Cathay Century Insurance 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 Stockholders
Cathay Century Insurance Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Cathay Century Insurance Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with 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 ended March 31, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Shiuh-Ran, Cheng and Yu-Hong, Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 10, 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 CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2023 (Reviewed)		December 31, 2022 (Audited)		March 31, 2022 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6, and 27)	$ 8,629,633	17	$ 17,758,712	29	$ 13,520,145	27
RECEIVABLES (Notes 4, 11, 27 and 34)	3,279,601	6	3,153,166	5	2,341,885	5
INVESTMENTS						
Financial assets at fair value through profit or loss (Notes 4, 7 and 27)	7,627,078	15	7,556,797	13	11,560,905	23
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	686,506	1	685,847	1	712,981	1
Financial assets at amortized cost (Notes 4, 5 and 9)	8,669,933	17	8,853,285	15	7,762,852	16
Investments accounted for using the equity method, net (Notes 4 and 14)	2,436,035	5	2,370,722	4	2,377,805	5
Loans (Notes 4, 10 and 27)	116,385	-	137,944	-	177,934	-
REINSURANCE CONTRACT ASSETS (Notes 4, 12, 20 and 34)	13,508,571	26	13,542,121	22	9,991,666	20
PROPERTY AND EQUIPMENT (Notes 4 and 15)	349,667	1	346,411	1	208,567	-
RIGHT-OF-USE ASSETS (Notes 4, 16 and 27)	80,523	-	115,031	-	216,235	1
INTANGIBLE ASSETS (Notes 4 and 17)	129,859	-	138,427	-	100,510	-
DEFERRED TAX ASSETS (Note 4)	4,550,218	9	4,581,004	8	239,985	1
OTHER ASSETS (Notes 18, 27 and 29)	1,424,471	3	1,356,193	2	698,751	1
TOTAL	$ 51,488,480	100	$ 60,595,660	100	$ 49,910,221	100
LIABILITIES AND EQUITY						
PAYABLES (Notes 4, 19, 27 and 34)	$ 3,719,086	7	$ 3,308,293	5	$ 3,003,550	6
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 7 and 27)	63,778	-	178,805	-	123,011	-
LEASE LIABILITIES (Notes 4, 16 and 27)	80,486	-	114,717	-	217,033	-
INSURANCE LIABILITIES (Notes 4, 5 and 20)	33,150,342	65	42,245,962	70	30,243,905	61
OTHER LIABILITIES	1,159,088	2	1,210,912	2	1,014,193	2
PROVISIONS	429,852	1	429,975	1	464,214	1
DEFERRED TAX LIABILITIES (Note 4)	295,871	1	307,270	1	271,044	1
Total liabilities	38,898,503	76	47,795,934	79	35,336,950	71
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Ordinary shares	7,057,052	13	7,057,052	12	3,057,052	6
Capital surplus						
Capital surplus	16,557,317	32	16,557,271	27	518,326	1
Retained earnings						
Legal reserve	3,995,920	8	3,995,920	7	3,567,601	7
Special reserve	3,968,168	8	3,968,168	6	5,363,818	11
(Deficit to be offset) unappropriated earnings	(18,324,996)	(36)	(17,749,628)	(29)	2,341,741	5
Total retained earnings	(10,360,908)	(20)	(9,785,540)	(16)	11,273,160	23
Other equity	(663,484)	(1)	(1,029,057)	(2)	(275,267)	(1)
Total equity attributable to owners of the Company	12,589,977	24	12,799,726	21	14,573,271	29
Total equity	12,589,977	24	12,799,726	21	14,573,271	29
TOTAL	$ 51,488,480	100	$ 60,595,660	100	$ 49,910,221	100

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUES				
Retained earned premium (Note 34)				
Written premium (Notes 4 and 27)	$ 7,431,243	121	$ 6,615,646	110
Reinsurance premium	333,827	5	320,720	5
Premium income	7,765,070	126	6,936,366	115
Less: Reinsurance expenses (Notes 4 and 34)	2,233,191	36	1,791,679	30
Less: Net change in unearned premium reserves (Notes 4, 20 and 34)	(73,867)	(1)	(75,952)	(2)
Total retained earned premium	5,605,746	91	5,220,639	87
Reinsurance commission income (Note 34)	233,243	4	209,979	3
Fee income	13,804	-	13,397	-
Net gain (loss) on investments				
Interest income (Notes 23 and 27)	163,035	3	153,138	3
Foreign exchange (losses) gains - investment (Note 4)	(49,639)	(1)	185,338	3
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Note 4)	495,593	8	(595,380)	(10)
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	64	-	251	-
Share of profit of associates and joint ventures accounted for using equity method (Notes 4 and 14)	22,613	-	48,644	1
Expected credit impairment losses on investment (Note 4)	(223)	-	(517)	-
(Loss) gain on reclassification using overlay approach (Notes 4 and 7)	(328,216)	(5)	751,544	12
Total net gains on investments	303,227	5	543,018	9
Other operating income	-	-	33,881	1
Total operating revenues	6,156,020	100	6,020,914	100
OPERATING COSTS				
Retained claims payments (Notes 4, 27 and 34)				
Insurance claims payments	13,935,625	227	3,237,842	54
Less: Claims and payments recovered from reinsurers (Note 34)	1,095,151	18	716,072	12
Total retained claims payments	12,840,474	209	2,521,770	42
Net changes in other insurance liabilities (Note 20)	(8,138,530)	(132)	414,070	7
Commission expenses (Notes 4, 23, 27 and 34)	1,017,143	16	872,858	14
Other operating costs	10,297	-	13,066	-
Total operating costs	5,729,384	93	3,821,764	63

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2023		2022	
	Amount	%	Amount	%
GROSS PROFIT	$ 426,636	7	$ 2,199,150	37
OPERATING EXPENSES (Notes 23 and 27)				
General expenses	942,063	15	1,024,046	17
Administrative expenses	246,908	4	212,415	4
Employee training expenses	1,529	-	710	-
Total operating expenses	1,190,500	19	1,237,171	21
OPERATING (LOSS) INCOME	(763,864)	(12)	961,979	16
NON-OPERATING INCOME AND EXPENSES (Note 27)	885	-	(1,610)	-
(LOSS) PROFIT BEFORE INCOME TAX	(762,979)	(12)	960,369	16
INCOME TAX (BENEFIT) EXPENSE (Notes 4 and 24)	(187,611)	(3)	124,568	2
NET (LOSS) PROFIT	(575,368)	(9)	835,801	14
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 22)	(2,624)	-	20,901	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method (Notes 4 and 14)	42,700	1	24,817	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income (Notes 4 and 22)	2,412	-	(14,121)	-
Other comprehensive income (loss) reclassified under overlay approach (Notes 4, 7 and 22	328,216	5	(751,544)	(12)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 24)	5,131	-	(10,104)	-
	365,573	6	(709,843)	(12)
Other comprehensive income (loss), net of income tax	365,573	6	(709,843)	(12)
TOTAL COMPREHENSIVE (LOSS) INCOME	$ (209,795)	(3)	$ 125,958	2

(Continued)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2023		2022	
	Amount	%	Amount	%
NET (LOSS) PROFIT ATTRIBUTABLE TO:				
Owner of the Company	$ (575,368)	(9)	$ 835,801	14
Non-controlling interests	-	-	-	-
	$ (575,368)	(9)	$ 835,801	14
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:				
Owner of the Company	$ (209,795)	(3)	$ 125,958	2
Non-controlling interests	-	-	-	-
	$ (209,795)	(3)	$ 125,958	2
(LOSS) EARNINGS PER SHARE (Note 25)				
Basic	$ (0.82)		$ 2.73	

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company										
				Retained Earnings (Note 22)			Other Equity (Notes 4 and 22)				
	Shares (In Thousands)	Share Capital (Notes 4 and 22)	Capital Surplus (Notes 4 and 22)	Legal Reserve	Special Reserve	Unappropriated Earnings (Deficit to Be Offset)	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Remeasurement of Defined Benefit Plans	Other Comprehensive Income Reclassified Under Overlay Approach	Total Equity
BALANCE AT JANUARY 1, 2022	305,705	$ 3,057,052	$ 518,326	$ 3,567,601	$ 5,363,818	$ 1,505,940	$ (351,498)	$ 58,131	$ (183,711)	$ 911,654	$ 14,447,313
Net profit for the three months ended March 31, 2022	-	-	-	-	-	835,801	-	-	-	-	835,801
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	-	113,123	(81,526)	-	(741,440)	(709,843)
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	-	835,801	113,123	(81,526)	-	(741,440)	125,958
BALANCE AT MARCH 31, 2022	305,705	$ 3,057,052	$ 518,326	$ 3,567,601	$ 5,363,818	$ 2,341,741	$ (238,375)	$ (23,395)	$ (183,711)	$ 170,214	$ 14,573,271
BALANCE AT JANUARY 1, 2023	705,705	$ 7,057,052	$ 16,557,271	$ 3,995,920	$ 3,968,168	$(17,749,628)	$ (263,645)	$ (67,975)	$ (156,319)	$ (541,118)	$ 12,799,726
Recognition of share-based payments granted by the parent company	-	-	46	-	-	-	-	-	-	-	46
Net loss for the three months ended March 31, 2023	-	-	-	-	-	(575,368)	-	-	-	-	(575,368)
Other comprehensive income for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	-	5,463	37,025	-	323,085	365,573
Total comprehensive (loss) income for the three months ended March 31, 2023	-	-	-	-	-	(575,368)	5,463	37,025	-	323,085	(209,795)
BALANCE AT MARCH 31, 2023	705,705	$ 7,057,052	$ 16,557,317	$ 3,995,920	$ 3,968,168	$(18,324,996)	$ (258,182)	$ (30,950)	$ (156,319)	$ (218,033)	$ 12,589,977

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) income before income tax	$ (762,979)	$ 960,369
Adjustments for:		
Depreciation expenses	64,724	57,217
Amortization expenses	18,825	14,621
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(495,593)	595,380
Interest expense	638	1,704
Net (gain) loss on derecognition of financial assets measured at amortized cost	(64)	(251)
Interest income	(163,035)	(153,138)
Net change in insurance liabilities	(9,095,620)	513,008
Expected credit impairment losses on investment	223	517
Compensation costs of share-based payment	46	-
Share of profit of associates and joint ventures accounted for using the equity method	(22,613)	(48,644)
Loss (gain) on reclassification using overlay approach	328,216	(751,544)
Loss on disposal of property and equipment	3	-
Changes in operating assets and liabilities		
(Increase) decrease in notes receivable	(836)	23,463
Decrease in premiums receivable	128,117	168,093
Decrease in other receivables	647	126,803
Decrease (increase) in financial instruments at fair value through profit or loss	303,846	834,071
Decrease in financial assets at fair value through other comprehensive income	1,752	568,017
Decrease (increase) in financial assets at amortized cost	183,195	(700,644)
Decrease (increase) in reinsurance contract assets	33,550	(110,179)
(Increase) decrease in other assets	(68,279)	178,387
Decrease in claims outstanding	1,314	-
Increase in commissions payable and fees	14,101	13,038
Increase (decrease) in due to reinsurers and ceding companies	699,646	(520,102)
Decrease in other payables	(317,909)	(515,389)
Decrease in provisions	(123)	(57)
(Decrease) increase in other liabilities	(55,087)	178,017
Cash (used in) generated from operations	(9,203,295)	1,432,757
Interest received	134,053	136,257
Dividends received	2,740	2,015
Interest paid	(638)	(1,704)
Income tax paid	(2,911)	(1,569)
Net cash (used in) generated from operating activities	(9,070,051)	1,567,756

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2023	**2022**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (30,115)	$ (5,150)
Acquisition of intangible assets	(10,032)	(5,394)
Decrease in loans	21,559	8,529
Net cash used in investing activities	(18,588)	(2,015)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of the principal portion of lease liabilities	(37,990)	(39,024)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,450)	20,141
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,129,079)	1,546,858
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	17,758,712	11,973,287
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 8,629,633	$ 13,520,145

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

Cathay Century Insurance Co., Ltd. (the “Company”) was incorporated in Taiwan on July 19, 1993, under the Company Act of the Republic of China (“R.O.C.”). On April 22, 2002, the Company became a wholly-owned subsidiary of Cathay Financial Holdings Co., Ltd. (“Cathay Financial Holdings”) through a share swap pursuant to the Financial Holdings Company Act. The Company was renamed from Tong-Tai Insurance Co., Ltd. to Cathay Century Insurance Co., Ltd. approved by the letter No. 0910706108 issued by the Ministry of Finance on June 28, 2002 and officially announced on August 2, 2002. The Company mainly engages in the business of property and casualty insurance. The Company’s registered office and the main business location are at No. 296, Sec. 4, Jen Ai Road, Taipei, Taiwan, R.O.C. Cathay Financial Holdings is the Company’s parent company and ultimate parent company.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 10, 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 a material impact on the Group’s accounting policies.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
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.

