	1,093,824	3,818,085	1,786,995	9,769,466
Total	\$ 12,359,596	\$ -	\$ 1,093,824	\$ 3,818,085	\$ 2,073,667	\$ 19,345,172
Proportion	63.89%	-	5.65%	19.74%	10.72%	100.00%

December 31, 2022

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 17,436,617	\$ -	\$ -	\$ -	\$ 288,862	\$ 17,725,479
Financial assets at FVTPL	304,838	-	-	-	-	304,838
Financial assets at FVTOCI	685,847	-	-	-	-	685,847
Financial assets at amortized cost	3,071,874	-	1,434,559	3,647,593	1,798,725	9,952,751
Total	\$ 21,499,176	\$ -	\$ 1,434,559	\$ 3,647,593	\$ 2,087,587	\$ 28,668,915
Proportion	74.99%	-	5.01%	12.72%	7.28%	100.00%

March 31, 2022

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 13,202,491	\$ -	\$ -	\$ -	\$ 268,453	\$ 13,470,944
Financial assets at FVTPL	307,132	-	-	-	-	307,132
Financial assets at FVTOCI	712,981	-	-	-	-	712,981
Financial assets at amortized cost	2,198,705	-	1,337,642	3,054,860	1,671,164	8,262,371
Total	\$ 16,421,309	\$ -	\$ 1,337,642	\$ 3,054,860	\$ 1,939,617	\$ 22,753,428
Proportion	72.17%	-	5.88%	13.43%	8.52%	100.00%

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

- i. Cathay Century and its subsidiaries assesses at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, Cathay Century and its subsidiaries considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.
- ii. If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.

d) Definitions of a default occurring on a financial asset and a credit-impaired financial asset

The definition of a default occurring on financial assets of 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 factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
 - i) The issuers and borrowers have entered bankruptcy or are probable to enter bankruptcy or financial reorganization.
 - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
 - iii) The collaterals of the borrowers are seized provisionally or enforced.
 - iv) The borrowers claim for a change of credit conditions due to financial difficulties.
 - iii. The above-mentioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by 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 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 multiplies exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. Cathay Century also considers the effect of the time value of money to calculate the 12-month and lifetime expected credit losses respectively.

Default rate is the rate that a default occurs on issuers, guarantee agencies and borrowers. Loss given default is the loss rate resulted from the default of issuers, guarantee agencies and borrowers. Loss given default used by 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.

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, 2023						
	Stage 1	Stage 2	Stage 3			
	12-month	Lifetime	Lifetime Expected	Purchased or	Loss Allowance	Gross Carrying
	Expected Credit	Expected Credit	Credit Losses	Originated		Amount
	Losses	Losses		Credit-impaired		
				Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 686,506	\$ -	\$ -	\$ -	\$ -	\$ 686,506
Financial assets measured at amortized cost	9,773,403	-	-	-	(3,937)	9,769,466
December 31, 2022						
	Stage 1	Stage 2	Stage 3			
	12-month	Lifetime	Lifetime Expected	Purchased or	Loss Allowance	Gross Carrying
	Expected Credit	Expected Credit	Credit Losses	Originated		Amount
	Losses	Losses		Credit-impaired		
				Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 685,847	\$ -	\$ -	\$ -	\$ -	\$ 685,847
Financial assets measured at amortized cost	9,956,466	-	-	-	(3,715)	9,952,751
March 31, 2022						
	Stage 1	Stage 2	Stage 3			
	12-month	Lifetime	Lifetime Expected	Purchased or	Loss Allowance	Gross Carrying
	Expected Credit	Expected Credit	Credit Losses	Originated		Amount
	Losses	Losses		Credit-impaired		
				Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 712,981	\$ -	\$ -	\$ -	\$ -	\$ 712,981
Financial assets measured at amortized cost	8,265,163	-	-	-	(2,792)	8,262,371

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, 2023						
	Stage 1	Stage 2	Stage 3			
	12-month	Lifetime	Lifetime Expected	Purchased or	Loss Allowance	Gross Carrying
	Expected Credit	Expected Credit	Credit Losses	Originated		Amount
	Losses	Losses		Credit-impaired		
				Financial Assets		
Secured loans	\$ 117,946	\$ -	\$ -	\$ -	\$ (1,561)	\$ 116,385
December 31, 2022						
	Stage 1	Stage 2	Stage 3			
	12-month	Lifetime	Lifetime Expected	Purchased or	Loss Allowance	Gross Carrying
	Expected Credit	Expected Credit	Credit Losses	Originated		Amount
	Losses	Losses		Credit-impaired		
				Financial Assets		
Secured loans	\$ 139,828	\$ -	\$ -	\$ -	\$ (1,884)	\$ 137,944
March 31, 2022						
	Stage 1	Stage 2	Stage 3			
	12-month	Lifetime	Lifetime Expected	Purchased or	Loss Allowance	Gross Carrying
	Expected Credit	Expected Credit	Credit Losses	Originated		Amount
	Losses	Losses		Credit-impaired		
				Financial Assets		
Secured loans	\$ 180,279	\$ -	\$ -	\$ -	\$ (2,345)	\$ 177,934

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, 2023	\$ 34	\$ -	\$ -	\$ -	\$ 34
Changes in models/risk parameters	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
March 31, 2023	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35</u>
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>

ii. Financial assets at amortized cost

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2023	\$ 3,715	\$ -	\$ -	\$ -	\$ 3,715
Changes in models/risk parameters	<u>222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222</u>
March 31, 2023	<u>\$ 3,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,937</u>
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>

iii. Secured loans

	Lifetime Expected Credit Losses					Difference from Impairment Charged in Accordance with Guidelines For Handling Assessment Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9		
January 1, 2023	\$ 70	\$ -	\$ -	\$ -	\$ 70	\$ 1,814	\$ 1,884
Changes in model/risk parameters	(10)	-	-	-	(10)	-	(10)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(313)</u>	<u>(313)</u>
March 31, 2023	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 1,501</u>	<u>\$ 1,561</u>

(Continued)

	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 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 model/risk parameters	(7)	-	-	-	(7)	-	(7)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(106)	(106)
March 31, 2022	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ 2,309</u>	<u>\$ 2,345</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

Notes receivable and premiums receivable of Cathay Century applies the simplified approach to providing for expected credit loss prescribed by IFRS 9, as follows:

March 31, 2023	Due	Overdue	Total
Carrying amount	\$ 1,368,843	\$ 740,310	\$ 2,109,153
Expected credit loss rate	1.06%	6.49%	
Lifetime expected credit losses	\$ 14,548	\$ 48,069	\$ 62,617

December 31, 2022	Due	Overdue	Total
Carrying amount	\$ 1,595,293	\$ 647,179	\$ 2,242,472
Expected credit loss rate	1.04%	8.05%	
Lifetime expected credit losses	\$ 16,578	\$ 52,077	\$ 68,655

March 31, 2022	Due	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

3) Liquidity risk

a) Sources of liquidity risk

Liquidity risks of the financial instruments are classified as funding liquidity risk and market liquidity risk. Funding liquidity risk represents the risk of the inability of Cathay Century and its subsidiaries to turn assets into cash or obtain sufficient funds to meet matured obligations. Market liquidity risk represents the risk of significant changes in fair value when dealing with or offsetting positions held due to insufficient market depth or disorder.

b) Liquidity risk management

Cathay Century and its subsidiaries established a completed capital liquidity management mechanism by assessing the business features, monitoring short-term cash flow, and considering the trading volume and holding position to carefully manage the market liquidity risk.

According to the actual management need or special situations, Cathay Century and its subsidiaries use cash flow model and stress testing to assess cash flow risk. Moreover, Cathay Century and its subsidiaries have drawn up a plan for capital requirements with respect to abnormal and emergency conditions to deal with significant liquidity risk.

