

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

**Consolidated Financial Statements for the
Six Months Ended June 30, 2023 and 2022 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Cathay Financial Holding Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the consolidated balance sheets as of June 30, 2023, December 31, 2022 and June 30, 2022, the consolidated statements of comprehensive income for the three months ended June 30, 2023 and 2022 and the six months ended June 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023, December 31, 2022 and June 30, 2022, its consolidated financial performance for the three months ended June 30, 2023 and 2022 and the six months ended June 30, 2023 and 2022, and its consolidated cash flows for the six months ended June 30, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the six months ended June 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the six months ended June 30, 2023 are as follows:

Valuation of Policy Reserve and Liability Adequacy Test

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

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

1. We understood the internal controls related to management's valuation of policy reserves and liability adequacy test as well as evaluated the operating effectiveness of these internal controls.
2. We obtained an understanding of the actuarial report issued by the contracted actuary, which was used as the basis for the management's valuation of policy reserves and liability adequacy test and evaluated the contracted actuary's professional competence and capability.
3. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the valuation of the policy reserve. The actuarial specialist:
 - a. Randomly sampled the insurance products to examine whether the calculations of the policy reserve were made in accordance with the requirements.
 - b. Evaluated the actuarial model and significant assumptions used in its valuation of policy reserve based on the sampled insurance policies and verified the recognized amount of the policy reserve.
 - c. Performed profiling tests on long-term insurance policies as of June 30, 2023 to identify any abnormalities on the recognized amounts of policy reserve in each individual insurance policy.
 - d. Assessed the reasonableness of the amount of provision for the policy reserve by considering the amount of policy reserve as of the end of the prior year and the business development for the six months ended June 30, 2023.

4. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the liability adequacy test. The actuarial specialist:
 - a. Tested on a sample basis the correctness of classification of the newly issued insurance products for the six months ended June 30, 2023.
 - b. Sampled the significant assumptions provided by the management for our audits in order to examine whether the assumptions were consistent with the requirements and the important built-in assumptions in the information system.
 - c. Tested and assessed the actuarial model and its significant assumptions used by the management in its liability adequacy test on a sample basis and performed recalculations on the individual insurance policies.
 - d. Assessed the reasonableness of the calculation results of the liability adequacy test as a whole based on a comparative analysis of the previous year's results and taking into consideration the business development for the six months ended June 30, 2023.

Assessment of the Fair Values of Investment Properties

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

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

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

Impairment Assessment on Loans

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

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

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

1. We obtained an understanding of and tested its internal controls of impairment assessment on loans.
2. We tested the classification of the credit assets into their respective categories out of the total five categories and confirmed that such classification complies with the relevant regulations issued by the authorities.
3. We performed the tests on selected samples and confirmed the appropriateness of impairment by the length of the overdue period and the value of the collateral of each respective loan.
4. We calculated the provision of impairment loss by classifying the credit assets into their respective category and confirmed that such provision complies with the relevant regulations issued by the authorities.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shu-Wan Lin and Shiuh-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 17, 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 audit such consolidated financial statements are those generally applied in the Republic of China.