<u>Subsequent measurement</u>

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.

<u>Onerous contracts</u>

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. The contractual service margin cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss as part of a service expense. Before the loss previously recognized on the onerous group is reversed, the Group should not recognize contractual service margin or insurance revenue.

<u>Premium Allocation Approach (PAA)</u>

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

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

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

d. Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of 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 of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 13 and Table 6 for the detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

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

f. Investments in associates

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

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

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

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

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

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

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

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

g. Property and equipment

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the assets may be impaired.

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

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

j. Financial instruments

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

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

1) Financial assets

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

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

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

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 applying IFRS 9, but would not have been measured at FVTPL in its entirely applying under IAS 39.

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

ii. Financial assets at amortized cost

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

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

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

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

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

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

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

ii) Breach of contract, such as a default;

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

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

iii. Investments in debt instruments at FVTOCI

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

i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

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

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including receivables) 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.

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

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

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

The 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, credit assets are classified as normal assets ("First Category"), assets that require special attention ("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 collateral and the length of time overdue. The minimum amounts of allowance for bad debts are based upon each of the following categories:

i. 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 loan assets, 10% of the Third category loan assets, as well as 50% and 100% of the Fourth and Fifth category loan assets.

ii. 1% of the sum of all five categories of loan assets excluding life insurance policy loans, premium loans and loans to government agencies.

iii. Total unsecured portion of non-performing loans and non-accrual loans.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

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

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

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

k. Reinsurance business

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 business, the Group cannot refuse to fulfill its obligations to the insured when the reinsurer fails to fulfill its obligations.

For the ceding reinsurance, reinsurance expenses is recognized based on the ceding reinsurance contract. According to matching principle, the reinsurance expenses should be recognized in the same accounting period as the insurance premiums. In addition, as well as related income (for example, reinsurance commission income) at the balance sheet date, the Group accrues the reinsurance expense in a reasonable and systematic manner for the billing statements that have not yet been received. The related profit or loss for reinsurance is not deferred.

Reinsurance reserve assets present the rights to reinsurers and comprise of ceded unearned premium reserve, ceded loss reserve, and ceded, which are recognized according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, and other regulations as well as the conditions of reinsurance contracts.

l. Reserves for liabilities

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

The descriptions of these reserves are as follows:

1) Unearned premium reserve

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

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

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

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

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

2) Loss reserve

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

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

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

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

3) Special reserve

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

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

Furthermore, according to the Notice for the improvement of the reserves of natural disaster insurance (commercial-business earthquake, typhoon and flood insurances enterprises) issued by the Financial Supervisory Commission on November 9, 2012, except for those special reserves of compulsory automobile insurance, nuclear energy insurance, residential earthquake insurance, commercial-business earthquake insurance and typhoon and flood insurance, the special reserves recognized as liabilities before December 31, 2012 were used to compensate the deficiencies of commercial-business earthquake insurance and typhoon and flood insurance to the required level and recognized as liabilities. The remaining special reserves were reclassified as equity, net of tax according to IAS 12 starting from January 1, 2013. In addition, the above precautions were amended by Rule No. 11101405951 on June 30, 2022, and the name was changed to “Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises”. According to point eight of the Notices, when the actual retained claims that resulted from disasters exceeded the expected claims net of the reversal of the special reserve for a catastrophic event, or the reserves accumulate to the full water level, the Group should offset or recover the special reserves for hazard changes according to point three of the “Regulations Governing Various Reserves for Commercial Earthquake Insurance and Typhoon and Flood Insurance Operated by Non-Life Insurance Enterprises”. The write off and recovery of special reserves for catastrophic events and fluctuation of risk that is provided under liabilities should be in conformity with the notice mentioned above.

a) Special reserves for catastrophic event

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

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

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

b) Special reserves for fluctuation of risk

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

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

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

4) Premium deficiency reserve

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

5) Policy reserve

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

6) Liability adequacy reserve

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

m. 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.

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.

n. Revenues and acquisition costs of insurance business

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

Taxes related to the insurance premium revenues are recognized pursuant to “Value-added and Non-value-added Business Tax Act” and “Stamp Tax Act” on an accrual basis.

o. Insurance claims and payments

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

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

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

Provision for loss reserve is undiscounted.

p. Liability adequacy test

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

Liability adequacy test is calculated on the undiscounted basis.

q. Salvage and subrogation

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

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

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

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

s. Leases

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

<u>The Group as lessee</u>

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

t. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

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

3) Termination benefits

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

u. Share-based payment arrangements

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

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

v. Income tax expense

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred tax are also recognized in other comprehensive income.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's material accounting policies, management is required to make judgments, estimates 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.

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

Key Sources of Estimation Uncertainty

a. Estimated impairment of investments in debt instruments

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

b. Adequacy test on loss reserve

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

6. CASH AND CASH EQUIVALENTS

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	$ 35,308	$ 33,233	$ 49,201
Checking accounts and demand deposits	3,267,075	4,420,500	3,616,128
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	3,540,476	7,628,697	6,215,045
Short-term notes	1,786,774	5,676,282	3,639,771
	$ 8,629,633	$ 17,758,712	$ 13,520,145

7. FINANCIAL INSTRUMENTS AT FVTPL

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Currency swaps contract	$ 33,225	$ 41,646	$ -
Non-derivative financial assets			
Listed shares	4,747,429	4,482,184	6,144,125
Beneficiary certificates	2,584,774	2,769,775	5,109,628
Financial bonds	261,650	263,192	307,132
	$ 7,627,078	$ 7,556,797	$ 11,560,905
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Currency swaps contract	$ 63,778	$ 178,805	$ 123,011

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

	Currency	Maturity Date	Notional Amount (In Thousands)
March 31, 2023			
Currency swaps contract	USD/NTD	2023.04.11-2024.03.18	USD 168,200
	EUR/NTD	2023.06.06	EUR 1,000
December 31, 2022			
Currency swaps contract	USD/NTD	2022.01.13-2023.12.21	USD 169,600
	EUR/NTD	2023.02.24-2023.06.06	EUR 1,750
March 31, 2022			
Currency swaps contract	USD/NTD	2022.04.11-2023.03.13	USD 181,900
	EUR/NTD	2022.06.06-2023.02.24	EUR 1,750

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

b. The financial assets at FVTPL were not pledged.

c. The Group elects to present the profit or loss of the designated financial assets in the overlay approach under IFRS 4. Financial assets designated to apply 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
Financial assets at FVTPL			
Listed shares	$ 4,747,429	$ 4,482,184	$ 6,144,125
Beneficiary certificates	2,584,774	2,769,775	5,109,648
Financial bonds	261,650	263,192	307,132

Reclassification 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 is as follows:

	For the Three Months Ended March 31	
	2023	2022
(Gain) loss due to application of IFRS 9 to profit or loss	$ (503,823)	$ 431,088
Gain if applying IAS 39 to profit or loss	175,607	320,456
(Loss) gain from reclassification using the overlay approach	$ (328,216)	$ 751,544

Due to application of overlay approach, the amount of gain and loss on financial assets and liabilities at FVTPL decreased from gain of $495,593 thousand to gain of $167,377 thousand and increased from loss of $595,380 thousand to gain of $156,164 thousand for the three months ended March 31, 2023 and 2022, respectively.

8. FINANCIAL ASSETS AT FVTOCI

	March 31, 2023	December 31, 2022	March 31, 2022
Investments in debt instruments at FVTOCI			
Domestic investments			
Government bonds	$ 686,506	$ 685,847	$ 712,981

a. Refer to Note 26 for information relating to the credit risk management and impairment of investments in debt instruments at FVTOCI.

b. The financial assets at FVTOCI were not pledged as collateral.

9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2023	December 31, 2022	March 31, 2022
Domestic investments			
Financial bonds	$ 100,000	$ 100,000	$ 100,000
Corporate bonds	1,599,969	1,599,988	1,599,970
Government bonds	1,099,572	1,099,504	499,536
Foreign bonds investments	6,973,862	7,156,974	6,065,657
	9,773,403	9,956,466	8,265,163
Less: Loss allowance	(3,937)	(3,715)	(2,792)
Less: Deposits in the Central Bank	(1,099,533)	(1,099,466)	(499,519)
	$ 8,669,933	$ 8,853,285	$ 7,762,852

a. The Group’s gains on disposal of bonds resulted from repayments at maturities for the three months ended March 31, 2023 and 2022 were $64 thousand and $251 thousand, respectively.

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

c. The financial assets at amortized cost were not pledged.

10. LOANS

	March 31, 2023	December 31, 2022	March 31, 2022
Secured loans	$ 117,946	$ 139,828	$ 180,279
Less: Loss allowance	(1,561)	(1,884)	(2,345)
	$ 116,385	$ 137,944	$ 177,934

Secured loans are secured by property and equipment. The Group applied IFRS 9 and assessed impairment in accordance with the regulation of “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”. Refer to Note 26 for information relating to the credit risk management and impairment for the three months ended March 31, 2023 and 2022.

11. RECEIVABLES

	March 31, 2023	December 31, 2022	March 31, 2022
Notes receivable	$ 179,583	$ 178,754	$ 165,663
Premiums receivables	1,929,570	2,063,718	1,962,415
Integrated income tax receivable	817,832	612,702	-
Other receivables	417,639	368,131	252,012
	3,344,624	3,223,305	2,380,090
Less: Loss allowance	(65,023)	(70,139)	(38,205)
	$ 3,279,601	$ 3,153,166	$ 2,341,885

The allowance for impairment loss were reconciled as follows:

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	$ 70,139	$ 37,913
Impairment losses (reversed) recognized	(5,116)	292
Ending balance	$ 65,023	$ 38,205

12. REINSURANCE ASSETS

	March 31, 2023	December 31, 2022	March 31, 2022
Claims and payments recoverable from reinsurers, net	$ 904,839	$ 671,462	$ 415,912
Due from reinsurers and ceding companies, net	2,638,215	1,998,020	945,426
Reinsurance reserve assets			
Ceded unearned premium reserve	4,539,923	4,482,083	4,356,477
Ceded loss reserve	5,425,594	6,390,556	4,273,851
	$ 13,508,571	$ 13,542,121	$ 9,991,666

a. Claims and payments recoverable from reinsurers

	March 31, 2023	December 31, 2022	March 31, 2022
Gross carrying amount	$ 913,978	$ 678,244	$ 420,113
Less: Loss allowance	(9,139)	(6,782)	(4,201)
	$ 904,839	$ 671,462	$ 415,912

The allowance for impairment loss were reconciled as follows:

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	$ 6,782	$ 4,665
Impairment losses recognized (reversed)	2,357	(464)
Ending balance	$ 9,139	$ 4,201

b. Due from reinsurers and ceding companies

	March 31, 2023	December 31, 2022	March 31, 2022
Gross carrying amount	$ 2,665,805	$ 2,022,535	$ 1,004,502
Less: Loss allowance	(27,590)	(24,515)	(59,076)
	$ 2,638,215	$ 1,998,020	$ 945,426

The allowance for impairment loss were reconciled as follows:

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	$ 24,515	$ 58,751
Impairment losses recognized	3,075	325
Ending balance	$ 27,590	$ 59,076

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			Proportion of Ownership (%)		
Investor	Investee	Nature of Activities	March 31, 2023	December 31, 2022	March 31, 2022
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Operating non-life insurance business	100	100	100

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2023	December 31, 2022	March 31, 2022
Investments in associates	$ 2,436,035	$ 2,370,722	$ 2,377,805

Aggregate information of associates that are not individually material:

	For the Three Months Ended March 31	
	2023	2022
The Group’s share of:		
Profit from continuing operations	$ 22,613	$ 48,644
Other comprehensive income	42,700	24,817
Total comprehensive income for the period	$ 65,313	$ 73,461