The analysis of cash outflows to Cathay Century and its subsidiaries is listed below and based on the residual terms to maturity on the balance sheet date. The disclosed amounts are prepared in accordance with contract cash flows and, accordingly for certain line items, the disclosed amounts are different to the amounts on consolidated balance sheets.

The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

March 31, 2023

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,625,857	\$ 72,943	\$ 5,068	\$ 9,222	\$ 5,996
Lease liabilities	66,362	8,630	4,169	1,859	-
<u>Derivative financial liabilities</u>					
Swap	63,778	-	-	-	-

December 31, 2022

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,239,952	\$ 45,023	\$ 8,319	\$ 9,002	\$ 5,997
Lease liabilities	77,773	30,880	5,306	1,552	-
<u>Derivative financial liabilities</u>					
Swap	178,805	-	-	-	-

March 31, 2022

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<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	-	-	-	-

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

	For the Three Months Ended March 31, 2023			
	Average	Highest	Lowest	End of Period
VaR	\$ 47,370	\$ 56,478	\$ 37,782	\$ 55,292
	For the Three Months Ended March 31, 2022			
	Average	Highest	Lowest	End of Period
VaR	\$ 28,329	\$ 39,680	\$ 22,168	\$ 31,534

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, 2023
Stress Test Table**

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (242,644)
Interest rate risk (yield curve)	+50bps	(144,283)
Exchange rate risk (exchange rate)	3%	1,974
Product risk (price)	-10%	-

**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%	-

3) Credit risk

a) Source of credit risk

Credit risk refers to the credit risk that Cathay Securities and its subsidiaries may encounter due to engagement in financial transactions which include the credit risks from issuers, counterparties, and underlying assets:

- i. Issuer credit risk refers to the risk of financial loss that Cathay Securities and its subsidiaries may incur as a result of issuers, guarantors or banks not fulfilling their payment obligations due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk of financial loss that Cathay Securities and its subsidiaries may incur when a counterparty does not fulfill its settlement or payment obligations on the designated date.
- iii. Underlying asset credit risk refers to the risk of loss that Cathay Securities and its subsidiaries may encounter when the credit quality of the target financial instrument turns weak, credit charges increase, credit rating reduces or when the terms of the contracts are violated.

Financial assets that expose Cathay Securities and its subsidiaries to credit risk include bank accounts, debt securities, trading of over-the-counter derivatives, repurchase and resale of debts, trading from the securities lending, refundable deposits, futures deposits in banks, other refundable deposits and accounts receivable etc.

- b) Determinants for whether the credit risk has increased significantly since initial recognition
- i. Cathay Securities and its subsidiaries assess, at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, Cathay Securities and its subsidiaries consider reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.
 - ii. Low credit risk: If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.

c) Definitions of a default occurring on a financial asset and a credit-impaired financial asset

The definition of a default occurring on financial assets of Cathay Securities and its subsidiaries is the same as that of a credit-impaired financial asset. If one or more of the criteria below are met, a default occurs and a financial asset is credit-impaired:

- i. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
 - i) The issuers, guarantee institutions or counterparties have entered bankruptcy or are probable to close, undergo financial reorganization, file bankruptcy, dissolve or have a significant impact on the entity's ability to continue.
 - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
- ii. The abovementioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by Cathay Securities and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to the related impairment assessment model.

d) Measurement of expected credit losses

- i. Methods and assumptions adopted

For financial instruments on which the credit risk has not increased significantly since initial recognition, Cathay Securities and its subsidiaries measure loss allowance for financial instruments at an amount equal to 12-month expected credit losses; for financial instruments on which the credit risk has increased significantly since initial recognition or are credit-impaired, Cathay Securities and its subsidiaries measure the loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, Cathay Securities and its subsidiaries multiply exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. Cathay Securities and its subsidiaries also consider the effect of the time value of money when calculating the 12-month expected credit losses and the lifetime expected credit losses.

Probability of default is the rate that an issuer, guarantee agency and a borrower defaults. Loss given default is the loss rate that results from the default of issuers, guarantee agencies and borrowers. Loss given default used by Cathay Securities and its subsidiaries in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (i.e., gross domestic product and economic growth rate) after adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

Cathay Securities and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets.

e) Loss allowance of accounts receivable

The movements of the loss allowance of accounts receivable were as follows:

	Debt Instrument Investments	Receivables	Other Receivables	Overdue Receivables	Securities Financing Receivables	Security Lending Receivables	Futures Trading Margin Receivables	Total
Balance at								
January 1, 2023	\$ 2,784	\$ 190	\$ 23	\$ 5,784	\$ 294	\$ 80	\$ 74	\$ 9,229
Increase (decrease)	886	78	(2)	(7)	(27)	2	-	930
Recoveries of credits written off	-	-	-	28	-	-	-	28
Balance at								
March 31, 2023	<u>\$ 3,670</u>	<u>\$ 268</u>	<u>\$ 21</u>	<u>\$ 5,805</u>	<u>\$ 267</u>	<u>\$ 82</u>	<u>\$ 74</u>	<u>\$ 10,187</u>
Balance at								
January 1, 2022	\$ 342	\$ 378	\$ 18	\$ 3,747	\$ 646	\$ 81	\$ 74	\$ 5,286
Increase (decrease)	225	22	4	266	(252)	8	-	273
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>

4) Capital liquidity risk analysis:

Bank loans are important liquidity resource for Cathay Securities and its subsidiaries. As of March 31, 2023, December 31, 2022 and March 31, 2022, the unused credits of short-term bank loans of Cathay Securities and its subsidiaries amounted to \$9,388,323 thousand, \$9,173,021 thousand and \$7,317,285 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, 2023

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	\$ 611,827	\$ -	\$ -	\$ -	\$ 611,827
Commercial paper payable	2,199,211	-	-	-	2,199,211
Financial liabilities at FVTPL	749,783	1,619	-	-	751,402
Liabilities for bonds with repurchase agreements	5,258,088	-	-	-	5,258,088
Short sale margins and payables for short sale collateral received	98,066	196,132	294,198	1,176,787	1,765,183
Securities lending margin - deposit received	4,435	8,870	13,305	53,223	79,833
Futures trader's equity	14,178,414	-	-	-	14,178,414
Accounts payable	14,442,777	193,659	2,982	850,232	15,489,650
Other financial liabilities	944,340	-	-	-	944,340
Lease liabilities	7,347	13,724	20,169	36,047	77,287
Others	146,185	-	-	-	146,185
Total	<u>\$ 38,640,473</u>	<u>\$ 414,004</u>	<u>\$ 330,654</u>	<u>\$ 2,116,289</u>	<u>\$ 41,501,420</u>
% to the total	<u>93.10%</u>	<u>1.00%</u>	<u>0.80%</u>	<u>5.10%</u>	<u>100.00%</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, 2023

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	\$ 3,335,882	\$ -	\$ -	\$ -	\$ 3,335,882
Financial assets at FVTPL					
Securities lending	99,822	-	-	-	99,822
Operation securities	3,315,677	-	-	-	3,315,677
Open-end funds and beneficiary certificates	51,593	-	-	-	51,593
Futures trading margin	160,965	-	-	-	160,965
Structured products	314	-	-	-	314
Financial assets at FVTOCI - current	5,955,073	-	-	-	5,955,073
Securities financing receivables	437,846	862,312	1,293,468	5,173,871	7,767,497
Refinancing margin and refinancing deposits receivable	3,917	7,834	11,751	47,001	70,503
Security lending receivable	135,899	271,798	407,698	-	815,395
Customer's margin accounts	14,203,072	-	-	-	14,203,072
Security lending deposits price and security lending margin deposits paid	27,888	55,776	83,664	334,650	501,978
Receivables	14,242,071	-	-	43,402	14,285,473
Others	677,948	-	-	1,310,297	1,988,245
	<u>42,647,967</u>	<u>1,197,720</u>	<u>1,796,581</u>	<u>6,909,221</u>	<u>52,551,489</u>
Residual cash	<u>\$ 4,007,494</u>	<u>\$ 783,716</u>	<u>\$ 1,465,927</u>	<u>\$ 4,792,932</u>	<u>\$ 11,050,069</u>