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6, 28 and 29)	\$ 401,196,388	3	\$ 412,013,900	3	\$ 226,789,570	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	434,934,844	4	266,322,216	2	256,252,523	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5, 7 and 28)	1,829,746,033	14	1,675,024,629	14	1,702,830,104	15
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 8, 28 and 29)	973,682,497	8	929,052,914	8	1,728,060,166	15
DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 9 and 29)	4,606,218,958	36	4,510,776,595	37	3,468,874,827	30
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 5)	4,424	-	29,891	-	32,786	-
NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS (Note 4)	33,839,637	-	38,076,491	-	47,677,194	-
RECEIVABLES, NET (Notes 4, 5, 10 and 28)	285,335,971	2	217,153,186	2	218,205,893	2
CURRENT TAX ASSETS	4,214,082	-	5,158,702	-	4,489,884	-
DISCOUNT AND LOANS, NET (Notes 4, 5, 11 and 28)	2,579,113,477	20	2,495,516,810	21	2,405,862,717	21
REINSURANCE CONTRACT ASSETS, NET	16,357,408	-	15,851,568	-	16,086,240	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 13 and 28)	33,419,101	-	32,883,301	-	34,888,255	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 23)	723,057,254	6	669,832,659	6	659,172,052	6
INVESTMENT PROPERTIES, NET (Notes 4, 5, 14, 28 and 29)	452,088,622	4	448,140,598	4	440,912,033	4
PROPERTY AND EQUIPMENT, NET (Notes 4, 15 and 29)	109,118,831	1	108,550,891	1	97,695,894	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 28)	5,472,836	-	4,833,197	-	4,390,689	-
INTANGIBLE ASSETS, NET (Notes 4 and 17)	50,731,867	-	51,636,617	-	51,475,684	-
DEFERRED TAX ASSETS (Note 4)	85,632,719	1	89,895,981	1	105,357,439	1
OTHER ASSETS, NET (Notes 28 and 29)	<u>85,062,353</u>	<u>1</u>	<u>100,135,437</u>	<u>1</u>	<u>114,230,147</u>	<u>1</u>
TOTAL	<u>\$ 12,709,227,302</u>	<u>100</u>	<u>\$ 12,070,885,583</u>	<u>100</u>	<u>\$ 11,583,284,097</u>	<u>100</u>
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 153,112,495	1	\$ 97,309,239	1	\$ 90,799,739	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 7)	205,548,009	2	182,999,244	2	201,800,499	2
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 5)	5,425,783	-	3,716,091	-	1,929,739	-
NOTES AND BONDS SOLD UNDER REPURCHASE AGREEMENTS (Note 4)	47,569,817	-	34,723,428	-	38,626,244	-
COMMERCIAL PAPER PAYABLE, NET (Note 18)	64,446,512	1	73,880,000	1	60,999,761	1
PAYABLES (Note 28)	114,947,266	1	73,787,470	1	127,916,024	1
CURRENT TAX LIABILITIES (Note 4)	1,685,618	-	4,484,328	-	4,493,448	-
DEPOSITS AND REMITTANCES (Notes 19 and 28)	3,420,192,336	27	3,185,436,089	26	2,994,944,560	26
BONDS PAYABLE (Note 20)	141,100,000	1	132,147,398	1	138,063,726	1
OTHER BORROWINGS	12,908,519	-	12,763,713	-	679,975	-
PROVISIONS (Notes 4, 21 and 22)	6,927,295,200	55	6,842,132,184	57	6,705,974,983	58
OTHER FINANCIAL LIABILITIES (Notes 4 and 23)	785,719,239	6	720,648,395	6	689,235,891	6
LEASE LIABILITIES (Notes 4, 16 and 28)	19,806,827	-	19,240,853	-	18,649,387	-
DEFERRED TAX LIABILITIES (Note 4)	55,148,923	-	49,779,071	-	34,508,670	-
OTHER LIABILITIES (Note 28)	<u>33,753,670</u>	<u>-</u>	<u>26,130,045</u>	<u>-</u>	<u>23,268,868</u>	<u>-</u>
Total liabilities	<u>11,988,660,214</u>	<u>94</u>	<u>11,459,177,548</u>	<u>95</u>	<u>11,131,891,514</u>	<u>96</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 24)						
Share capital						
Ordinary shares	146,692,102	1	146,692,102	1	131,692,102	1
Preference shares	15,333,000	-	15,333,000	-	15,333,000	-
Capital surplus	202,184,316	2	215,318,047	2	177,122,144	2
Retained earnings						
Legal reserve	72,994,637	1	73,747,059	1	73,747,059	1
Special reserve	378,461,911	3	150,768,651	1	150,768,651	1
Unappropriated earnings	32,223,490	-	230,331,762	2	249,982,416	2
Other equity	<u>(140,685,484)</u>	<u>(1)</u>	<u>(233,350,281)</u>	<u>(2)</u>	<u>(359,066,334)</u>	<u>(3)</u>
Total equity attributable to owners of the Company	707,203,972	6	598,840,340	5	439,579,038	4
NON-CONTROLLING INTERESTS (Notes 4 and 24)	<u>13,363,116</u>	<u>-</u>	<u>12,867,695</u>	<u>-</u>	<u>11,813,545</u>	<u>-</u>
Total equity	<u>720,567,088</u>	<u>6</u>	<u>611,708,035</u>	<u>5</u>	<u>451,392,583</u>	<u>4</u>
TOTAL	<u>\$ 12,709,227,302</u>	<u>100</u>	<u>\$ 12,070,885,583</u>	<u>100</u>	<u>\$ 11,583,284,097</u>	<u>100</u>