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

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

15. PROPERTY AND EQUIPMENT

	Computer Equipment	Other Equipment	Prepayments for Equipment	Total
Cost				
Balance at January 1, 2022	$ 612,719	$ 184,150	$ 24,481	$ 821,350
Additions	2,004	1,774	1,372	5,150
Disposals	(119)	-	-	(119)
Reclassification	-	6,434	(6,502)	(68)
Foreign exchange	-	2,272	-	2,272
Balance at March 31, 2022	$ 614,604	$ 194,630	$ 19,351	$ 828,585
Accumulated depreciation and impairment				
Balance at January 1, 2022	$ 429,152	$ 171,043	$ -	$ 600,195
Disposals	(119)	-	-	(119)
Depreciation expenses	16,236	1,616	-	17,852
Foreign exchange	-	2,090	-	2,090
Balance at March 31, 2022	$ 445,269	$ 174,749	$ -	$ 620,018
Carrying amounts at March 31, 2022	$ 169,335	$ 19,881	$ 19,351	$ 208,567
Cost				
Balance at January 1, 2023	$ 629,776	$ 199,241	$ 31,312	$ 860,329
Additions	3,622	126	26,367	30,115
Disposals	(46)	(46)	-	(92)
Reclassification	20,192	-	(20,572)	(380)
Foreign exchange	-	(349)	-	(349)
Balance at March 31, 2023	$ 653,544	$ 198,972	$ 37,107	$ 889,623
Accumulated depreciation and impairment				
Balance at January 1, 2023	$ 337,422	$ 176,496	$ -	$ 513,918
Disposals	(46)	(43)	-	(89)
Depreciation expenses	24,827	1,629	-	26,456
Foreign exchange	-	(329)	-	(329)
Balance at March 31, 2023	$ 362,203	$ 177,753	$ -	$ 539,956
Carrying amounts at March 31, 2023	$ 291,341	$ 21,219	$ 37,107	$ 349,667
Carrying amounts at December 31, 2022 and January 1, 2023	$ 292,354	$ 22,745	$ 31,312	$ 346,411

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

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

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amounts			
Buildings	$ 76,443	$ 110,106	$ 211,517
Transportation equipment	4,080	4,925	4,718
	$ 80,523	$ 115,031	$ 216,235

	For the Three Months Ended March 31	
	2023	2022
Additions to right-of-use assets	$ 3,802	$ 18,164
Depreciation charge for right-of-use assets		
Buildings	$ 37,423	$ 38,464
Transportation equipment	845	901
	$ 38,268	$ 39,365

b. Lease liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amounts	$ 80,486	$ 114,717	$ 217,033

Range of discount rate for lease liabilities was as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Buildings	1.12%-8.57%	1.12%-8.57%	1.12%-8.57%
Transportation equipment	2.16%-3.49%	2.16%-3.49%	2.16%-3.49%

c. Other lease information

	For the Three Months Ended March 31	
	2023	2022
Expenses relating to short-term leases	$ 7,414	$ 2,799
Total cash outflow for leases	$ (45,786)	$ (42,718)

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

17. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2022	$ 391,725
Additions	5,394
Reclassification	320
Foreign exchange	2,178
Balance at March 31, 2022	$ 399,617
Accumulated depreciation and impairment	
Balance at January 1, 2022	$ 282,909
Amortization expenses	14,621
Foreign exchange	1,577
Balance at March 31, 2022	$ 299,107
Carrying amounts at March 31, 2022	$ 100,510
Cost	
Balance at January 1, 2023	$ 489,885
Additions	10,032
Reclassification	380
Foreign exchange	(417)
Balance at March 31, 2023	$ 499,880
Accumulated depreciation and impairment	
Balance at January 1, 2023	$ 351,458
Amortization expenses	18,825
Foreign exchange	(262)
Balance at March 31, 2023	$ 370,021
Carrying amounts at March 31, 2023	$ 129,859
Carrying amounts at December 31, 2022 and January 1, 2023	$ 138,427

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

Computer software	3 years

18. OTHER ASSETS

	March 31, 2023	December 31, 2022	March 31, 2022
Deposits in the Central Bank	$ 1,099,533	$ 1,099,466	$ 499,519
Statutory deposits	27,967	28,003	27,684
Other deposits	234,457	175,223	102,314
Prepayments	25,840	28,640	18,799
Others	36,674	24,861	50,435
	$ 1,424,471	$ 1,356,193	$ 698,751

See Note 29 for the information of the assets, including government bonds and time deposits, pledged as guarantee deposits of the Group.

19. PAYABLES

	March 31, 2023	December 31, 2022	March 31, 2022
Claims and payments payable	$ 1,314	$ -	$ -
Commissions payable	360,189	346,088	272,228
Due to reinsurers and ceding companies	2,784,929	2,084,169	1,753,695
Integrated income tax payable	-	-	345,204
Other payables	572,654	878,036	632,423
	$ 3,719,086	$ 3,308,293	$ 3,003,550

20. INSURANCE LIABILITIES

	March 31, 2023	December 31, 2022	March 31, 2022
Unearned premium reserve	$ 15,845,079	$ 15,838,272	$ 15,249,094
Loss reserve	15,665,089	23,538,891	12,407,269
Special reserve	1,639,188	1,628,369	2,587,342
Premium deficiency reserve	834	1,240,260	118
Policy reserve	152	170	82
	$ 33,150,342	$ 42,245,962	$ 30,243,905

a. Unearned premium reserve

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

	March 31, 2023			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
Insurance Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,666,855	$ 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	1,257,855	464,789	754,713	967,931
	$ 15,204,760	$ 640,319	$ 4,539,923	$ 11,305,156

	December 31, 2022			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
Insurance Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,893,367	$ 127,729	$ 1,322,102	$ 698,994
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	1,250,469	464,968	750,282	965,155
	$ 15,167,130	$ 671,142	$ 4,482,083	$ 11,356,189

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

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

	For the Three Months Ended March 31			
	2023		2022	
	Unearned Premium Reserves	**Ceded Unearned Premium Reserve**	**Unearned Premium Reserves**	**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	31,375	8,541	44,022	19,342
Ending balance	$ 15,845,079	$ 4,539,923	$ 15,249,094	$ 4,356,477

b. Loss reserve

1) Loss reserve and ceded loss reserve

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

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 but not yet paid	$ 9,206,621	$ 1,230,106	$ 3,972,173	$ 6,464,554
Not yet filed	12,626,344	475,820	2,418,383	10,683,781
	$ 21,832,965	$ 1,705,926	$ 6,390,556	$ 17,148,335

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 but not yet paid	$ 5,949,274	$ 1,150,619	$ 2,719,909	$ 4,379,984
Not yet filed	4,746,151	561,225	1,553,942	3,753,434
	$ 10,695,425	$ 1,711,844	$ 4,273,851	$ 8,133,418

2) 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 Loss Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Filed but not yet paid	$ 8,594,924	$ 9,236,940	$ 1,083,565	$ 1,230,106	$ (788,557)
Not yet filed	5,449,980	12,593,469	533,786	475,820	(7,085,523)
	$ 14,044,904	$ 21,830,409	$ 1,617,351	$ 1,705,926	$ (7,874,080)

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

For the three months ended March 31, 2022

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

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

See Note 30 for the disclosure of the impact of severe specific infectious pneumonia epidemic to the Group.

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

Insurance Type	March 31, 2023		
	Filed But 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	477,396	1,800,822	2,278,218
	$ 9,647,362	$ 6,017,727	$ 15,665,089

Insurance Type	December 31, 2022 Filed But 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	484,303	1,791,709	2,276,012
	$ 10,436,727	$ 13,102,164	$ 23,538,891

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

4) 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 But 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

(Continued)

Insurance Type	March 31, 2023		
	Filed But Not Yet Paid	Not Yet Filed	Total
Policy-oriented residential earthquake insurance	$ -	$ -	$ -
Compulsory automobile liability insurance	146,485	821,054	967,539
	$ 3,744,718	$ 1,680,876	$ 5,425,594

(Concluded)

Insurance Type	December 31, 2022		
	Filed But 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	149,161	816,297	965,458
	$ 3,972,173	$ 2,418,383	$ 6,390,556

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

5) 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	278	(787)	5,410	3,737
Ending balance	$ 15,665,089	$ 5,425,594	$ 12,407,269	$ 4,273,851

c. Special reserve

1) 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	(12,989)	(63,834)
Ending balance	$ 937,424	$ 849,060

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 expenses in its own compulsory automobile liability insurance business starting from April 1, 2021. In the case of a deficit in the annual net insurance premium in the business run by a property insurance company in the future, the deficit shall be compensated with the special reserve first; if there is still any shortage, it shall be handled in accordance with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

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

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

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

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 will be no material impact on the Group's 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 increase by $308,748 thousand and $310,139 thousand, respectively.

For the year ended December 31, 2022, the Group recovered $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 that resulted from disasters exceeded the expected claims net of the reversal of the special reserve for a catastrophic event.

d. Premium deficiency reserves

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

	March 31, 2023			
	Premium Deficiency Reserve		**Ceded Premium Deficiency Reserve**	
Insurance Type	**Direct Underwriting Business (1)**	**Reinsurance Inward Business (2)**	**Ceded Reinsurance Business (3)**	**Retained Business (4)=(1)+(2)-(3)**
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	-	-	-	-
Land and air insurance	-	834	-	834
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	$ -	$ 834	$ -	$ 834

	December 31, 2022			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	
Insurance Type	**Direct Underwriting Business (1)**	**Reinsurance Inward Business (2)**	**Ceded Reinsurance Business (3)**	**Retained Business (4)=(1)+(2)-(3)**
Fire insurance	$ 28,236	$ 11,735	$ -	$ 39,971
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	-	-	-	-
	$ 1,228,239	$ 12,021	$ -	$ 1,240,260

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

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

For the Three Months Ended March 31, 2023

Insurance Type	Direct Underwriting Business Provision (1)	Direct Underwriting Business Recovery (2)	Reinsurance Inward Business Provision (3)	Reinsurance Inward Business Recovery (4)	Net Changes in Premium Deficiency Reserve (5)=(1)-(2)+(3)-(4)	Ceded Reinsurance Business Provision (6)	Ceded Reinsurance Business Recovery (7)	Net Changes in Ceded Premium Deficiency Reserve (8)=(6)-(7)	Net Loss Recognized for Premium Deficiency Reserve (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	-	-	-	-	-	-	-	-	-
	$ -	$ 1,228,239	$ 834	$ 12,021	$ (1,239,426)	$ -	$ -	$ -	$ (1,239,426)

For the Three Months Ended March 31, 2022

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

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

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

e. Policy reserve

1) Details of policy reserve and ceded policy reserve

March 31, 2023

Insurance Type	Policy Reserve Direct Underwriting Business (1)	Policy Reserve Reinsurance Inward Business (2)	Ceded Reserve Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Health insurance	$ 152	$ -	$ -	$ 152

December 31, 2022

Insurance Type	Policy Reserve: Direct Underwriting Business (1)	Policy Reserve: Reinsurance Inward Business (2)	Ceded Reserve: Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Health insurance	$ 170	$ -	$ -	$ 170

March 31, 2022

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

2) Net changes in policy reserve and ceded policy reserve

For the three months ended March 31, 2023

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

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

For the three months ended March 31, 2022

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

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

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

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

Pension under the defined contribution plan for the three months ended March 31, 2023 and 2022 were $25,323 thousand and $23,242 thousand, respectively.

b. Defined benefit plans

Pension under the defined benefit plans were calculated by actuarial determination of retirement cost ratio on December 31, 2022 and 2021, respectively, which were $7,092 thousand and $7,461 thousand for the three months ended March 31, 2023 and 2022, respectively.

22. EQUITY

a. Share capital

	March 31, 2023	December 31, 2022	March 31, 2022
Shares authorized (in thousands of shares)	705,705	705,705	305,705
Shares authorized	$ 7,057,052	$ 7,057,052	$ 3,057,052
Shares issued and fully paid (in thousands of shares)	705,705	705,705	305,705
Shares issued	$ 7,057,052	$ 7,057,052	$ 3,057,052

On April 27, 2023, the company's board of directors (on behalf of the shareholders) resolved to offset deficits by using the legal reserve of $3,995,920 thousand and capital surplus of $8,696,184 thousand as well as by decreasing its capital by $5,057,052 thousand, which eliminated 505,705 thousand shares at a par value of $10 per share; the capital reduction percentage is 71.66%. After completing the capital reduction, the Company's paid-in capital is $2,000,000 thousand.