December 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	\$ 733,178	\$ -	\$ -	\$ -	\$ 733,178
Financial liabilities at FVTPL	1,202,232	647	-	-	1,202,879
Liabilities for bonds with repurchase agreements	3,991,622	-	-	-	3,991,622
Short sale margins and payables for short sale collateral received	236,338	472,676	709,014	2,836,062	4,254,090
Securities lending margin - deposit received	566	1,132	1,698	6,800	10,196
Futures trader's equity	14,121,660	-	-	-	14,121,660
Accounts payable	11,777,015	-	196,410	571,367	12,544,792
Other financial liabilities	25,157	-	-	-	25,157
Lease liabilities	7,509	15,241	20,926	37,875	81,551
Others	1,036,595	-	-	-	1,036,595
Total	<u>\$ 33,131,872</u>	<u>\$ 489,696</u>	<u>\$ 928,048</u>	<u>\$ 3,452,104</u>	<u>\$ 38,001,720</u>
% to the total	<u>87.19%</u>	<u>1.29%</u>	<u>2.44%</u>	<u>9.08%</u>	<u>100.00%</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, 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	\$ 3,207,478	\$ -	\$ -	\$ -	\$ 3,207,478
Financial assets at FVTPL					
Securities lending	14,250	-	-	-	14,250
Operation securities	2,323,599	-	-	-	2,323,599
Open-end funds and beneficiary certificates	1,653,645	-	-	-	1,653,645
Futures trading margin	159,636	-	-	-	159,636
Structured products	159	-	-	-	159
Financial assets at FVTOCI - current	4,021,487	-	-	-	4,021,487
Securities financing receivables	376,847	740,404	1,110,606	4,442,419	6,670,276
Refinancing margin and refinancing deposits receivable	2,873	5,746	8,619	34,480	51,718
Security lending receivable	132,946	265,892	398,836	-	797,674
Customer's margin accounts	14,143,696	-	-	-	14,143,696
Security lending deposits price and security lending margin deposits paid	85,267	170,534	255,801	1,023,198	1,534,800
Receivables	11,054,636	-	-	44,491	11,099,127
Others	1,455,722	1,463	2,195	1,255,491	2,714,871
	<u>38,632,241</u>	<u>1,184,039</u>	<u>1,776,057</u>	<u>6,800,079</u>	<u>48,392,416</u>
Residual cash	<u>\$ 5,500,369</u>	<u>\$ 694,343</u>	<u>\$ 848,009</u>	<u>\$ 3,347,975</u>	<u>\$ 10,390,696</u>

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>100.00%</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
Structured products	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>

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, 2023, December 31, 2022 and March 31, 2022, Cathay Life and its subsidiaries all provided loans amounting to GBP331,300 thousand, as financial support to the entities for operation and investment needs.

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, 2023, December 31, 2022 and March 31, 2022, 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, 2023</u>	
	<u>Private Equity Funds</u>	<u>Asset-backed Securities</u>
Financial assets at FVTPL	\$ 205,707,586	\$ 27,117,455
Financial assets at FVTOCI	-	37,093,749
Debt instruments at amortized cost	-	161,476,914
	<u>\$ 205,707,586</u>	<u>\$ 225,688,118</u>

	December 31, 2022	
	Private Equity Funds	Asset-backed Securities
Financial assets at FVTPL	\$ 202,700,255	\$ 30,603,875
Financial assets at FVTOCI	-	36,131,806
Debt instruments at amortized cost	<u>-</u>	<u>160,118,682</u>
	<u>\$ 202,700,255</u>	<u>\$ 226,854,363</u>
	March 31, 2022	
	Private Equity Funds	Asset-backed Securities
Financial assets at FVTPL	\$ 193,845,593	\$ 35,220,922
Financial assets at FVTOCI	-	46,846,541
Debt instruments at amortized cost	<u>-</u>	<u>115,641,334</u>
	<u>\$ 193,845,593</u>	<u>\$ 197,708,797</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, 2023, December 31, 2022 and March 31, 2022, the carrying amounts of assets recognized by Cathay United Bank and its subsidiaries' asset relating to its interests in unconsolidated structured entities are disclosed as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets at FVTOCI	\$ 13,361,246	\$ 7,052,947	\$ 8,770,563
Investments in debt instruments measured at amortized cost	<u>64,154,101</u>	<u>64,589,746</u>	<u>47,059,977</u>
	<u>\$ 77,515,347</u>	<u>\$ 71,642,693</u>	<u>\$ 55,830,540</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 Cathay Century 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, 2023, December 31, 2022 and March 31, 2022, the carrying amounts of assets recognized by Cathay Century and its subsidiaries' asset relating to its interests in unconsolidated structured entities are disclosed as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets at FVTPL	\$ 335,547	\$ 343,499	\$ 386,060
Investments in debt instruments measured at amortized cost	<u>318,429</u>	<u>324,346</u>	<u>318,007</u>
	<u>\$ 653,976</u>	<u>\$ 667,845</u>	<u>\$ 704,067</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. BUSINESS COMBINATIONS-SUBSIDIARIES ACQUIRED

- a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Cathay Power Inc. and its subsidiaries	Energy technical services	November 25, 2022	70.0	<u>\$ 982,162</u>
Chen Fong Power Co., Ltd.	Energy technical services and power of machinery manufacturing generation, transmission, and distribution	December 28, 2022	100.0	<u>\$ 31,000</u>
Pearlmark	Real estate investment and management	March 28, 2023	55.5	<u>\$ 167,096</u>

Cathay Life held 45% equity shares of Cathay Power, which were recognized as investments accounted for using the equity method. On November 25, 2022, Cathay Life acquired a further part of equity shares, which increased its ownership interest from 45% to 70%, and obtained the controls of Cathay Power and its subsidiaries.

On December 28, 2022, CM Energy acquired 100% of Chen Fong Power shares for \$31,000 thousand in cash.

On March 28, 2023, C&C acquired 55.5% of Pearlmark shares in cash.

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

	Cathay Power Inc. and Its Subsidiaries	Chen Fong Power Co., Ltd.	Pearlmark
Assets			
Cash and cash equivalents	\$ 583,406	\$ 13,798	\$ 3,167
Receivables	172,852	-	-
Property and equipment	9,860,540	-	1,362
Right-of-use assets	639,514	-	-
Intangible assets	3,799	-	-
Investments accounted for using the equity method	18,790	-	-
Other	1,578,044	16,536	71,929
Liabilities			
Payables	(372,242)	(295)	-
Notes payable	(187,190)	-	-
Lease liabilities	(655,651)	-	-
Other financial liabilities	(7,348,409)	-	-
Other	<u>(83,534)</u>	<u>-</u>	<u>(41,435)</u>
	<u>\$ 4,209,919</u>	<u>\$ 30,039</u>	<u>\$ 35,023</u>

c. Non-controlling interests

The non-controlling interest recognized at the acquisition date was measured by reference to the proportionate share of the identifiable net assets.

d. Goodwill recognized on acquisitions

	Cathay Power Inc. and Its Subsidiaries	Chen Fong Power Co., Ltd.	Pearlmark
Consideration transferred	\$ 982,162	\$ 31,000	\$ 167,096
Plus: Non-controlling interests	1,505,676	-	15,585
Plus: Fair value of the Group original equity interest at the date of acquisition	<u>2,240,700</u>	<u>-</u>	<u>-</u>
	4,728,538	31,000	182,681
Less: Fair value of identifiable net assets acquired	<u>(4,209,919)</u>	<u>(30,039)</u>	<u>(35,023)</u>
Goodwill recognized on acquisitions	<u>\$ 518,619</u>	<u>\$ 961</u>	<u>\$ 147,658</u>

The goodwill recognized in the acquisition of Cathay Power, Chen Feng Power, and Pearlmark mainly represents the control premium. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on the acquisition of subsidiaries

	Cathay Power Inc. and Its Subsidiaries	Chen Fong Power Co., Ltd.	Pearlmark
Consideration paid in cash	\$ 982,162	\$ 31,000	\$ 167,096
Less: Cash and cash equivalent balances acquired	<u>(583,406)</u>	<u>(13,798)</u>	<u>(3,167)</u>
	<u>\$ 398,756</u>	<u>\$ 17,202</u>	<u>\$ 163,929</u>

f. Impact of acquisitions on the results of the Group

Since the acquisition dates the financial performances acquirees, which are included in the consolidated financial statement, do not have significant impact to the Group.