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Notes 4 and 28)	\$ 75,720,173	81	\$ 59,521,589	56	\$ 147,690,238	91	\$ 112,786,175	47
INTEREST EXPENSE (Notes 4 and 28)	(14,731,946)	(16)	(4,275,213)	(4)	(27,188,745)	(17)	(7,497,364)	(3)
NET INTEREST INCOME	60,988,227	65	55,246,376	52	120,501,493	74	105,288,811	44
NET INCOME AND GAINS OTHER THAN INTEREST INCOME								
Net gain on service fee and commission fee (Notes 4, 25 and 28)	3,138,182	3	4,089,522	4	7,335,605	5	8,352,662	4
Net income on insurance operations (Notes 4, 25 and 28)	(5,982,545)	(6)	12,522,935	12	(9,028,582)	(6)	42,262,291	18
(Loss) gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 7)	(24,908,240)	(27)	(210,915,765)	(200)	53,952,243	33	(347,425,404)	(146)
Gain on investment properties (Notes 4, 14 and 28)	2,780,358	3	4,222,655	4	5,928,587	4	7,818,646	3
Realized gain on financial assets at fair value through other comprehensive income (Note 4)	3,611,670	4	2,695,808	3	3,745,601	2	5,541,282	2
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	934,723	1	1,594,157	1	2,961,786	2	10,495,640	4
Foreign exchange gain (Note 4)	69,220,279	74	105,225,506	100	45,003,606	28	200,342,186	84
Impairment loss on assets (Note 4)	(721,843)	(1)	(886,316)	(1)	(855,746)	(1)	(3,545,277)	(1)
Share of profit of associates and joint ventures accounted for using the equity method (Notes 4 and 13)	678,594	1	815,829	1	1,363,143	1	1,243,451	1
(Loss) gain on reclassification using the overlay approach (Notes 4 and 7)	(15,998,415)	(17)	140,375,725	133	(76,498,069)	(47)	227,884,088	96
Net other non-interest gain (loss) (Note 28)	261,244	-	(9,267,049)	(9)	8,002,814	5	(20,462,111)	(9)
PROFIT FROM OPERATIONS	94,002,234	100	105,719,383	100	162,412,481	100	237,796,265	100
NET CHANGES IN INSURANCE LIABILITY RESERVE (Notes 21 and 25)	(35,440,986)	(37)	(59,792,902)	(56)	(73,660,175)	(45)	(130,813,535)	(55)
PROVISION FOR BAD DEBT, COMMITMENTS AND GUARANTEE RESERVE	(1,607,161)	(2)	(1,165,546)	(1)	(1,260,923)	(1)	(1,213,111)	-
OPERATING EXPENSES (Notes 22, 25 and 28)								
Employee benefit expenses	(15,194,172)	(16)	(13,019,720)	(12)	(29,814,219)	(18)	(27,104,742)	(11)
Depreciation and amortization expenses	(2,115,580)	(2)	(1,821,282)	(2)	(4,220,266)	(3)	(3,607,843)	(2)
Other general and administrative expenses	(8,218,173)	(9)	(5,972,709)	(6)	(14,793,312)	(9)	(11,301,377)	(5)
Total operating expenses	(25,527,925)	(27)	(20,813,711)	(20)	(48,827,797)	(30)	(42,013,962)	(18)