On June 7 and October 20, 2022, the board of directors resolved to issue 200,000 thousand ordinary shares on each date, at a par value of $10 per share through a private placement at a premium of $50 per share, resulting in a paid-in capital of $5,057,052 thousand and $7,057,052 thousand, respectively. The capital increase in cash was approved by the Insurance Bureau of the Financial Supervisory Commission on June 10, 2022 and December 13, 2022, respectively, with the record date of June 24, 2022 and December 28, 2022, and completed the change of registration on July 5, 2022 and February 3, 2023, respectively.

b. Capital surplus

	March 31, 2023	December 31, 2022	March 31, 2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of ordinary shares	$ 16,502,500	$ 16,502,500	$ 502,500
May only be used to offset a deficit			
Recognition of employee share options by the parent company (2)	54,817	54,771	15,826
	$ 16,557,317	$ 16,557,271	$ 518,326

1) The capital surplus from shares issued in excess of par (share premium from issuance of ordinary shares) may be used to offset a deficit. In addition, when the company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital. However, under Rule No. 10202501991 issued by the FSC, the Company can distribute its capital surplus pursuant to Article 241 of the Company Act only if the Company's legal reserve exceeds its paid-in capital, other conditions requested under the Rule are met and the related information is delivered and approved by the authority.

2) The Group's parent company, Cathay Financial Holdings Co., Ltd., resolved to issue ordinary shares on October 20, 2022 and retained 10% of the shares issued for the employee of Cathay Financial Holdings Co., Ltd. and its subsidiaries in accordance with the Company Act. The Company has recognized at the fair value on grant day of $46 thousand and $38,945 thousand as salary expense and capital surplus in 2023 and 2022, respectively.

c. Retained earnings and dividends policy

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

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The Company chose to maintain the appropriation of legal reserve in order to enrich the Company's own capital. Legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. However, under Rule No. 10202501991 issued by the FSC, the Company can distribute its capital surplus pursuant to Article 241 of the Company Act only if the Company's legal reserve exceeds its paid-in capital, other conditions requested under the Rule are met and the related information is delivered and approved by the authority.

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

The offsetting of deficits for 2022, which were resolved by the board of directors (on behalf of the shareholders) on April 27, 2023, was as follows:

	For the Year Ended December 31, 2022
Special reserve (according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises)	$ (1,277,640)
Special reserve (FinTech development)	(472)
Special reserve (according to Rule No. 10904939031)	7,104

The appropriations of earnings for 2021, which were resolved by the board of directors (acting on behalf of the shareholders) on May 4, 2022, were as follows:

	Appropriation of Earnings
	For the Year Ended December 31, 2021
Legal reserve	$ 428,319
Special reserve	(124,738)
Special reserve (according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises)	634,321
Special reserve (FinTech development)	(376)
Special reserve (according to Rule No. 10904939031)	1,333
Cash dividends	601,368
Cash dividends per shares	1.97

d. Special reserve

	For the Three Months Ended March 31, 2023				
	Special Reserve				
	Catastrophic Event	**Fluctuation of Risk**	**Others**	**Others**	**Total**
Balance at January 1	$ 527,695	$ 3,403,810	$ -	$ 36,663	$ 3,968,168
Provision	-	-	-	-	-
Recovered/reversal	-	-	-	-	-
Balance at March 31	$ 527,695	$ 3,403,810	$ -	$ 36,663	$ 3,968,168

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

For the year ended December 31, 2022, the Group's retained claims of epidemic prevention-related products related to the severe specific infectious pneumonia epidemic was qualified as a catastrophic event under the insurance reserve rules. Thus, the Group made a recovery of $1,837,968 thousand from the special reserve for catastrophic events under equity according to the law.

According to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, the increased reserved amounts of special reserve for catastrophic events and the special reserve for fluctuation of risk should be recognized at the end of each year. This portion of retained earnings cannot be used for any purpose. The accumulative recognized amount as of March 31, 2023 and 2022 was $3,931,505 thousand and $5,209,145 thousand, respectively.

e. Other equity

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

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	$ (263,645)	$ (351,498)
Recognized for the period		
Exchange differences on the translating of the financial statements of foreign entities	(2,624)	20,901
Share from associates accounted for using the equity method	8,087	92,222
Other comprehensive income recognized for the period	5,463	113,123
Ending balance	$ (258,182)	$ (238,375)

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

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	$ (67,975)	$ 58,131
Recognized for the period		
Unrealized gain (loss) - debt instruments	2,411	(14,126)
Adjustments of loss allowance in debt instruments	1	5
Shares from associates accounted for using the equity method	34,613	(67,405)
Other comprehensive income (loss) recognized for the period	37,025	(81,526)
Ending balance	$ (30,950)	$ (23,395)

3) Remeasurement of defined benefit plans

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	$ (156,319)	$ (183,711)
Change for the period	-	-
Ending balance	$ (156,319)	$ (183,711)

4) Other comprehensive income reclassified under the overlay approach

	For the Three Months Ended March 31	
	2023	2022
Beginning balance	$ (541,118)	$ 911,654
Recognized for the period	497,384	(433,810)
Reclassification adjustments		
Disposal of financial instruments	(169,168)	(317,734)
Tax effects	(5,131)	10,104
Other comprehensive income recognized for the period	323,085	(741,440)
Ending balance	$ (218,033)	$ 170,214

23. PROFIT BEFORE INCOME TAX

a. Interest income

	For the Three Months Ended March 31	
	2023	2022
Bank deposits	$ 22,747	$ 7,454
Financial instruments at FVTPL	27,529	56,340
Financial assets at amortized cost	98,662	82,235
Others	14,097	7,109
	$ 163,035	$ 153,138

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

	For the Three Months Ended March 31					
	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries and wages	$ 93,228	$ 669,107	$ 762,335	$ 79,013	$ 611,323	$ 690,336
Labor and health insurance	-	75,395	75,395	-	75,918	75,918
Pension expenses	-	32,415	32,415	-	30,703	30,703
Remuneration of directors	-	3,815	3,815	-	21,669	21,669
Other employee benefits	-	12,892	12,892	-	10,775	10,775
	$ 93,228	$ 793,624	$ 886,852	$ 79,013	$ 750,388	$ 829,401
Depreciation	$ -	$ 64,724	$ 64,724	$ -	$ 57,217	$ 57,217
Amortization	$ -	$ 18,825	$ 18,825	$ -	$ 14,621	$ 14,621

c. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles, the Company accrued compensation of employees and remuneration of directors and supervisors at rates of no less than 0.1% and no higher than 1.5%, respectively, of net profit before income tax, compensation of employees and remuneration of directors and supervisors. The Company did not accrue employees' compensation and remuneration of directors because of the losses for the three months ended March 31, 2023. Estimated compensation of employees and remuneration of directors and supervisors for the three months ended March 31, 2022 are as follows:

Accrual rate

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

Amount

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

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

The Company did not accrue the compensation of employees and remuneration of directors and supervisors because of the loss incurred for the year ended December 31, 2022.

The compensation of employees and remuneration of directors and supervisors for 2021 that were approved by the board of directors on March 10, 2022 are as follows:

Amount

	For the Year Ended December 31, 2021
	Cash
Compensation of employees	$ 2,564
Remuneration of directors and supervisors	$ 4,500

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

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

24. INCOME TAX

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

	For the Three Months Ended March 31	
	2023	**2022**
Current tax		
In respect of the current period	$ 3,263	$ 114,388
Deferred tax		
In respect of the current period	(190,874)	10,180
Income tax (benefit) expense recognized in profit or loss	$ (187,611)	$ 124,568

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2023	**2022**
Deferred tax		
In respect of the current period:		
Other comprehensive losses (income) reclassified under overlay approach	$ 5,131	$ (10,104)

c. Income tax assessments

Income tax returns through 2017 of the Company have been assessed by the tax authorities.

25. (LOSS) EARNINGS PER SHARE

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

	For the Three Months Ended March 31	
	2023	2022
(Loss) profit for the year attributable to owners of the Company	$ (575,368)	$ 835,801

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

	For the Three Months Ended March 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic (loss) earnings per share	705,705	305,705

26. FINANCIAL INSTRUMENTS

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

March 31, 2023

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost	$ 8,669,933	$ -	$ 8,416,898	$ -	$ 8,416,898
Other assets					
Domestic government bonds (deposits in the Central Bank)	$ 1,099,533	$ -	$ 1,091,774	$ -	$ 1,091,774

December 31, 2022

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost	$ 8,853,285	$ -	$ 8,347,471	$ -	$ 8,347,471
Other assets					
Domestic government bonds (deposits in the Central Bank)	$ 1,099,466	$ -	$ 1,085,923	$ -	$ 1,085,923

March 31, 2022

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost	$ 7,762,852	$ -	$ 8,287,832	$ -	$ 8,287,832
Other assets					
Domestic government bonds (deposits in the Central Bank)	$ 499,519	$ -	$ 492,962	$ -	$ 492,962

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

1) Fair value hierarchy

March 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 33,225	$ -	$ 33,225
Listed shares	4,747,429	-	-	4,747,429
Beneficiary certificates	2,584,774	-	-	2,584,774
Domestic financial bonds	-	261,650	-	261,650
	$ 7,332,203	$ 294,875	$ -	$ 7,627,078
Financial assets at FVTOCI				
Domestic government bonds	$ -	$ 686,506	$ -	$ 686,506
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 63,778	$ -	$ 63,778

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 41,646	$ -	$ 41,646
Listed shares	4,482,184	-	-	4,482,184
Beneficiary certificates	2,769,775	-	-	2,769,775
Domestic financial bonds	-	263,192	-	263,192
	$ 7,251,959	$ 304,838	$ -	$ 7,556,797
Financial assets at FVTOCI				
Domestic government bonds	$ -	$ 685,847	$ -	$ 685,847
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 178,805	$ -	$ 178,805

March 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed shares	$ 6,144,125	$ -	$ -	$ 6,144,125
Beneficiary certificates	5,109,648	-	-	5,109,648
Domestic financial bonds	-	307,132	-	307,132
	$ 11,253,773	$ 307,132	$ -	$ 11,560,905
Financial assets at FVTOCI				
Domestic government bonds	$ -	$ 712,981	$ -	$ 712,981
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 123,011	$ -	$ 123,011

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2023 and 2022.

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

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

c. Categories of financial instruments

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets			
FVTPL			
Mandatorily classified as at FVTPL	$ 7,627,078	$ 7,556,797	$ 11,560,905
Financial assets at amortized cost (1)	22,057,509	31,205,799	24,432,333
Financial assets at FVTOCI			
Debt instruments	686,506	685,847	712,981
Financial liabilities			
FVTPL			
Held for trading	63,778	178,805	123,011
Amortized cost (2)	3,719,086	3,308,293	3,003,550

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

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

d. Financial risk management objectives and policies

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

1) Market risk analysis

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

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

a) Value at Risk

VaR is used to measure the maximum potential loss of a portfolio in a given period and confidence level when the market risk factors changes. The Group calculates VaR on the next day (week or two weeks) at 99% confidence level.

b) Stress testing

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

The Group conducts stress testing regularly on positions by simple sensitivity analysis test and scenario analysis. Such tests cover the losses on positions resulting from changes of various risk factors in various historical scenarios.

i. Simple sensitivity test

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

ii. Scenario analysis

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

i) Historical scenario

By considering the fluctuations in risk factors during a specific historical event, the Group evaluates that losses would be incurred for the current investment portfolio in the event.

ii) Hypothetical scenario

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

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

Table of Stress Testing				
Risk Factors	**Changes (+/-)**	**March 31, 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.

i) Foreign currency risk

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

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

ii) Price risk

The Group was exposed to equity price risk through its investments in listed shares and beneficiary certificates.

iii) Sensitivity analysis

	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	-	70,041

	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	-	68,215

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

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

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

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

2) Credit risk

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

i. Issuer credit risk is the risk that the Group may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations in accordance with agreed conditions due to default, bankruptcy or liquidation.

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

iii. Credit risk of underlying assets is the risk that the Group may suffer losses due to deterioration of the credit quality, increase in credit spread, downgrade or breach of any contract terms of underlying assets linked to a financial instruments.

b) Credit concentration risk analysis

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

March 31, 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%

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

i. The Group assesses at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, the Group considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.

ii. If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.