39. OTHERS

a. Impact of COVID-19

The Group has evaluated the economic impact caused by the COVID-19, and as of the date of approval of the financial report, except for the following paragraph, there was no significant impact on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

Cathay Century and its subsidiaries

Written premiums of the insurance products the Cathay Century and its subsidiaries issued for COVID-19 amounted to \$0 thousand and \$94,910 thousand, respectively, and the claims and payments were \$9,893,289 thousand and \$28,739 thousand, respectively, for the three months ended March 31, 2023 and 2022.

As of March 31, 2023, December 31, 2022 and March 31, 2022, the loss reserves for those insurance products amounted to \$1,211,774 thousand, \$9,201,923 thousand, and \$61,951 thousand, respectively, and the premium deficiency reserves amounted to \$0, \$1,200,000 thousand and \$0, respectively. Moreover, the claims and payments for those insurance products from March 31, 2023 to May 10, 2023 amounted to \$614,984 thousand.

The Cathay Century and its subsidiaries evaluated the economic the impact resulting from COVID-19. As of the approval date of the consolidated financial statements, the Cathay Century and its subsidiaries performed stress tests to evaluate the losses resulting from issuing insurance products for COVID-19 by stimulations of epidemic developments. Since the capital adequacy ratio under certain scenarios of stress tests was lower than the required level, the Cathay Century and its subsidiaries was approved by the FSC to increase its capital in cash by \$10,000,000 thousand and \$10,000,000 thousand on June 10 and December 13, 2022, respectively, with the record date of June 24 and December 28, 2022, and completed the change of registration on July 5, 2022, and February 3, 2023, respectively.

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:

	March 31, 2023		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 170,588,686	30.4540	\$ 5,195,107,843
AUD	9,288,128	20.3433	188,951,174
Non-monetary items			
USD	11,332,342	30.4540	345,115,143
<u>Financial liabilities</u>			
Monetary items			
USD	23,306,224	30.4540	709,767,746
	December 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 164,574,415	30.7080	\$ 5,053,751,136
AUD	8,386,171	20.8262	174,652,074
Non-monetary items			
USD	11,462,813	30.7080	352,000,062
<u>Financial liabilities</u>			
Monetary items			
USD	24,142,488	30.7080	741,367,522

	March 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<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

It is not possible to disclose foreign exchange gains (losses) of monetary financial instruments by each significant foreign currency due to the variety of the foreign currencies of the Group. The foreign currency exchange (losses) gains for the three months ended March 31, 2023 and 2022 were loss on \$24,216,673 thousand and gain on \$95,116,680 thousand, respectively.

c. Information on discretionary investments

1) Cathay Life and its subsidiaries

- a) As of March 31, 2023, December 31, 2022 and March 31, 2022, Cathay Life entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Domestic shares	\$ 152,571,638	\$ 142,343,483	\$ 164,606,536
Overseas shares	43,144,918	39,134,811	58,863,778
Notes and bonds purchased under resale agreements	6,659,000	2,260,000	13,153,000
Cash in banks	51,781,174	18,202,638	51,597,862
Beneficiary certificates	639,425	346,459	883,311
Futures and options	47	217,004	216,826
	<u>\$ 254,796,202</u>	<u>\$ 202,504,395</u>	<u>\$ 289,321,313</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, 2023, December 31, 2022 and March 31, 2022, the discretionary investments limits are as follows (in thousands of each currency):

	March 31, 2023	December 31, 2022	March 31, 2022
NTD	\$ 103,052,367	\$ 43,079,839	\$ 54,779,839
USD	452,400	396,300	743,300

2) Cathay Century and its subsidiaries

- a) Cathay Century and its subsidiaries enter into contracts with securities investment trust companies or consulting companies for discretionary investment management. The investment details are disclosed as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Domestic shares	\$ 1,738,704	\$ 1,345,603	\$ 1,620,701
Cash in banks	734,134	794,743	1,024,664
Future margins	<u>38,272</u>	<u>38,272</u>	<u>2,012</u>
	<u>\$ 2,511,110</u>	<u>\$ 2,178,618</u>	<u>\$ 2,647,377</u>

The fair values of Cathay Century and its subsidiaries' financial assets of discretionary account management contracts are as the same as their carrying amounts.

- b) As of March 31, 2023, December 31, 2022 and March 31, 2022, 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, 2023					March 31, 2022				
Item		Nonperforming Loan (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	\$ 272,592	\$ 382,884,486	0.07%	\$ 2,103,636	771.72%	\$ 117,680	\$ 320,833,879	0.04%	\$ 1,693,362	1438.95%
	Unsecured	163,869	364,597,494	0.04%	10,203,407	6226.56%	254,034	318,278,506	0.08%	8,534,663	3359.66%
Consumer banking	Housing mortgage (Note 4)	247,719	537,734,038	0.05%	8,383,479	3384.27%	219,417	482,123,635	0.05%	7,480,745	3409.37%
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	462,990	134,076,469	0.35%	5,215,512	1126.49%	231,867	123,396,617	0.19%	4,138,808	1784.99%
	Other (Note 6)	Secured	367,063	617,987,818	0.06%	7,029,651	1915.11%	609,733	552,593,210	0.11%	6,558,343
Unsecured		17,795	29,580,230	0.06%	409,131	2299.09%	44,826	21,930,464	0.20%	315,058	702.85%
Total Loan		\$ 1,532,028	\$ 2,066,860,535	0.07%	\$ 33,344,816	2176.51%	\$ 1,477,557	\$ 1,819,156,311	0.08%	\$ 28,720,979	1943.82%
		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		\$ 126,811	\$ 90,993,341	0.14%	\$ 2,300,670	1814.24%	\$ 71,018	\$ 74,772,279	0.09%	\$ 2,067,750	2911.58%
Accounts receivable factored without recourse (Note 7)		-	3,993,331	-	44,025	-	-	4,811,921	-	74,905	-

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, credit cards and small-scale credit loans.