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 31,426,162	34	\$ 23,947,224	23	\$ 38,663,586	24	\$ 63,755,657	27
INCOME TAX EXPENSE (Notes 4 and 26)	(5,581,758)	(6)	(9,009,113)	(9)	(5,645,798)	(3)	(14,442,263)	(6)
NET INCOME	25,844,404	28	14,938,111	14	33,017,788	21	49,313,394	21
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 24)								
Items that will not be reclassified subsequently to profit or loss:								
Remeasurement of defined benefit plans	-	-	-	-	(2,723)	-	(826)	-
Property revaluation surplus	-	-	1,322,404	1	-	-	1,322,404	1
Gain (loss) on equity instruments at fair value through other comprehensive income	5,392,234	6	(20,954,912)	(20)	14,687,746	9	(15,454,995)	(7)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	57,356	-	54,504	-	232,964	-	388,021	-
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	(57,150)	-	(340,343)	-	(537,111)	-	(735,495)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	71,950	-	390,699	1	(21,573)	-	460,434	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	831,693	1	92,747	-	996,560	-	3,638,807	2
(Loss) gain on hedging instruments	(639,150)	(1)	389,727	-	(511,135)	-	399,823	-
(Loss) gain on debt instruments at fair value through other comprehensive income	(6,137,045)	(6)	(158,769,082)	(150)	8,038,569	5	(292,944,844)	(123)

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Share of other comprehensive income (loss) income of associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	\$ 134,592	-	\$ (82,840)	-	\$ 180,502	-	\$ 644,920	-
Other comprehensive income (loss) income reclassified using the overlay approach	15,998,415	17	(140,375,725)	(133)	76,498,069	47	(227,884,088)	(96)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 26)	386,363	-	37,856,978	36	(6,555,341)	(4)	68,645,004	29
Total other comprehensive income (loss) for the period, net of income tax	16,039,258	17	(280,415,843)	(265)	93,006,527	57	(461,520,835)	(194)
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 41,883,662</u>	<u>45</u>	<u>\$ (265,477,732)</u>	<u>(251)</u>	<u>\$ 126,024,315</u>	<u>78</u>	<u>\$ (412,207,441)</u>	<u>(173)</u>
NET INCOME								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 25,486,639	27	\$ 14,600,898	14	\$ 32,495,667	20	\$ 48,807,660	21
Non-controlling interests	357,765	1	337,213	-	522,121	1	505,734	-
	<u>\$ 25,844,404</u>	<u>28</u>	<u>\$ 14,938,111</u>	<u>14</u>	<u>\$ 33,017,788</u>	<u>21</u>	<u>\$ 49,313,394</u>	<u>21</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owner of the Company	\$ 41,334,353	44	\$ (265,771,793)	(251)	\$ 124,888,302	77	\$ (412,962,777)	(173)
Non-controlling interests	549,309	1	294,061	-	1,136,013	1	755,336	-
	<u>\$ 41,883,662</u>	<u>45</u>	<u>\$ (265,477,732)</u>	<u>(251)</u>	<u>\$ 126,024,315</u>	<u>78</u>	<u>\$ (412,207,441)</u>	<u>(173)</u>
EARNINGS PER SHARE (Note 27)								
Basic earnings per share	<u>\$ 1.50</u>		<u>\$ 0.85</u>		<u>\$ 1.98</u>		<u>\$ 3.45</u>	