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

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

i. Quantitative factor: When contractual payments are more than 90 days past due, a default occurs and a financial asset is credit-impaired.

ii. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:

i) The issuers and borrowers have entered bankruptcy or are probable to enter bankruptcy or financial reorganization.

ii) The borrowers fail to make interest or principal payments based on original terms and conditions.

iii) The collaterals of the borrowers are seized provisionally or enforced.

iv) The borrowers claim for a change of credit conditions due to financial difficulties.

iii. The above-mentioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by the Group, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

e) Measurement of expected credit losses

i. Methods and assumptions adopted

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

To measure expected credit losses, the Group multiplies exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. The Group also considers the effect of the time value of money when calculating the 12-month and lifetime expected credit losses.

The default rate is the rate that a default occurs on issuers, guarantee agencies and borrowers, while the loss given default is the loss rate that resulted from the default of issuers, guarantee agencies and borrowers. The loss given default used by the Group in impairment assessment is based on information regularly issued by Moody's, while the 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 historical data. The exposure at default is measured at amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

The Group takes forward-looking information into consideration when 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 the Group

	March 31, 2023					
			Stage 3			
	Stage 1	Stage 2				
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 686,506	$ -	$ -	$ -	$ -	$ 686,506
Financial assets measured at amortized cost	9,773,403	-	-	-	(3,937)	9,769,466

	December 31, 2022					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 685,847	$ -	$ -	$ -	$ -	$ 685,847
Financial assets measured at amortized cost	9,956,466	-	-	-	(3,715)	9,952,751

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

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

ii. Secured loans of the Group

	March 31, 2023					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	$ 117,946	$ -	$ -	$ -	$ (1,561)	$ 116,385

	December 31, 2022					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	$ 139,828	$ -	$ -	$ -	$ (1,884)	$ 137,944

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

g) Reconciliation for loss allowance is summarized below:

i. Debt instrument at FVTOCI

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2023	$ 34	$ -	$ -	$ -	$ 34
Changes in models/ risk parameters	1	-	-	-	1
March 31, 2023	$ 35	$ -	$ -	$ -	$ 35
January 1, 2022	$ 19	$ -	$ -	$ -	$ 19
Changes in models/ risk parameters	5	-	-	-	5
March 31, 2022	$ 24	$ -	$ -	$ -	$ 24

ii. Financial assets measured at amortized cost

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2023	$ 3,715	$ -	$ -	$ -	$ 3,715
Changes in models/ risk parameters	222	-	-	-	222
March 31, 2023	$ 3,937	$ -	$ -	$ -	$ 3,937
January 1, 2022	$ 2,280	$ -	$ -	$ -	$ 2,280
Changes in models/ risk parameters	512	-	-	-	512
March 31, 2022	$ 2,792	$ -	$ -	$ -	$ 2,792

iii. Secured loans

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

(Continued)

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

(Concluded)

There were no significant changes in loss allowance due to significant changes in the gross carrying amounts of the financial instruments.

h) Exposure to credit risk and loss allowance of receivables

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

b) Liquidity risk management

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

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

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

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

March 31, 2023

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

December 31, 2022

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

March 31, 2022

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

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Related Party Name	Related Party Category
Cathay Financial Holdings	The Company's parent
Cathay Insurance Co., Ltd. (China)	Associate
Cathay Life Insurance Co., Ltd.	Fellow subsidiary
Cathay United Bank Co., Ltd.	Fellow subsidiary
Indovina Bank Limited.	Fellow subsidiary
Cathay Securities Investment Trust Co., Ltd.	Fellow subsidiary
Cathay Futures Co., Ltd.	Fellow subsidiary
Tien-Chi Power Co., Ltd	Fellow subsidiary
Cathay Power Inc.	Fellow subsidiary
Neo Cathay Power Corp.	Fellow subsidiary
Funds managed by Cathay Securities Investment Trust Co., Ltd.	Other related parties
Cathay Hospitality Management Co., Ltd.	Other related parties
Cathay Hospitality Consulting Co., Ltd.	Other related parties
San Ching Engineering Co., Ltd.	Other related parties
Symphox Information Co., Ltd.	Other related parties
Others (including directors, supervisors, key management and its spouse or relatives within second degree)	Other related parties

b. Operating transactions

Line Item	Related Party Category/Name	For the Three Months Ended March 31	
		2023	2022
Premium income	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ 104,268	$ 102,512
	Cathay United Bank Co., Ltd.	39,100	39,403
	Other related parties		
	San Ching Engineering Co., Ltd.	1,412	6,994
	Cathay Hospitality Consulting Co., Ltd.	4,980	2,458
	Cathay Hospitality Management Co., Ltd.	4,437	4,279
		$ 154,197	$ 155,646
Operating costs			
Marketing cost	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ 207,725	$ 161,487
	Cathay United Bank Co., Ltd.	30,435	27,926
Processing fees	Fellow subsidiary		
	Cathay United Bank Co., Ltd.	33,048	29,981
		$ 271,208	$ 219,394

(Continued)

Line Item	Related Party Category/Name	For the Three Months Ended March 31 2023	2022
Operating expenses			
Group insurance	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ 4,959	$ 4,863
Others	Other related parties		
	Symphox Information Co., Ltd.	6,437	8,128
		$ 11,396	$ 12,991

(Concluded)

c. Receivables from related parties

Line Item	Related Party Category/Name	March 31, 2023	December 31, 2022	March 31, 2022
Premiums receivable	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	$ 18,754	$ 67,637	$ 23,402
	Cathay Power Inc.	74	4,516	-
	Neo Cathay Power Corp.	48	3,950	-
	Tien-Chi Power Co., Ltd.	-	4,601	-
Other receivables	The Company's parent			
	Cathay Financial Holdings Co., Ltd. (Note)	817,832	612,702	-
		$ 836,708	$ 693,406	$ 23,402

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.

d. Payables to related parties

Line Item	Related Party Category/Name	March 31, 2023	December 31, 2022	March 31, 2022
Other payables	The Company's parent			
	Cathay Financial Holdings	$ -	$ -	$ 349,704
	Fellow subsidiary			
	Cathay Life Insurance Co., Ltd.	80,891	131,089	65,158
	Other related parties			
	Symphox Information Co., Ltd.	3,162	1,188	7,123
		$ 84,053	$ 132,277	$ 421,985

Note: Including income tax payable under tax consolidation and remuneration of directors and supervisors.

The outstanding payables to related parties are unsecured.

e. Cash in bank

Line Item	Related Party Category/Name	March 31, 2023	December 31, 2022	March 31, 2022
Checking accounts and demand deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	$ 2,611,965	$ 3,770,340	$ 3,001,461
	Indovina Bank Limited	15,473	29,776	8,868
Time deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	20,030	20,030	20,016
	Indovina Bank Limited	242,762	242,908	240,803
		$ 2,890,230	$ 4,063,054	$ 3,271,148

For the three months ended March 31, 2023, December 31, 2022 and March 31, 2022, time deposits pledged recognized in guarantee deposits were $27,967 thousand, $28,003 thousand and $27,684 thousand, respectively.

f. Interest income

Related Party Category/Name	For the Three Months Ended March 31	
	2023	2022
Fellow subsidiary		
Cathay United Bank Co., Ltd.	$ 4,339	$ 149
Indovina Bank Limited	3,419	3,143
	$ 7,758	$ 3,292

g. Financial asset at FVTPL (Beneficiary certificates)

Related Party Category/Name	March 31, 2023	December 31, 2022	March 31, 2022
Funds managed by Cathay Securities Investment Trust Co., Ltd.	$ 308,449	$ 360,558	$ 825,177

h. Discretionary account management balance

Related Party Category/Name	March 31, 2023	December 31, 2022	March 31, 2022
Fellow subsidiary			
Cathay Securities Investment Trust Co., Ltd.	$ 1,469,964	$ 1,307,709	$ 1,593,216

i. Guarantee deposits

Related Party Category/Name	March 31, 2023	December 31, 2022	March 31, 2022
Fellow subsidiary			
Cathay Life Insurance Co., Ltd.	$ 34,630	$ 33,772	$ 32,175
Cathay United Bank Co., Ltd.	22,023	22,023	23,143
Cathay Futures Co., Ltd.	58,139	58,121	21,844
Indovina Bank Limited	7,937	7,974	7,668
	$ 122,729	$ 121,890	$ 84,830

j. Secured loans

Related Party Category/Name	For the Three Months Ended March 31, 2023			
	Maximum Amount	Ending Balance	Interest Rate	Interest Income
Other related parties	$ 15,283	$ 4,961	1.95%-2.095%	$ 25

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

k. Lease arrangements - Group is lessee

Related Party Category/Name	For the Three Months Ended March 31	
	2023	2022
Acquisitions of right-of-use assets		
Fellow subsidiary		
Cathay United Bank Co., Ltd.	$ -	$ 12,599

Line Item	Related Party Category/Name	March 31, 2023	December 31, 2022	March 31, 2022
Lease liabilities	Fellow subsidiary			
	Cathay Life Insurance Co., Ltd.	$ 51,031	$ 81,520	$ 173,304
	Cathay United Bank Co., Ltd.	7,603	9,602	12,288
		$ 58,634	$ 91,122	$ 185,592

l. Currency swaps contract

As of March 31, 2023, December 31, 2022 and March 31, 2022, the nominal amount of the derivative financial instruments transaction with related parties is listed below:

Related Party Category/Name	March 31, 2023	December 31, 2022	March 31, 2022
Fellow subsidiary			
Cathay United Bank Co., Ltd.	US$ 90,900	US$ 90,900	US$ 95,200
	EUR 1,000	EUR 1,750	EUR 1,750

m. Remuneration of key management personnel

	For the Three Months Ended March 31	
	2023	2022
Short-term employee benefits	$ 26,425	$ 54,002
Post-employment benefits	1,907	1,789
	$ 28,332	$ 55,791

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

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

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

a. The Company

Items	March 31, 2023	December 31, 2022	March 31, 2022
Guarantee deposits - government bonds	$ 1,099,533	$ 1,099,466	$ 499,519
Guarantee deposits - time deposits	20,030	20,030	20,016
	$ 1,119,563	$ 1,119,496	$ 519,535

The pledged assets are stated at book value. As of March 31, 2023, December 31, 2022 and March 31, 2022, the Company provided government bonds amounting to $1,099,572 thousand, $1,099,504 thousand and $499,536 thousand to the Central Bank for insurance business in accordance with the Insurance Act, respectively. Loss allowance amounted to $39 thousand, $38 thousand and $17 thousand, respectively which are in the scope of the impairment requirements under IFRS 9.