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, 2023		March 31, 2022	
		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)	\$ 628	\$ 21,691	\$ 885	\$ 32,077
	Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	124,340	1,080,549	107,695	1,152,839
	Total	\$ 124,968	\$ 1,102,240	\$ 108,580	\$ 1,184,916

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, 2023			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service activities not elsewhere classified	\$ 25,634,629	10.22
2	Group B - packaging and testing of semi-conductors	12,746,339	5.08
3	Group C - other financial service activities not elsewhere classified	11,145,794	4.44
4	Group D - aluminum casting industry	7,000,000	2.79
5	Group E - real estate development activities	6,793,100	2.71
6	Group F - real estate lease activities	6,588,000	2.63
7	Group G - convenience store chain	6,237,590	2.49
8	Group H - real estate development activities	6,149,057	2.45
9	Group I - wired telecommunications industry	5,810,208	2.32
10	Group J - manufacture of computers	5,481,720	2.18

March 31, 2022			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service activities not elsewhere classified	\$ 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 lease activities	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

3) Information on interest rate sensitivity

Interest Rate Sensitivity (New Taiwan Dollar)
March 31, 2023

(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	\$ 2,381,569,067	\$ 91,229,669	\$ 76,350,448	\$ 154,516,314	\$ 2,703,665,498
Interest rate-sensitive liabilities	188,556,857	1,896,686,397	292,795,048	71,914,488	2,449,952,790
Interest rate-sensitive gap	2,193,012,210	(1,805,456,728)	(216,444,600)	82,601,826	253,712,708
Net worth					250,908,050
Ratio of interest rate-sensitive assets to liabilities					110.36%
Ratio of interest rate sensitivity gap to net worth					101.12%

March 31, 2022

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%

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, 2023

(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	\$ 11,051,147	\$ 2,208,860	\$ 2,559,320	\$ 9,522,276	\$ 25,341,603
Interest rate-sensitive liabilities	14,549,936	4,397,709	6,462,919	4,925,623	30,336,187
Interest rate-sensitive gap	(3,498,789)	(2,188,849)	(3,903,599)	4,596,653	(4,994,584)
Net worth					8,238,919
Ratio of interest rate-sensitive assets to liabilities					83.54%
Ratio of interest rate sensitivity gap to net worth					(60.62%)

March 31, 2022

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%)

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, 2023

(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	\$ 3,355,868,672	\$ 392,922,649	\$ 413,439,561	\$ 369,277,639	\$ 345,001,896	\$ 378,821,436	\$ 1,456,405,491
Main capital outflow on maturity	4,057,939,660	163,265,587	245,034,737	563,624,772	623,619,272	765,448,531	1,696,946,761
Gap	(702,070,988)	229,657,062	168,404,824	(194,347,133)	(278,617,376)	(386,627,095)	(240,541,270)

March 31, 2022

	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)

Note: The above amounts included only New Taiwan dollar amounts held by Cathay United Bank (i.e., excluding foreign currency).

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
March 31, 2023

(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	\$ 101,236,136	\$ 34,023,666	\$ 25,048,452	\$ 15,486,169	\$ 14,253,687	\$ 12,424,162
Main capital outflow on maturity	105,937,699	32,050,970	24,754,472	18,574,927	21,064,939	9,492,391
Gap	(4,701,563)	1,972,696	293,980	(3,088,758)	(6,811,252)	2,931,771

March 31, 2022

	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

Note: The above amounts included only U.S. dollar amounts held by Cathay United Bank.

40. SUPPLEMENTAL DISCLOSURES

a. Information about significant transactions:

Code	Description	Explanation
1	Accumulated purchases and sales balance of specific investee's marketable securities over \$300 million or 10% of the paid-in capital	None
2	Acquisition or disposal of individual real estate at prices over \$300 million or 10% of the paid-in capital	None
3	Discount on processing fee the transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by subsidiaries	None
6	Related information of financial assets securitization or real estate securitization by subsidiaries	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None

b. Information on investees

Code	Description	Explanation
1	Information regarding investee companies and percentage of ownership	None
2	Acquisition and disposal of real estate at prices over \$300 million or 10% of the paid-in capital	None
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 3
9	Endorsements/guarantees provided	Note 4
10	Marketable securities held as of March 31, 2023	Table 2 (Note)
11	Marketable securities acquired or disposed of at costs or prices over \$300 million or 10% of the paid-in capital	None
12	Derivative transactions	Note 7

Note: Disclosure is not required for subsidiaries belonging to the financial services, insurance and securities industries, and whose principal business activities include financing provided to others, endorsements/guarantees provided, and trading of marketable securities.

- c. Investments in mainland China: Name of companies, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in investees in the mainland China area are disclosed in Table 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, 2023

(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	4,739,029 (Note 2)	-	-	-	-	-
	Cathay Securities Corporation	Subsidiary	488,366 (Note 2)	-	-	-	-	-
	Cathay Securities Investment Trust Co., Ltd.	Subsidiary	494,100 (Note 2)	-	-	-	-	-
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	The Company	14,950,253 (Note 2)	-	-	-	-	-
Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	Subsidiary	423,656 (Note 4)	-	-	-	3,136	-
Cathay United Bank Co., Ltd.	Cathay Life Insurance Co., Ltd.	Sibling company	559,694 (Note 3)	-	-	-	559,694	-
Cathay Century Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	The Company	817,832 (Note 2)	-	-	-	-	-

Note 1: The ending balance is mainly comprises interest receivables of subordinated corporate bonds of Cathay Life.

Note 2: The ending balance is mainly comprises receivables from integrated tax, etc.

Note 3: The ending balance is mainly comprised of commission receivable.

Note 4: The ending balance is mainly comprised of loans and interest receivables.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2023

(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, 2023				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	-	\$ 1,403	-	\$ 1,403	
	Yonggu I	"	"	342	33,318	-	33,318	
	<u>Beneficiary certificates</u>							
	Cathay Taiwan Money Market Fund	"	"	7,932	100,362	-	100,362	
	<u>Shares</u>							
	Tien-Tai Management Consulting Co., Ltd.	Investee accounted for using the equity method	Investments accounted for using the equity method	141	2,177	28.20	2,177	
	Tiantai II Optoelectronics Co., Ltd.	"	"	9,780	134,763	32.28	134,763	
	Tien-Tai Optronics Corporation	"	"	10,125	139,678	33.64	139,678	
	CDIB BioScience Ventures I, Inc.	N/A	Financial assets at fair value through other comprehensive income	2,526	7,881	11.40	7,881	
	Harbinger Venture Capital	"	"	20	158	10.00	158	
	Harbinger Three Venture Capital	"	"	10	233	10.00	233	
	Huiyang Private Equity Fund Co., Ltd.	"	"	140	9,584	5.13	9,584	
	Yu Ji Venture Capital Corporation	"	"	1,150	17,986	10.00	17,986	
	Hanyu Venture Capital Co., Ltd.	"	"	5,000	49,550	11.11	49,550	
	Grand Cathay Venture Capital II Co., Ltd.	"	"	2,000	28,180	2.50	28,180	
	Baodian Venture Capital Co., Ltd.	"	"	215	2,878	9.79	2,878	
	Harbinger Eight Venture Capital	"	"	10,000	92,900	7.71	92,900	
	Appworks Fund II Co., Ltd.	"	"	5,355	117,864	11.11	117,864	
	Appworks Fund III Co., Ltd.	"	"	16,770	169,880	5.83	169,880	
	Fulgent Sun International (Holding) Co., Ltd.	"	"	626	83,537	-	83,537	
	Hiroca Holdings Ltd.	"	"	439	19,957	-	19,957	
	Senhwa Biosciences, Inc.	"	"	615	33,333	-	33,333	
Tanvex BioPharma, Inc.	N/A	Financial assets at fair value through profit or loss	417	33,608	1.06	33,608		
Shane Global Holdings	"	"	3,700	286,727	3.35	286,727		
Brighton-Best International (Taiwan) Inc.	"	"	1,920	69,216	-	69,216		
Nan Pao Resins Chemical Co., Ltd.	"	"	323	46,718	-	46,718		