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

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company																
							Other Equity										
	Share Capital		Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using the Overlay Approach	Others	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Preferred Shares		Legal Reserve	Special Reserve												
BALANCE AT JANUARY 1, 2022	\$ 131,692,102	\$ 15,333,000	\$ 177,244,388	\$ 59,471,895	\$ 150,716,023	\$ 267,799,001	\$ (18,652,251)	\$ 47,131,473	\$ 335,851	\$ (889,397)	\$ (966,130)	\$ 11,281,909	\$ 64,764,671	\$ (3,224,389)	\$ 902,038,146	\$ 12,000,581	\$ 914,038,727
Appropriation of 2021 earnings																	
Legal reserve	-	-	-	14,275,164	-	(14,275,164)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	52,628	(52,628)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(46,092,235)	-	-	-	-	-	-	-	-	(46,092,235)	-	(46,092,235)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(122,244)	-	-	-	-	-	-	-	-	-	-	-	(122,244)	-	(122,244)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(621,991)	-	-	-	-	-	-	-	731,063	109,072	(109,072)	-
Net income for the six months ended June 30, 2022	-	-	-	-	-	48,807,660	-	-	-	-	-	-	-	-	48,807,660	505,734	49,313,394
Other comprehensive income (loss) for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	-	3,532,489	(255,721,184)	323,172	310,417	34,668	1,311,727	(211,561,726)	-	(461,770,437)	249,602	(461,520,835)
Total comprehensive income (loss) for six months ended June 30, 2022	-	-	-	-	-	48,807,660	3,532,489	(255,721,184)	323,172	310,417	34,668	1,311,727	(211,561,726)	-	(412,962,777)	755,336	(412,207,441)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(2,175,939)	-	2,175,939	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	(15,364)	-	-	-	-	-	15,364	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(833,300)	(833,300)
BALANCE AT JUNE 30, 2022	\$ 131,692,102	\$ 15,333,000	\$ 177,122,144	\$ 73,747,059	\$ 150,768,651	\$ 249,982,416	\$ (15,119,762)	\$ (206,413,772)	\$ 659,023	\$ (578,980)	\$ (931,462)	\$ 12,609,000	\$ (146,797,055)	\$ (2,493,326)	\$ 439,579,038	\$ 11,813,545	\$ 451,392,583
BALANCE AT JANUARY 1, 2023	\$ 146,692,102	\$ 15,333,000	\$ 215,318,047	\$ 73,747,059	\$ 150,768,651	\$ 230,331,762	\$ (13,027,301)	\$ (58,533,041)	\$ 950,265	\$ (428,795)	\$ (1,097,143)	\$ 12,609,000	\$ (171,329,940)	\$ (2,493,326)	\$ 598,840,340	\$ 12,867,695	\$ 611,708,035
Appropriation of 2022 earnings																	
Legal reserve	-	-	-	2,638,502	-	(2,638,502)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	227,719,196	(227,719,196)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	(13,202,289)	-	-	-	-	-	-	-	-	-	-	-	(13,202,289)	-	(13,202,289)
Cash dividends on preferred shares	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	-	-	(3,390,924)	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	52,019	-	-	(15)	-	-	-	-	-	-	-	-	52,004	-	52,004
Net income for the six months ended June 30, 2023	-	-	-	-	-	32,495,667	-	-	-	-	-	-	-	-	32,495,667	522,121	33,017,788
Other comprehensive income (loss) for the six months ended June 30, 2023, net of income tax	-	-	-	-	-	-	1,322,139	20,971,182	(410,562)	186,372	(126,486)	-	70,449,990	-	92,392,635	613,892	93,006,527
Total comprehensive income (loss) for six months ended June 30, 2023	-	-	-	-	-	32,495,667	1,322,139	20,971,182	(410,562)	186,372	(126,486)	-	70,449,990	-	124,888,302	1,136,013	126,024,315
Share-based payment transactions	-	-	16,539	-	-	-	-	-	-	-	-	-	-	-	16,539	-	16,539
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(272,162)	-	272,162	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(25,936)	25,936	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(640,592)	(640,592)
BALANCE AT JUNE 30, 2023	\$ 146,692,102	\$ 15,333,000	\$ 202,184,316	\$ 72,994,637	\$ 378,461,911	\$ 32,223,490	\$ (11,705,162)	\$ (37,289,697)	\$ 539,703	\$ (242,423)	\$ (1,223,629)	\$ 12,609,000	\$ (100,879,950)	\$ (2,493,326)	\$ 707,203,972	\$ 13,363,116	\$ 720,567,088