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

Items	March 31, 2023	December 31, 2022	March 31, 2022
Government deposits - time deposits	$ 7,937	$ 7,974	$ 7,668

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

30. OTHER ITEMS

a. Capital management

1) Management objectives

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

2) Management policies

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

3) Management procedures

a) Periodical calculation

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

b) Aperiodic calculation

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

4) Current status of RBC ratio

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

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

Items	March 31, 2023		
	Recovery/ Settlement within 12 Months	**Recovery/ Settlement Over 12 Months**	**Total**
Cash and cash equivalents	$ 8,629,633	$ -	$ 8,629,633
Receivables	3,279,601	-	3,279,601
Investments			
Financial assets at FVTPL	7,365,427	261,651	7,627,078
Financial assets at FVTOCI	-	686,506	686,506
Financial assets at amortized cost	91,557	8,578,376	8,669,933
Investments accounted for using the equity method	-	2,436,035	2,436,035
Loans	-	116,385	116,385
Total investments	7,456,984	12,078,953	19,535,937
Reinsurance assets	3,543,054	9,965,517	13,508,571
Property and equipment	-	349,667	349,667
Right-of-use assets	-	80,523	80,523
Intangible assets	-	129,859	129,859
Deferred tax assets	-	4,550,218	4,550,218
Other assets	36,673	1,387,798	1,424,471
Total assets	$ 22,945,945	$ 28,542,535	$ 51,488,480
Payables	$ 3,698,799	$ 20,287	$ 3,719,086
Financial liabilities at FVTPL	63,778	-	63,778
Insurance liabilities			
Unearned premium reserve	13,269,492	2,575,587	15,845,079
Loss reserve	1,211,774	14,453,315	15,665,089
Policy reserve	-	152	152
Special reserve	-	1,639,188	1,639,188
Premium deficiency reserve	-	834	834
Total insurance liabilities	14,481,266	18,669,076	33,150,342
Provisions	-	429,852	429,852
Lease liabilities	74,533	5,953	80,486
Deferred tax liabilities	-	295,871	295,871
Other liabilities	1,133,759	25,329	1,159,088
Total liabilities	$ 19,452,135	$ 19,446,368	$ 38,898,503

Items	December 31, 2022		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	$ 17,758,712	$ -	$ 17,758,712
Receivables	3,153,166	-	3,153,166
Investments			
Financial assets at FVTPL	7,293,605	263,192	7,556,797
Financial assets at FVTOCI	-	685,847	685,847
Financial assets at amortized cost	573,786	8,279,499	8,853,285
Investments accounted for using the equity method	-	2,370,722	2,370,722
Loans	-	137,944	137,944
Total investments	7,867,391	11,737,204	19,604,595
Reinsurance assets	2,669,482	10,872,639	13,542,121
Property and equipment	-	346,411	346,411
Right-of-use assets	-	115,031	115,031
Intangible assets	-	138,427	138,427
Deferred tax assets	-	4,581,004	4,581,004
Other assets	24,861	1,331,332	1,356,193
Total assets	$ 31,473,612	$ 29,122,048	$ 60,595,660
Payables	$ 3,284,976	$ 23,317	$ 3,308,293
Financial liabilities at FVTPL	178,805	-	178,805
Insurance liabilities			
Unearned premium reserve	13,248,550	2,589,722	15,838,272
Loss reserve	9,201,923	14,336,968	23,538,891
Policy reserve	-	170	170
Special reserve	-	1,628,369	1,628,369
Premium deficiency reserve	1,200,000	40,260	1,240,260
Total insurance liabilities	23,650,473	18,595,489	42,245,962
Provisions	-	429,975	429,975
Lease liabilities	107,939	6,778	114,717
Deferred tax liabilities	-	307,270	307,270
Other liabilities	1,186,899	24,013	1,210,912
Total liabilities	$ 28,409,092	$ 19,386,842	$ 47,795,934

Items	March 31, 2022 Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	$ 13,520,145	$ -	$ 13,520,145
Receivables	2,341,885	-	2,341,885
Investments			
Financial assets at FVTPL	11,253,773	307,132	11,560,905
Financial assets at FVTOCI	-	712,981	712,981
Financial assets at amortized cost	308,786	7,454,066	7,762,852
Investments accounted for using the equity method	-	2,377,805	2,377,805
Loans	78	177,856	177,934
Total investments	11,562,637	11,029,840	22,592,477
Reinsurance assets	1,361,338	8,630,328	9,991,666
Property and equipment	-	208,567	208,567
Right-of-use assets	-	216,235	216,235
Intangible assets	-	100,510	100,510
Deferred tax assets	-	239,985	239,985
Other assets	50,435	648,316	698,751
Total assets	$ 28,836,440	$ 21,073,781	$ 49,910,221
Payables	$ 2,984,744	$ 18,806	$ 3,003,550
Financial liabilities at FVTPL	123,011	-	123,011
Insurance liabilities			
Unearned premium reserve	12,570,701	2,678,393	15,249,094
Loss reserve	-	12,407,269	12,407,269
Policy reserve	-	82	82
Special reserve	-	2,587,342	2,587,342
Premium deficiency reserve	-	118	118
Total insurance liabilities	12,570,701	17,673,204	30,243,905
Provisions	-	464,214	464,214
Lease liabilities	150,642	66,391	217,033
Deferred tax liabilities	-	271,044	271,044
Other liabilities	995,506	18,687	1,014,193
Total liabilities	$ 16,824,604	$ 18,512,346	$ 35,336,950

c. Impact of severe special infectious pneumonia epidemic

The written premium of the insurance products the Group issued for the severe special infectious pneumonia epidemic amounted to $0 and $94,910 thousand for the three months ended March 31, 2023 and 2022, respectively, and the claims and payments were $9,893,289 thousand and $28,739 thousand, respectively.

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 Group evaluated the economic impact resulting from the severe special infectious pneumonia epidemic. As of the approval date of the consolidated financial statements, the Group performed stress tests to evaluate the losses resulting from issuing insurance products for the severe special infectious pneumonia epidemic by stimulations of epidemic developments. Since the capital adequacy ratio under certain scenarios of stress tests was lower than the required level, the Group decided to respond to this by enhancing its equities. As a result, the Group obtained approval from 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.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

March 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 239,658	30.454 (USD:NTD)	$ 7,298,831
EUR	7,589	33.149 (EUR:NTD)	250,890
Non-monetary items			
USD	33,410	30.454 (USD:NTD)	1,017,464
HKD	6,997	3.880 (HKD:NTD)	27,148
SGD	4,117	22.911 (SGD:NTD)	94,340
Investments accounted for using the equity method			
CNY	549,635	4.431 (CNY:NTD)	2,436,035
Derivative instruments (Note)			
USD	48,000	30.454 (USD:NTD)	33,225
Financial liabilities			
Monetary items			
USD	7,489	30.454 (USD:NTD)	231,601
EUR	1,365	33.149 (EUR:NTD)	44,517
CNY	1,996	4.431 (CNY:NTD)	8,825
JPY	57,819	0.228 (JPY:NTD)	13,291
INR	33,091	0.372 (INR:NTD)	12,267
Non-monetary items			
Derivative instruments (Note)			
USD	120,200	30.454 (USD:NTD)	61,976
EUR	1,000	33.149 (EUR:NTD)	1,802

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 253,838	30.708 (USD:NTD)	$ 7,794,512
EUR	9,168	32.709 (EUR:NTD)	299,210
CNY	22,058	4.419 (CNY:NTD)	97,413
Non-monetary items			
USD	28,928	30.708 (USD:NTD)	888,322
EUR	728	32.709 (EUR:NTD)	23,813
HKD	6,773	3.940 (HKD:NTD)	26,663
SGD	4,242	22.868 (SGD:NTD)	97,007
Investments accounted for using the equity method			
CNY	536,666	4.419 (CNY:NTD)	2,370,722
Derivative instruments (Note)			
USD	53,500	30.708 (USD:NTD)	41,646
Financial liabilities			
Monetary items			
USD	4,963	30.708 (USD:NTD)	155,305
EUR	530	32.709 (EUR:NTD)	16,800
GBP	78	37.055 (GBP:NTD)	2,830
CNY	7,360	4.419 (CNY:NTD)	32,416
HKD	3,011	3.940 (HKD:NTD)	12,190
JPY	105,492	0.233 (JPY:NTD)	23,303
INR	33,101	0.371 (INR:NTD)	12,271
KRW	387,361	0.025 (KRW:NTD)	9,020
Non-monetary items			
Derivative instruments (Note)			
USD	116,100	30.708 (USD:NTD)	176,744
EUR	1,750	32.709 (EUR:NTD)	2,061

March 31, 2022

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

(Continued)

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

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

For the three months ended March 31, 2023 and 2022 (realized and unrealized) net foreign exchange (losses) gains were $(49,639) thousand and $185,338 thousand, respectively. It is impractical to disclose net foreign exchange (losses) gains by each significant foreign currency due to the variety of the foreign currency transactions.

32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

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

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

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

4) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: (Table 4)

5) Trading in derivative instruments (Note 7)

6) Intercompany relationships and significant intercompany transactions (Table 5)

7) Information on investees (Table 6)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)

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

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

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

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

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

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

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

33. SEGMENT INFORMATION

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

34. INSURANCE CONTRACT RESERVES

a. Retained earned premium

For the three months ended March 31, 2023

Insurance Type	Premium Income (1)	Reinsurance Premium (2)	Reinsurance Expenses (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Retained Earned Premium (6)=(4)-(5)
Fire insurance	$ 884,379	$ 91,089	$ 638,492	$ 336,976	$ (162,175)	$ 499,151
Marine insurance	312,718	8,059	237,088	83,689	(2,397)	86,086
Land and air insurance	3,366,741	97	248,407	3,118,431	109,027	3,009,404
Liability insurance	598,995	1,725	172,258	428,462	50,242	378,220
Guarantee insurance	28,096	3,297	30,077	1,316	(6,924)	8,240
Other property insurance	460,621	18,350	416,840	62,131	(33,207)	95,338
Accident insurance	907,277	2,709	80,291	829,695	36,646	793,049
Health insurance	52,012	-	(24)	52,036	(70,278)	122,314
Policy-oriented residential earthquake insurance	114,807	17,086	114,807	17,086	2,423	14,663
Compulsory automobile liability insurance	705,597	191,415	294,955	602,057	2,776	599,281
	$ 7,431,243	$ 333,827	$ 2,233,191	$ 5,531,879	$ (73,867)	$ 5,605,746

For the three months ended March 31, 2022

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

See Note 30 for the disclosure of the impact of severe specific infectious pneumonia epidemic to the Group.

Information on compulsory insurance and non-compulsory insurance of earned retained premium:

For the three months ended March 31, 2023

Insurance Type	Premium Income (1)	Reinsurance Premium (2)	Reinsurance Expenses (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	$ 705,597	$ 191,415	$ 294,955	$ 602,057
Non-compulsory insurance	6,725,646	142,412	1,938,236	4,929,822
	$ 7,431,243	$ 333,827	$ 2,233,191	$ 5,531,879

Insurance Type	Unearned Premium Reserves under Direct Business		Unearned Premium Reserves under Reinsurance Inward Business		Net Changes in Unearned Premium Reserve
	Provision (5)	Recovery (6)	Provision (7)	Recovery (8)	(9)=(5)-(6)+(7)-(8)
Compulsory insurance	$ 1,257,855	$ 1,250,469	$ 464,789	$ 464,968	$ 7,207
Non-compulsory insurance	13,945,295	13,946,426	175,530	206,174	(31,775)
	$ 15,203,150	$ 15,196,895	$ 640,319	$ 671,142	$ (24,568)

Insurance Type	Unearned Premium Reserves under Ceded Reinsurance Business		Net Changes in for Unearned Ceded Premium Reserve	Retained Premium
	Provision (10)	Recovery (11)	(12)=(10)-(11)	(13)=(4)-(9)+(12)
Compulsory insurance	$ 754,713	$ 750,282	$ 4,431	$ 599,281
Non-compulsory insurance	3,784,511	3,739,643	44,868	5,006,465
	$ 4,539,224	$ 4,489,925	$ 49,299	$ 5,605,746

For the three months ended March 31, 2022

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

Insurance Type	Unearned Premium Reserves under Direct Business		Unearned Premium Reserves under Reinsurance Inward Business		Net Changes in Unearned Premium Reserve
	Provision (5)	Recovery (6)	Provision (7)	Recovery (8)	(9)=(5)-(6)+(7)-(8)
Compulsory insurance	$ 1,240,863	$ 1,237,536	$ 456,886	$ 453,028	$ 7,185
Non-compulsory insurance	13,270,629	13,285,117	276,487	369,938	(107,939)
	$ 14,511,492	$ 14,522,653	$ 733,373	$ 822,966	$ (100,754)

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

b. Retained claims

Insurance Type	For the Three Months Ended March 31, 2023			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims and Payments (4)=(1)+(2)-(3)
Fire insurance	$ 445,004	$ 144,525	$ 284,039	$ 305,490
Marine insurance	79,301	12,957	38,562	53,696
Land and air insurance	1,615,371	3,104	76,517	1,541,958
Liability insurance	344,484	(271)	141,207	203,006
Guarantee insurance	1,209	26	118	1,117
Other property insurance	763,667	9,959	129,662	643,964
Accident insurance	342,106	6	37,466	304,646
Health insurance	9,465,755	-	80,095	9,385,660
Policy-oriented residential earthquake insurance	23	-	23	-
Compulsory automobile liability insurance	530,220	178,179	307,462	400,937
	$ 13,587,140	$ 348,485	$ 1,095,151	$ 12,840,474

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

Retained claims of compulsory insurance and non-compulsory insurance:

Insurance Type	For the Three Months Ended March 31, 2023			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims and Payments (4)=(1)+(2)-(3)
Compulsory insurance	$ 530,220	$ 178,179	$ 307,462	$ 400,937
Non-compulsory insurance	13,056,920	170,306	787,689	12,439,537
	$ 13,587,140	$ 348,485	$ 1,095,151	$ 12,840,474

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

c. Liability on policyholders' claims filed and losses not yet filed

<u>Claims and payments recoverable for policyholders' claims filed and paid</u>

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	179,741	202,982	83,914
	913,978	678,244	420,113
Less: Loss allowance	(9,139)	(6,782)	(4,201)
	$ 904,839	$ 671,462	$ 415,912

d. Receivables and payables of insurance contracts

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	11,960	16,865	12,737
	1,929,570	2,063,718	1,962,415
Less: Loss allowance	(60,676)	(66,707)	(33,171)
	$ 1,868,894	$ 1,997,011	$ 1,929,244

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	740,163	647,017	755,571
	$ 1,929,570	$ 2,063,718	$ 1,962,415

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.