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Fusheng Precision Co., Ltd.	N/A	Financial assets at fair value through profit or loss	800	\$ 181,600	-	\$ 181,600	
	Tot Biopharm Co., Ltd	"	"	6,909	55,754	-	55,754	
	WW Holding Inc.	"	"	1,288	109,094	2.14	109,094	
	Airmate (Cayman) International Co Limited	"	"	612	11,483	-	11,483	
	World Known MFG (Cayman) Limited	"	"	1,444	64,041	4.26	64,041	
	Yonggu Group Inc.	"	"	34	1,405	-	1,405	
	Easywell Biomedicals Inc.	"	"	1,418	28,279	1.24	28,279	
	Ta Chen Stainless Pipe Co., Ltd.	"	"	-	10	-	10	
	Trusval Technology Co., Ltd.	"	"	119	8,275	-	8,275	
	Smartdisplayer Technology Co., Ltd.	"	"	1,000	27,720	4.01	27,720	
	Reliance Industries Limited	"	"	179	9,272	-	9,272	
	BioGend Therapeutics Co., Ltd.	"	"	2,000	67,100	1.94	67,100	
	Winway Technology Co., Ltd.	"	"	149	107,215	-	107,215	
	Wendell Industrial Co., Ltd.	"	"	520	51,688	2.17	51,688	
	Evergreen Steel Corp.	"	"	1,500	83,700	-	83,700	
	Weblink International Inc.	"	"	1,638	84,521	2.01	84,521	
	EasyCard Investment Holdings Co., Ltd.	"	"	915	17,620	-	17,620	
	EasyCard Co., Ltd.	"	"	327	44,613	-	44,613	
	Lan An Co., Ltd.	"	"	125	1,648	5.00	1,648	
	Koatech Technology Corp.	"	"	401	3,033	1.32	3,033	
	Mega Union Technology Incorporated.	"	"	4,274	209,418	7.02	209,418	
	Cathay Healthcare Management Co., Ltd.	"	"	8,250	137,033	15.00	137,033	
	Fashionguide Co., Ltd.	"	"	714	19,180	4.26	19,180	
	Sunmile Group Holding Co., Limited	"	"	528	-	1.85	-	
	NARUKO Beauty Essentials Limited	"	"	43,252	28,979	4.02	28,979	
	Shengzhuang Holdings	"	"	122	-	1.09	-	
	Bravo Ideas Digital Co., Ltd.	"	"	3,386	10,089	6.03	10,089	
	Episonica Holding	"	"	2,708	46,624	11.67	46,624	
	Andros Pharmaceuticals Co., Ltd.	"	"	1,047	18,972	3.01	18,972	
	Transound Electronics Co., Ltd.	"	"	1,200	384	3.30	384	
	Hyper Crystal Inc.	"	"	2,000	-	13.80	-	
	Amaryllo International B.V.	"	"	1,000	5,830	5.00	5,830	
	NORATECH PHARMACEUTICALS, INC	"	"	317	12,317	-	12,317	
	Kuang Ming Shipping Corp.	"	"	39	-	-	-	
	Grandsys, Inc.	"	"	1,860	42,315	6.91	42,315	
	DTCO (Samoa)	"	"	325	231	2.94	231	
	Tennrich International Corp.	"	"	1,938	252	3.19	252	
	KKDAY	"	"	5,668	34,462	2.17	34,462	
	Smart Games	"	"	164	-	1.35	-	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	PSS Co., Ltd.	N/A	Financial assets at fair value through profit or loss	494	\$ 29,885	-	\$ 29,885	
	Anywhere 2 Go	"	"	2	5,315	8.99	5,315	
	GENETEX INTERNATIONAL CORPORATION	"	"	1,340	54,149	3.06	54,149	
	Mimetas B.V.	"	"	8	12,386	2.81	12,386	
	Xiongchuang (Samoa)	"	"	21	7,241	4.45	7,241	
	Acepodia Inc.	"	"	2,454	57,133	1.95	57,133	
	Greenway Environmental Technology Co., Ltd.	"	"	4,375	39,769	9.51	39,769	
	CHU CHIEN TECHNOLOGY LIMITED	"	"	2,302	89,764	1.13	89,764	
	Pacific 8 Venture	"	"	-	165,011	15.00	165,011	
	Monk's hill Venture Fund	"	"	-	98,449	2.50	98,449	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	"	"	800	17,688	1.34	17,688	
	OneDegree	"	"	350,926	28,074	2.02	28,074	
	Validus Investment Holdings	"	"	183	51,946	2.01	51,946	
	VIZIONFOCUS INC.	"	"	1,700	53,907	3.27	53,907	
	Finaxar Pte. Ltd.	"	"	87	2,874	4.72	2,874	
	aetherAI Co., Ltd.	"	"	5,824	17,412	10.43	17,412	
	Intudo Venture II, LP	"	"	-	113,172	3.76	113,172	
	King Point Enterprise Co., Ltd.	"	"	1,000	30,820	2.53	30,820	
	Cowealth Medical Holding Co., Ltd.	"	"	3,750	169,694	-	169,694	
	INNOPACK VIETNAM CO., LTD	"	"	1,350	-	9.00	-	
	Pharmosa Biopharma Inc.	"	"	4,033	115,344	3.64	115,344	
	Transcene Corp.	"	"	3,000	34,860	9.94	34,860	
	Cirocomm Technology Corporation	"	"	542	4,816	4.20	4,816	
	Ampak Technology Inc.	"	"	1,162	103,302	1.75	103,302	
	New Garden Co., Ltd.	"	"	5,000	13,300	10.00	13,300	
	TMY Technology Inc.	"	"	1,071	8,529	3.00	8,529	
	Great Giant Fiber Garment Co., Ltd.	"	"	353	47,120	-	47,120	
	Yuen Foong Yu Consumer Products Co., Ltd.	"	"	1,025	38,335	-	38,335	
	Taiwan Aerospace Corp.	"	"	1	11	-	11	
	Winking Entertainment Co., Ltd.	"	"	678	28,228	4.32	28,228	
	Palm Drive Capital III LP (Cayman)	"	"	-	42,007	2.00	42,007	
	KEE Fresh & Safe Foodtech Co., Ltd.	"	"	950	25,859	2.85	25,859	
	VisEra Technologies Co., Ltd.	"	"	580	132,240	-	132,240	
	Formosa Pharmaceuticals, Inc.	"	"	1,074	31,973	-	31,973	
	Phoenix Pioneer Technology Co., Ltd.	"	"	2,867	62,759	-	62,759	
	Pickupp Limited	"	"	395	30,383	1.93	30,383	
	Jia Wei Lifestyle, Inc.	"	"	986	65,076	1.23	65,076	
	Annji Pharmaceutical Co., Ltd.	"	"	1,210	33,263	1.84	33,263	
	Morrison Opto-Electronics Ltd.	"	"	300	13,827	1.37	13,827	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Evergreen Aviation Technologies Corporation	N/A	Financial assets at fair value through profit or loss	973	\$ 95,159	-	\$ 95,159	
	Intudo Venture III, LP	"	"	-	34,588	1.39	34,588	
	Morning Glow Holding	"	"	4,683	72,208	9.37	72,208	
	GRAID Technology Inc. (USA)	"	"	682	10,235	2.67	10,235	
	Infinite Finance Co., LTD	"	"	1,500	47,580	-	47,580	
	AmMax Bio, Inc.	"	"	493	8,837	1.55	8,837	
	Shenghe Energy Co., LTD	"	"	10,000	119,900	10.00	119,900	
	Airoha Technology Corp.	"	"	78	24,979	-	24,979	
	Cloud Mile, Inc.	"	"	689	51,093	2.27	51,093	
	Tung Mung Development Co., Ltd	"	"	7,000	82,740	1.68	82,740	
	Power Master International Investment Holdings Co., Ltd.	"	"	300	12,900	-	12,900	
	Bioengine Capital Inc.	"	"	229	10,581	-	10,581	
	Certain Micro Application Technology Inc	"	"	1,200	33,600	6.48	33,600	
	Toyo Automation Co., Ltd.	"	"	145	14,975	-	14,975	
	Partipost Pte Ltd (Singapore)	"	"	629	21,784	1.53	21,784	
	GreenHarvest Co., Ltd.	"	"	1,111	49,995	8.40	49,995	
	H2 Inc. Taiwan Branch (Cayman Islands)	"	"	2,557	62,300	3.53	62,300	
	Taishan Buffalo No. 2 Biotechnology Venture Capital Limited Partnership	"	"	-	428,809	6.78	428,809	
	Taishan Buffalo No. 3 Biotechnology Venture Capital Limited Partnership	"	"	-	71,411	6.09	71,411	
	QT Medical Inc.	"	"	1,053	61,500	5.29	61,500	
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	50,527	8.68	50,527	
	<u>Shares</u> Taiwan Futures Exchange	N/A	Financial assets at fair value through other comprehensive income	7,299	955,191	1.52	955,191	
Conning Inc.	<u>Preferred stock</u> Centerprise Services Inc.	N/A	Financial assets at fair value through other comprehensive income	400	3,207	1.76	3,207	
Cathay Capital (Asia) Limited	<u>Overseas bonds</u> MQGAU 4 03/01/27	"	Financial assets at fair value through profit or loss	90	2,629	-	2,629	
	EBIUH 4.38 07/26/29	"	"	510	2,311	-	2,311	
	EBIUH 4.35 08/01/29	"	"	680	3,077	-	3,077	
	BNP 4 03/01/24 EMTn	"	"	2,000	8,896	-	8,896	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	MASQUH 4 11/15/24	N/A	Financial assets at fair value through profit or loss	6,600	\$ 29,535	-	\$ 29,535	
	EBIUH 4.38 08/01/29 EMTN	"	"	30	136	-	136	
	QNBK 3.18 04/09/26 EMTN	"	"	370	1,595	-	1,595	
	GS 3 1/4 09/29/27 EMTN	"	"	6,000	26,646	-	26,646	
	EBIUH 3.05 08/06/30 EMTN	"	"	860	22,302	-	22,302	
	EBIUH 3 08/14/30 EMTN	"	"	1,270	32,899	-	32,899	
	EBIUH 3 03/31/31 CORP	"	"	50	1,275	-	1,275	
	BAC 4.65 12/20/37 ENTN	"	"	3,000	87,872	-	87,872	
	BAC 4.6 01/18/35 ENTN	"	"	2,000	59,933	-	59,933	
	GS 4 1/4 02/08/33 EMTN	"	"	1,500	43,844	-	43,844	
	GS 4.4 02/08/38 EMTN	"	"	1,500	42,892	-	42,892	
	MS 8 06/04/23	"	"	13,500	23,146	-	23,146	
	KNFP 8.25 05/15/26	"	"	12,520	19,962	-	19,962	