Payables

Insurance Type	March 31, 2023 Commissions 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

(Continued)

Insurance Type	March 31, 2023		
	Commissions Payable	Others	Total
Health insurance	$ 1,156	$ 2,398	$ 3,554
Policy-oriented residential earthquake insurance	443	3,466	3,909
Compulsory automobile liability insurance	19,981	-	19,981
	$ 360,189	$ 252,147	$ 612,336

(Concluded)

Insurance Type	December 31, 2022		
	Commissions 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	20,447	-	20,447
	$ 346,088	$ 301,351	$ 647,439

Insurance Type	March 31, 2022		
	Commissions 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	19,635	-	19,635
	$ 272,228	$ 230,216	$ 502,444

Due from (to) reinsurers and ceding companies - reinsurance

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

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

	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%)	452,068	927,325
	1,004,502	1,753,695
Less: Loss allowance	(59,076)	-
Net amount	$ 945,426	$ 1,753,695

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.

e. Reserve required for specific assets

The accounting of the compulsory automobile liability insurance held by the Group 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 ("CAL Insurance"), a special reserve held by an insurer should be deposited in a financial institution in the form of time deposits.

Under the approval of relevant authorities, the Group may buy the following domestic securities using the special reserve portion exceeding 30% of the retained earned pure premiums:

1) Government bonds but not exchangeable government bonds.

2) Financial bonds, (ordinary type only), negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution.

The amount of the treasury bills invested and time deposits to be placed in financial institutions pursuant to CAL Insurance should not be less than 30% of the total amount of the Group's retained earned pure premiums for CAL Insurance in the most recent period, as audited or reviewed by a certified public accountant. The authorities may raise this percentage to a level it deems appropriate on the basis of the Group's operating status.

If the balance of the Group's special reserve becomes less than 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.

Under Article 6 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, funds, except for the special reserve mentioned above, held by an insurer for CAL Insurance (various reserve, payables and temporary receivable) should be deposited in a financial institution as special reserve in the form of demand deposits and time deposits.

1) Treasury bills.

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

3) Government bonds under repurchase agreements.

The term "funds" in the preceding paragraph refers to all types of reserves, payables, temporary credits and amounts to be carried forward.

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 Group to a level they deem appropriate on the basis of the Group'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 its 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.

f. Acquisition cost of insurance contracts

	For the Three Months Ended March 31, 2023				
Insurance Type	**Commission Expenses**	**Service and Handling Charge**	**Reinsurance Commission Expenses**	**Other**	**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
	$ 672,986	$ 79,425	$ 28,012	$ 236,720	$ 1,017,143

	For the Three Months Ended March 31, 2022				
Insurance Type	**Commission Expenses**	**Service and Handling Charge**	**Reinsurance Commission Expenses**	**Other**	**Total**
Fire insurance	$ 37,698	$ 1,214	$ 18,521	$ 9,350	$ 66,783
Marine insurance	22,218	36	234	684	23,172
Land and air insurance	322,895	-	786	135,002	458,683
Liability insurance	61,643	24	(589)	11,714	72,792
Guarantee insurance	1,613	93	1,503	157	3,366
Other property insurance	31,770	203	4,606	1,495	38,074
Accident insurance	82,868	43	(23)	26,644	109,532

(Continued)

Insurance Type	For the Three Months Ended March 31, 2022									
	Commission Expenses		Service and Handling Charge		Reinsurance Commission Expenses		Other		Total	
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
	$	582,980	$	76,485	$	24,542	$	188,851	$	872,858

(Concluded)

Acquisition costs of insurance contracts were not deferred.

g. Profit and loss analysis of insurance business

Direct underwriting business

Insurance Type	For the Three Months Ended March 31, 2023					
	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 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	705,597	7,386	76,976	530,220	13,973	77,042
	$ 7,431,243	$ 6,255	$ 989,131	$ 13,587,140	$ (7,785,505)	$ 634,222

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

Reinsurance inward business

Insurance Type	For the Three Months Ended March 31, 2023					
	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
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	191,415	(179)	-	178,179	(11,768)	25,183
	$ 333,827	$ (30,823)	$ 28,012	$ 348,485	$ (88,575)	$ 76,728

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

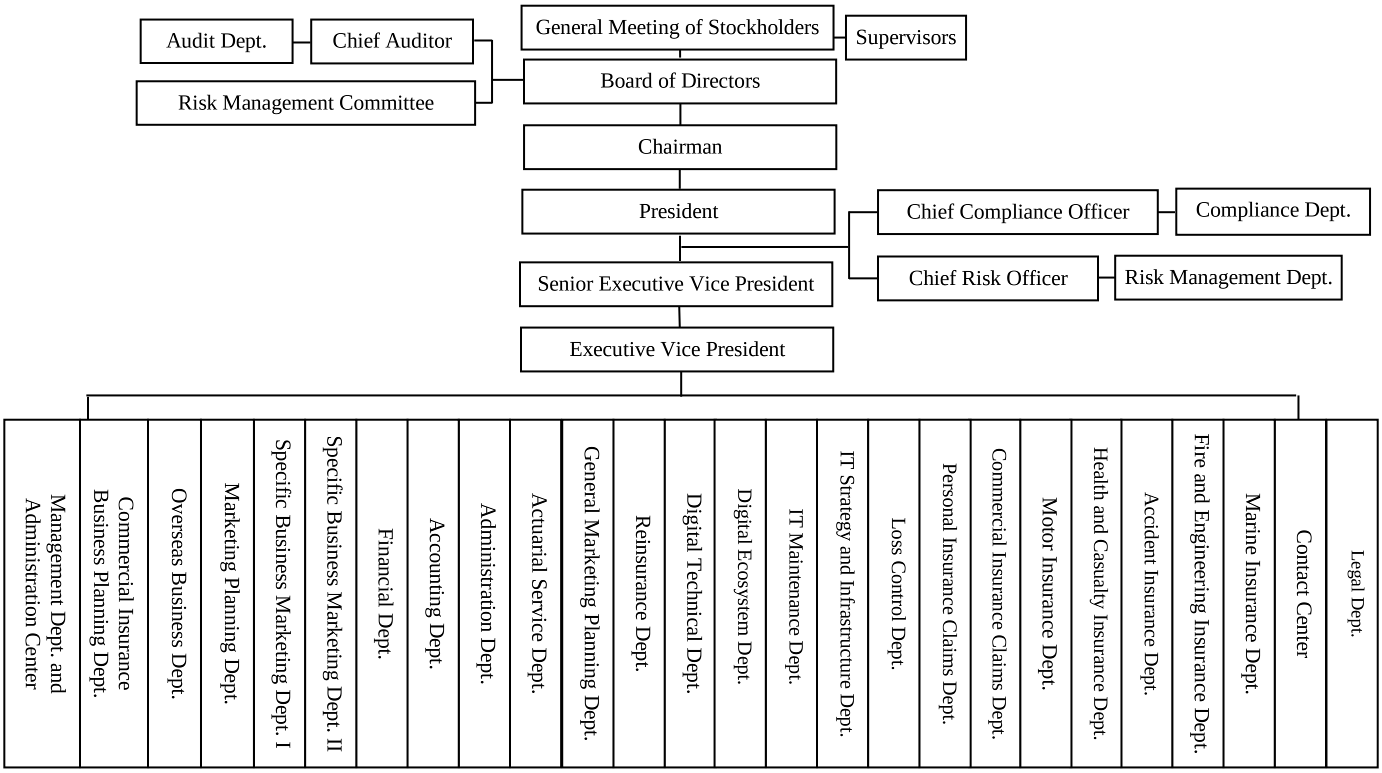
Reinsurance outward business

Insurance Type	For the Three Months Ended March 31, 2023					
	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
Fire insurance	$ 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	294,955	4,431	-	307,462	2,081	(19,019)
	$ 2,233,191	$ 49,299	$ 233,243	$ 1,095,151	$ (964,175)	$ 1,819,673

Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Profit (Loss)
	For the Three Months Ended March 31, 2022					
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	285,549	1,996	-	237,655	4,246	41,652
	$ 1,791,679	$ (24,802)	$ 209,979	$ 716,072	$ 150,260	$ 740,170

h. Organization chart and responsibilities of risk management

1) Organization chart of risk management



2) Responsibility of each department:

Board of directors

a) The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.

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

c) The board of directors should consider the effect of the aggregated risks from the Company's overall perspective; the board of directors should also follow the legal capital requirement and the relevant financial or business operating regulations that affect capital allocation.

Risk management department

a) Risk management committee

   i. The committee should propose the risk management policies, framework, and organization functions and establish quantitative and qualitative management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly, and making necessary suggestions for improvement.

   ii. The committee should execute the risk management policies set by the board of directors and review development, build-up and performance of the overall management mechanisms regularly.

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

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

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

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

b) Chief risk officer

   The appointment of chief risk officers of the Group should be approved by the board of directors, who should maintain independence and should not concurrently play a business or financial role nor has the right to access any information which may affect the Company's risk overview.

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

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

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

c) Risk management department

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

   ii. Responsibilities of the risk management department are as follows:

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

      ii) Propose the risk limits based on risk appetite.

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

iv) Regularly present risk management reports.

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

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

vii) Other risk management related issues.

<u>Business units</u>

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

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

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

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

   i. Identify and measure risks and report risk exposures.

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

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

   iv. Monitor risk exposures and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions of the business units.

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

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

   vii. Assist to collect data related to operational risk.

<u>Audit department</u>

The department is responsible for the audit of each department's performance of risk management pursuant to the applicable laws and regulations and related rules and guidance of the Company.

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

1) Risks management report

a) Each business unit should regularly deliver risk information to the risk management department, and report the excess of risk limits and responding measures when the risk exposure exceeds the limit.

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

2) The scope and nature of risk assessment

The risk management departments of the Group and its parent company, Cathay Financial Holdings, collaborated in building the market risk management system. The system structure was developed in consideration of the system functionality, data source, completeness of data upload, and the safety of the environment of the system. The front-end of the investment department has acquired the information system related to the investment market. The risk management system focuses on risk quantification, which is needed by the middle-end department, and would only be accessible to authorized risk management personnel.

j. Processes to undertake, evaluate, supervise and control insurance risk of the property insurance business and underwriting policies to ensure proper risk classification and premium level.

The risk management department of the Group is responsible for monitoring and integrating insurance risks as a whole, and setting up risk indicators, risk limit, and the management mechanism. Each related department is the execution unit of insurance risk control and regularly reports execution to the risk management department in accordance with the laws and regulations, internal rules, and professional knowledge and experience related to its duties. The risk management department proposes the insurance risk management report to the risk management committee and the board of directors each quarter.

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

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

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

When the Group undertakes a new 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 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 developing the reinsurance risk management plan and maximum of accumulated retained risks of each risk unit for execution.

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

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

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

m. Risk coordinated asset-liability management

1) Asset-liability coordinated with risk identification and measurement

Financial accounting and actuarial department should identify the possible market risk, liquidity risk and insurance risk that may occur during operation. The cash inflows from assets are measured by cash flow test method (or other method) to evaluate whether the amount of inflows is sufficient to cover the cash outflow for liabilities, that is, whether the asset allocation has reasonable liquidity to pay liabilities for expenditures in future years.

2) Asset-liability coordinated with risk response

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

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

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

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

o. Sensitivity to insurance risk

1) The Company

For the three months ended March 31, 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	705,597	Not applicable	Not applicable	Not applicable
	$ 7,314,935		$ (330,467)	$ (265,824)

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	684,275	Not applicable	Not applicable	Not applicable
	$ 6,523,207		$ (291,947)	$ (229,734)

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

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

For the three months ended March 31, 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	1,144	1.30%	(57)	(22)
	$ 116,308		$ (5,814)	$ (3,519)

For the three months ended March 31, 2022

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

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.

p. Risk concentration

1) The Company

a) Situations that may cause concentration of insurance risk

i. Single insurance contract or several related contracts

As of March 31, 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 change in trend

As of March 31, 2023, the loss rates of the pandemic policy are relatively high, but 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 the Company and the insured and to implement process control of lawsuit cases of insurance claims. In addition, each unit has appointed 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, and 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 the crisis handling team is set up in response to the event and execute emergency actions such as resource coordination and fund procurement to protect the rights of the insured and the Company and to ensure financial stability. As of March 31, 2023, measures have been taken to deal with the impact of the severe special infectious pneumonia epidemic or lift rates on the operating, insurance and investment businesses.

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

Since the 3rd stage of liberalization of property insurance premium rate took effect, the Company has conducted regular reviews in accordance with the regulations. When the actual loss rate exceeds the expected loss rate to a certain percentage, premium rates will be adjusted to avoid increased losses. In addition, the actuarial department observes the changes in trend of loss rates of each product on a sporadic 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 the major risk factors are identified and dealt with in a timely manner.

vi. Concentration of geographic regions and operating segments

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

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

The following table summarizes Cathay Century's concentration of risk before and after for the three months ended March 31, 2023 and 2022 reinsurance by insurance type:

Insurance Type	For the Three Months Ended March 31, 2023				
	Premium Income	Reinsurance Premium	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	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

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

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

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

a) Situations that may cause concentration of insurance risk:

i. Single insurance contract or several related contracts

As of March 31, 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 meetings.

ii. Exposure to unanticipated change in trend

As of March 31, 2023, the premium revenues of comprehensive travel insurance of Cathay Insurance Co., Ltd. (Vietnam) have increased year-on-year resulting from the increased demand for traveling since Vietnam has returned to pre-pandemic normalcy. Cathay Insurance Co., Ltd. (Vietnam) will continue monitoring 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 Co., Ltd. (Vietnam) and the insured and to implement process control of lawsuit cases of insurance claims. In addition, each unit has appointed 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, and liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Insurance Co., Ltd. (Vietnam) established the Points for Handling Major Events of Cathay Insurance Co., Ltd. (Vietnam) under which an emergency response team is set up in response to the event and execute emergency actions such as resource coordination and fund procurement to protect the rights of the insured and the Company and to maintain financial stability. As of March 31, 2023, there is no interaction among risks resulting from a catastrophe.

v. Concentration of geographic regions and operating segments

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

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

The following table summarizes the Cathay Insurance (Vietnam)'s concentration of risk before and after for the three months ended March 31, 2023 and 2022 by insurance type:

Insurance Type	For the Three Months Ended March 31, 2023				
	Premium Income	Reinsurance Premium	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	$ 51,517	$ 97	$ 23	$ 51,591	69.64
Flood 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	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	$ 49,809	$ 432	$ 44	$ 50,197	76.80
Flood insurance	1,323	142	960	505	0.77
Fire insurance	30,128	4,376	30,474	4,030	6.17
Engineering insurance	378	1,067	1,159	286	0.44
Accident insurance	9,764	-	-	9,764	14.94
Liability insurance	1,037	70	529	578	0.88
Total	$ 92,439	$ 6,087	$ 33,166	$ 65,360	100.00

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

Catastrophes, such as typhoon and flood along with related huge claims, result in tremendous impact to the property insurance business. To control and manage risk with low frequency occurrence but enormous impact, Cathay Insurance Co., Ltd. (Vietnam) assesses the risk of natural disasters and special insured items and holds loss prevention seminars regularly to help clients lower the incidence rate of disasters

q. Development trend of claims

1) The Company

March 31, 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 payment	-	7,993,344	8,418,881	9,925,191	10,901,359	10,542,283	43,639,505	5,232,959	
Accumulated claim 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 payment	-	11,106,898	7,993,176	8,413,409	9,900,713	11,009,236	10,637,168	43,545,821	
Accumulated claim 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	10,339,445	-	
After the second year	-	10,970,548	7,965,701	8,479,083	9,915,122	10,993,648	-	-	
After the third year	-	11,133,431	8,000,179	8,447,631	9,879,160	-	-	-	
After the fourth year	-	11,177,663	7,977,104	8,436,879	-	-	-	-	
After the fifth year	-	11,102,224	7,978,305	-	-	-	-	-	
After the sixth year	-	11,097,313	-	-	-	-	-	-	
Final estimated claim payment	-	11,097,313	7,978,305	8,436,879	9,879,160	10,993,648	10,339,445	2,974,526	
Accumulated claim disbursed	-	11,056,929	7,915,931	8,330,082	9,396,679	8,938,526	7,153,958	403,940	
	234,524	40,384	62,374	106,797	482,481	2,055,122	3,185,497	2,570,586	$ 8,737,765
Adjustment	-	-	-	-	-	-	-	161,081	161,081
Amount recognized in balance sheet	$ 234,524	$ 40,384	$ 62,374	$ 106,797	$ 482,481	$ 2,055,122	$ 3,185,497	$ 2,731,667	$ 8,898,846

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.

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

Since the claim data of Cathay Insurance Co., Ltd. (Vietnam) is still immature, the historical experience for development trend of claim is not available. Cathay Insurance Co., Ltd. (Vietnam) provided loss reserve for claims incurred but not yet filed at 5% of retained premiums following the suggestion by Vietnamese Ministry of Finance 2842/BTC/QLBH.

r. Credit risk of insurance contract

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

1) The summary of unqualified reinsurance contracts and related insurance type are listed below:

March 31, 2023

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

December 31, 2022

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

March 31, 2022

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

2) For the three months ended March 31, 2023 and 2022, the unqualified ceded reinsurance expense is $10,021 thousand and $10,469 thousand, respectively.

3) The reserves for unauthorized reinsurance consist of:

	March 31, 2023	December 31, 2022	March 31, 2022
Unearned premium reserve	$ 5,010	$ 4,999	$ 5,234
Claims recoverable from reinsurers of paid claims overdue in nine month	1,163	145	301
Claims recoverable from reinsurers which were reported but unpaid	257	1,326	998
	$ 6,430	$ 6,470	$ 6,533

35. INFORMATION OF DISCRETIONARY INVESTMENTS

	March 31, 2023	December 31, 2022	March 31, 2022
Listed stocks	$ 1,738,704	$ 1,345,603	$ 1,620,701
Bank deposit	734,134	794,743	1,024,664
Future margins	38,272	38,272	2,012
	$ 2,511,110	$ 2,178,618	$ 2,647,377

The fair values of the financial assets operated discretionarily by securities investment trust enterprises are equal to their carrying amounts.

As of March 31, 2023, December 31, 2022 and March 31, 2022 the discretionary investment limits is $1,200,000 thousand.

36. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

a. Unconsolidated structured entities

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

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

b. As of March 31, 2023, December 31, 2022 and March 31, 2022, the carrying amounts of the Group's assets related to its interests in unconsolidated structured entities are disclosed as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Securitization vehicle			
Financial assets at FVTPL	$ 335,547	$ 343,499	$ 386,060
Financial assets at amortized cost	318,429	324,346	318,007
	$ 653,976	$ 667,845	$ 704,067

TABLE 1

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

Items	Amount			Items	Amount		
Asset	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**	**Liabilities**	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Cash and bank deposit	$ 2,417,012	$ 2,397,857	$ 2,378,531	Notes payable	$ -	$ -	$ -
Notes receivable	5,750	6,559	5,284	Claims and payments payable	-	-	-
Premiums receivable	5,171	6,832	5,663	Reinsurance indemnity payable	-	-	-
Claims and payments recoverable from reinsures	179,741	202,982	83,914	Due to reinsurers and ceding companies	207,934	225,486	189,789
Due from reinsurers and ceding companies	126,247	125,846	123,941	Unearned premium reserves	1,722,644	1,715,437	1,697,750
Other receivables	-	-	-	Loss reserves	2,278,218	2,276,012	2,304,200
Financial assets at FVTOCI	686,506	685,847	712,981	Special reserves	937,424	926,605	849,060
Ceded unearned premium reserve	754,713	750,282	744,518	Temporary receipts and suspense accounts	-	-	-
Ceded loss reserve	967,539	965,458	983,168	Other liabilities	-	-	-
Temporary payments and suspense accounts	3,541	1,877	2,799				
Other assets	-	-	-				
Total assets	$ 5,146,220	$ 5,143,540	$ 5,040,799	Total liabilities	$ 5,146,220	$ 5,143,540	$ 5,040,799

TABLE 2

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

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

Item	For the Three Months Ended March 31	
	2023	2022
Operating revenues	$ 388,635	$ 380,669
Direct insurance premium revenues	491,592	475,914
Reinsurance premium	191,415	193,886
Premiums income	683,007	669,800
Less: Reinsurance expenses	(294,955)	(285,549)
Net changes in unearned premium reserve	(2,776)	(5,189)
Retained earned premium	385,276	379,062
Interest income	3,359	1,607
Operating costs (Note)	411,880	402,990
Retained claims payments	530,220	407,222
Reinsurance claims payments	178,179	191,976
Less: Claim and payments recoverable from reinsurers	(307,462)	(237,655)
Retained claims payments	400,937	361,543
Net change in loss reserve	124	43,809
Net change in special reserve	10,819	(2,362)

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

TABLE 3

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

TRANSACTIONS WITH RELATED PARTIES INVOLVING MAIN BUSINESS ITEMS REACHING NT$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

The Company Involving Main Business Items	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note (Note 2)
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Cathay Century Insurance Co., Ltd.	Cathay Life Insurance Co., Ltd.	Fellow subsidiary	Premiums income	$ 104,268	1.34	Based on agreement	$ -	-	$ 2,174	0.10	

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

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

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

TABLE 4

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Cathay Century Insurance Co., Ltd.	Cathay Financial Holdings Co., Ltd.	The Company's parent	$ 817,832	Note	$ -	-	$ -	$ -

Note: Turnover rate can not be calculated because it is mainly due to income tax receivable under the integrated income tax system.

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	1	Reinsurance premium	$ 582	Based on agreement	0.01
				Due to reinsurers and ceding companies	5,005	Based on agreement	0.01

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

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

Note 2: Transaction flows are as follows:

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

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

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Vietnam	Property insurance businesses	$ 845,585	$ 845,585	-	100	$ 707,142	$ 8,960	$ 8,960	Note

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of March 31, 2023	Accumulated Repatriation of Investment Income as of March 31, 2023
					Outward	Inward						
Cathay Insurance Co., Ltd. (China)	Property insurance businesses	$ 12,196,844 (CNY 2,632,653 thousand)	a.	$ 2,964,730	$ -	$ -	$ 2,964,730	$ 92,296	24.5	$ 22,613	$ 2,436,035	$ -

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 (Note 4)
$2,964,730 (CNY645,000 thousand)	$2,964,730 (CNY645,000 thousand)	$7,553,986

Note 1: The investment amount is calculated based on historic exchange rate, and other columns are disclosed based on the exchange rate on March 31, 2023.

Note 2: Investment type is as follows:

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

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

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

Note 5: On December 31, 2006, according to letter No. 094022847 issued by the Investment Commission of the Ministry of Economic Affairs (MOEAIC), the Company is authorized to invest US$28,963 thousand and establish an insurance subsidiary, engaging in the property insurance business. On October 8, 2007, according to letter No. 1272 (2007) issued by China Insurance Regulatory Commission (CIRC), the Company is authorized to establish a property insurance company in the form of joint venture with Cathay Life Insurance. The joint venture company named Cathay Insurance Company Ltd. (China) was established in Shanghai and has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, according to letter No. 10200136010 issued by the MOEAIC, the Company is authorized to remit CNY200,000 thousand to increase the share capital. The Company was authorized by CIRC to remit CNY100,000 thousand each on June 13, 2013 and March 18, 2014. On November 23, 2018, according to No. 10700281680 issued by the MOEAIC, the Company was authorized to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 issued by the MOEAIC, the Company was authorized to remit CNY245,000 thousand to increase the share capital. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, the Company's board of directors resolved to suspend capital increase on January 26, 2022. On March 31, 2022, according to No. 11100514060 issued by the MOEAIC, the Company was authorized to write down CNY245,000 thousand which had been remitted according to No. 10800291980 issued by the MOEAIC. As of March 31, 2023, the Company has remitted US$97,292 thousand in total.