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	Cathay Power Inc.	Cathy Sunrise Electric Power Two Co., Ltd.	Other receivables from related parties	Yes	\$ 140,000	\$ 140,000	\$ 47,702	2-2.1	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,583,296	\$ 1,583,296
		Hong Cheng Sing Tech. Co., Ltd.	Other receivables from related parties	Yes	1,500	1,500	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		SUNRISE PV ONE CO., LTD.	Other receivables from related parties	Yes	460,000	460,000	418,409	2-2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		Shen Lyu Co., Ltd.	Other receivables from related parties	Yes	15,000	15,000	11,182	2-2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
2	Neo Cathay Power Corp.	Shu Guang Energy Co., Ltd.	Other receivables from related parties	Yes	36,000	36,000	20,000	2-2.1	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
		SUNRISE PV ONE CO., LTD.	Other receivables from related parties	Yes	100,000	100,000	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
		Nan Yang Power Co., Ltd.	Other receivables from related parties	Yes	120,000	120,000	31,500	2-2.1	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
3	Yong Han Co., Ltd.	Si Yi Co., Ltd.	Other receivables from related parties	Yes	100,000	100,000	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	107,270	107,270
4	CM Energy Co., Ltd.	Tian Ji Energy Co., Ltd.	Other receivables from related parties	Yes	2,000	2,000	2,000	2-2.1	Short-term financing	-	Operating capital	-	-	-	431,852	431,852
		Tian Ji Power Co., Ltd.	Other receivables from related parties	Yes	71,800	71,800	30,000	2-2.1	Short-term financing	-	Operating capital	-	-	-	431,852	431,852
		Hong Tai Energy Co., Ltd.	Other receivables from related parties	Yes	100,000	100,000	100,000	2-2.1	Short-term financing	-	Operating capital	-	-	-	431,852	431,852
		Chen Fong Power Co., Ltd.	Other receivables from related parties	Yes	150,000	150,000	68,321	2-2.1	Short-term financing	-	Operating capital	-	-	-	431,852	431,852

Note: The maximum amount for total loan of Cathay Power, Neo Cathay Power, Yong Han, and CM Energy are 40% of its net worth as stated in its latest reviewed financial statements. Limit on loans of Cathay Power, Neo Cathay Power, Yong Han, and CM Energy are 40% of its net worth as stated in its latest reviewed financial statements.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 1)											
1	Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	b	\$ 9,895,599	\$ 2,742,796	\$ 2,444,796	\$ 835,553	\$ -	61.76	\$ 9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Cathy Sunrise Electric Power Two Co., Ltd.	b	9,895,599	73,912	73,912	-	-	1.87	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Hong Cheng Sing Tech. Co., Ltd.	b	9,895,599	51,000	51,000	-	-	1.29	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Nan Yang Power Co., Ltd.	b	9,895,599	226,900	226,900	214,400	-	5.73	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
2	SUNRISE PV ONE CO., LTD.	Cathay Power Inc.	c	2,743,359	1,005,590	1,005,590	505,000	-	91.64	2,743,359	(Note 2)	(Note 2)	N	(Note 4)
		Shen Lyu Co., Ltd.	d	2,743,359	354,410	354,410	354,410	-	32.30	2,743,359	(Note 2)	(Note 2)	N	(Note 4)
3	Neo Cathay Power Corp.	Si Yi Co., Ltd.	b	4,001,437	2,220,000	2,220,000	999,704	-	136.55	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
		Da Li Energy Co., Ltd.	b	4,001,437	1,017,500	1,017,500	517,272	-	62.59	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
		Yong Han Co., Ltd.	b	4,001,437	462,500	462,500	319,535	-	28.45	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
4	CM Energy Co., Ltd.	Tian Ji Energy Co., Ltd.	b	2,699,074	29,500	29,500	23,222	-	2.73	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Tian Ji Power Co., Ltd.	b	2,699,074	1,827,200	1,827,200	1,462,096	-	169.24	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Hong Tai Energy Co., Ltd.	b	2,699,074	706,296	695,296	549,278	-	64.40	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Hong Tai Power Co., Ltd.	b	2,699,074	190,000	190,000	145,418	-	17.60	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
5	Hong Tai Energy Co., Ltd.	Hong Tai Power Co., Ltd.	b	477,006	190,000	190,000	145,418	-	99.58	477,006	(Note 2)	(Note 2)	N	(Note 7)

Note 1: Relationship between the endorser/guarantor and the endorsee/guarantee is classified as follows:

- Having a business relationship.
- The endorser/guarantor directly or indirectly owns more than 50% of the ordinary shares of the endorsee/guarantee.
- The endorsee/guarantee directly or indirectly owns more than 50% of the ordinary shares of the endorser/guarantor.
- Company in which the public company directly or indirectly holds 90% or more of the voting shares may make endorsements/guarantees for each other.
- Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or joint builders for purposes of undertaking a construction project.
- Due to joint venture, all shareholders provide endorsements/guarantees to the endorsee/guarantee in proportion to its ownership.
- Where companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: It is not a guarantor of the listed parent company to the endorsement of the subsidiary or the subsidiary company's endorsement to the listed parent company.

Note 3: The total amount of endorsement/guarantee provided by Cathay Power shall be 250% of the net worth of the previous year. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the previous year.

Note 4: The total amount of endorsement/guarantee provided by SUNRISE PV ONE shall be 250% of the net worth of the previous year. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the previous year.

Note 5: The total amount of endorsement/guarantee provided by Neo Cathay Power shall be 250% of the net worth of the previous year. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the previous year.

Note 6: The total amount of endorsement/guarantee provided by CM Energy shall be 300% of the net worth of the previous year. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the previous year.

Note 7: The total amount of endorsement/guarantee provided by Hong Tai Energy shall be 250% of the net worth of the previous year. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the previous year.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(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, 2023	Remittance of Funds for the period		Accumulated Outward Remittance for Investments from Taiwan as of March 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment (Loss) Gain (Note 2)	Carrying Amount as of March 31, 2023	Accumulated Repatriation of Investment Income as of March 31, 2023
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	a	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ 98,038	50.0	\$ 49,019 (Note 2,b,2))	\$ 7,138,783	\$ -
Cathay Century (China)	Property and casualty insurance	12,196,844	a	5,908,393	-	-	5,908,393	92,296	49.0	45,226 (Note 2,b,3))	5,080,415	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office equipment leasing company	7,223,435	a	7,223,435	-	-	7,223,435	57,141	100.0	53,501 (Note 2,b,2))	8,324,107	-
Cathay United Bank (China) Corporation Limited	Wholesale banking	14,377,562	a	14,377,562	-	-	14,377,562	89,241	100.0	89,241 (Note 2,b,2))	16,772,320	-
BSCOM Cathay Asset Management Co., Ltd.	Fund management services	1,701,823	a	566,707	-	-	566,707	(9,715)	33.3	(3,235) (Note 2,b,2))	283,055	-
Beijing BSCOM Cathay Capital Management Co., Ltd. (Note 4)	Assets management services	511,481	c	-	-	-	-	(3,049)	33.3	(1,015) (Note 2,b,2))	177,930	-

Accumulated Outward Remittance for Investments in Mainland China as of March 31, 2023	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	\$ 479,226,838

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: BSCOM Cathay Asset Management Co., Ltd. invested in Beijing BSCOM Cathay Capital Management Co., Ltd. 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, 2023, 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, 2023, 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, 2023, Cathay Life’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately CNY1,500,000 thousand.
- d. On December 31, 2006, MOEAIC authorized Cathay Century to remit US\$28,960 thousand as the registered capital to establish an insurance subsidiary (in the form of a joint venture with Cathay Life) which was also approved by China Insurance Regulatory Commission on October 8, 2007. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century in Shanghai has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. On June 13, 2013 and March 18, 2014, a remittance of CNY100,000 thousand and CNY100,000 thousand as share capital were authorized by China Insurance Regulatory Commission. On November 23, 2018, according to No. 10700281680 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, Cathay Century’s board of directors resolved to suspend capital increase on January 26, 2022. 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, 2023, 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 was CNY600,000 (US\$98,200) 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 CNY400,000 (US\$60,710) 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 BSCOM Cathay Asset Management, originally named CDBS Cathay Asset Management (in the form of a joint venture with China Development Bank Securities CO., Ltd., originally named China Development Bank Securities LLC) Cathay Securities Investment Trust held 33.3% number of shares. BSCOM 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 BSCOM 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, and was completed on September 29, 2017. As of March 31, 2023, Cathay Securities Investment Trust remittances to BSCOM 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, 2023

(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	0.29
		Cathay Life	a	Receivables	381,674	Not significantly different with that of third parties	-
		Cathay Life	a	Payable	14,950,253	Not significantly different with that of third parties	0.12
		Cathay Life	a	Interest revenue	310,685	Not significantly different with that of third parties	0.45
		Cathay United Bank	a	Receivables	4,739,029	Not significantly different with that of third parties	0.04
		Cathay Century	a	Payable	817,832	Not significantly different with that of third parties	0.01
		Cathay Securities	a	Receivables	488,366	Not significantly different with that of third parties	-
		Cathay Securities Investment Trust	a	Receivables	494,100	Not significantly different with that of third parties	-
1	Cathay Life	Cathay United Bank	c	Guarantee deposits received	191,579	Not significantly different with that of third parties	-
		Cathay United Bank	c	Cash and cash equivalents	43,376,865	Not significantly different with that of third parties	0.35
		Cathay United Bank	c	Gain (loss) on investment property	152,079	Not significantly different with that of third parties	0.22
		Cathay United Bank	c	Other general and administrative expenses	1,792,455	Not significantly different with that of third parties	2.62
		Cathay United Bank	c	Payables	559,694	Not significantly different with that of third parties	-
		Cathay United Bank	c	Service fee and commission fee	240,071	Not significantly different with that of third parties	0.35
		Cathay United Bank	c	Loss on financial assets and liabilities at fair value through profit or loss	1,863,432	Not significantly different with that of third parties	2.72
		Cathay United Bank	c	Financial liabilities at fair value through profit or loss	1,674,552	Not significantly different with that of third parties	0.01
		Cathay Century	c	Net other non-interest gain	209,561	Not significantly different with that of third parties	0.31
		Cathay Century	c	Other general and administrative expenses	104,268	Not significantly different with that of third parties	0.15
		Cathay Futures	c	Guarantee deposits paid	3,675,302	Not significantly different with that of third parties	0.03
		Cathay Walbrook Holding 1 Limited	c	Loans	11,847,205	Not significantly different with that of third parties	0.10
		Cathay Walbrook Holding 1 Limited	c	Interest revenue	193,914	Not significantly different with that of third parties	0.28
		Cathay Walbrook Holding 2 Limited	c	Loans	630,872	Not significantly different with that of third parties	0.01
		Conning holding limited	c	Payables	293,979	Not significantly different with that of third parties	-
		Conning holding limited	c	Service fee and commission fee	293,506	Not significantly different with that of third parties	0.43
5	Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	c	Receivables	423,656	Not significantly different with that of third parties	-
6	CM Energy Co., Ltd.	Hong Tai Energy Co., Ltd	c	Receivables	100,732	Not significantly different with that of third parties	-

(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	\$ 2,631,995	Not significantly different with that of third parties	0.02
		Cathay Securities	c	Deposits	3,051,120	Not significantly different with that of third parties	0.02
		Cathay Venture	c	Deposits	181,966	Not significantly different with that of third parties	-
		Cathay Securities Investment Trust	c	Deposits	120,917	Not significantly different with that of third parties	-
		Cathay Futures	c	Deposits	1,591,748	Not significantly different with that of third parties	0.01
		Cathay Futures	c	Guarantee deposits paid	1,002,257	Not significantly different with that of third parties	0.01
		Lin Yuan	c	Deposits	1,840,694	Not significantly different with that of third parties	0.02
		Cathay Industrial R&D Center	c	Deposits	353,251	Not significantly different with that of third parties	-
		CUBC Bank	c	Interbank lending	4,872,640	Not significantly different with that of third parties	0.04
		CUBC Bank	c	Interbank deposits	670,900	Not significantly different with that of third parties	0.01
		CUBCN Bank	c	Interbank lending	5,365,217	Not significantly different with that of third parties	0.04
		CUBCN Bank	c	Other financial assets	4,431,800	Not significantly different with that of third parties	0.04
		CUBCN Bank	c	Receivables	190,560	Not significantly different with that of third parties	-
		Cathay Life (Vietnam)	c	Deposits	178,247	Not significantly different with that of third parties	-
		3	Indovina Bank	Cathay Insurance (Vietnam)	c	Deposits	266,172
Cathay Life (Vietnam)	c			Deposits	3,315,234	Not significantly different with that of third parties	0.03
Cathay Life (Vietnam)	c			Interest payable	151,607	Not significantly different with that of third parties	-
4	Cathay Securities	Cathay Futures	c	Financial assets at fair value through profit or loss	912,281	Not significantly different with that of third parties	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, 2023**

Names of Major Shareholders	Shares	
	Number of Shares Held	Shareholding Percentage (%)
Wan Pao Development Co., Ltd.	2,540,990,110	15.68
Lin Yuan Investment Co., Ltd.	2,249,443,425	13.88

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.