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 38,663,586	\$ 63,755,657
Adjustments for:		
Depreciation expense	2,644,781	2,115,801
Amortization expense	1,575,485	1,492,042
Bad debt expense	1,260,923	1,213,111
(Gain) loss on financial assets and liabilities at fair value through profit or loss	(46,506,884)	354,273,509
Interest expense	27,188,745	7,497,364
Net gain on derecognition of financial assets at amortized cost	(2,961,786)	(10,495,640)
Interest income	(147,690,238)	(112,786,175)
Dividend income	(11,326,113)	(12,947,338)
Net changes in insurance liabilities	93,345,455	234,168,730
Net changes in other provisions	(7,336,536)	23,967,142
Compensation cost of share-based payments	16,539	-
Share of profit of associates and joint ventures accounted for using the equity method	(1,363,143)	(1,243,451)
Loss (gain) on reclassification using the overlay approach	76,498,069	(227,884,088)
(Gain) loss on disposal and retirement of property and equipment	(155,033)	9,477
Gain on disposal of investment properties	(4,926)	(2,300)
Gain on disposal of assets held for sale	-	(440,613)
Gain on disposal of investments accounted for using the equity method	-	(20,837)
Gain on disposal of investments	(305,251)	(681,229)
Expected credit loss on financial assets	855,746	3,545,277
Loss (gain) on changes in fair value of investment properties	108,220	(1,907,068)
Gain on disposal of subsidiaries	(398)	-
Net changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(3,344,045)	(631,990)
Decrease in financial assets at fair value through profit or loss	50,675,117	142,314,603
Increase in financial assets at fair value through other comprehensive income	(18,641,712)	(409,640,529)
Increase in debt instruments at amortized cost	(92,579,129)	(193,277,866)
(Increase) decrease in financial assets for hedging	(476,019)	1,084,759
(Increase) decrease in receivables	(56,715,240)	833,246
Increase in loans	(84,540,835)	(119,935,879)
Increase in reinsurance assets	(673,983)	(3,970,138)
Decrease in other financial assets	2,806,130	2,932,108
Decrease in other assets	552,415	340,740
Increase in deposits from the Central Bank and banks	55,803,256	16,194,565
Decrease in financial liabilities at fair value through profit or loss	(137,653,456)	(146,564,046)
Increase in financial liabilities for hedging	1,700,043	1,691,703
		(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2023	2022
Increase (decrease) in notes and bonds sold under repurchase agreements	\$ 12,787,709	\$ (1,201,629)
Increase in payables	22,173,303	1,811,980
Increase in deposits and remittances	234,756,247	122,984,507
Decrease in provisions for employee benefits	(747,490)	(239,859)
Increase (decrease) in provisions	80,788	(47,481)
Increase in other financial liabilities	9,040,111	3,930,324
Increase (decrease) in other liabilities	<u>9,709,126</u>	<u>(20,007,742)</u>
Cash generated from (used in) operations	29,219,577	(277,769,253)
Interest received	138,070,103	101,022,555
Dividends received	10,938,759	12,377,292
Interest paid	(25,176,915)	(8,306,265)
Income tax paid	<u>(4,639,496)</u>	<u>(8,992,721)</u>
Net cash generated from (used in) operating activities	<u>148,412,028</u>	<u>(181,668,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(14,645,858)	(11,476,288)
Proceeds from disposal of financial assets at fair value through other comprehensive income	11,715,592	11,051,667
Acquisition of financial assets at fair value through profit or loss	(1,003,349)	(599,981)
Proceeds from disposal of financial assets at fair value through profit or loss	299,929	266,257
Acquisition of investments accounted for using the equity method	-	(2,308,500)
Proceeds from disposal of investments accounted for using equity method	-	29,447
Net of cash outflow on acquisition of subsidiaries (after deduction of cash and cash equivalent balances acquired)	(163,929)	-
Proceeds from disposal of subsidiaries	30,744	-
Proceeds from disposal of assets held for sale	-	723,700
Acquisition of property and equipment	(2,345,466)	(1,475,817)
Proceeds from disposal of property and equipment	11,039	397
Acquisition of intangible assets	(194,800)	(244,139)
Acquisition of investment properties	(2,566,255)	(1,734,439)
Proceeds from disposal of investment properties	58,236	36,800
Decrease (Increase) in other assets	12,819,391	(53,876,743)
Dividends received	<u>24,670</u>	<u>31,727</u>
Net cash generated from (used in) investing activities	<u>4,039,944</u>	<u>(59,575,912)</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in funds borrowed from the Central Bank and banks	\$ -	\$ (1,076,000)
Decrease in commercial paper payable	(9,430,000)	(2,470,000)
Proceeds from issuance of convertible bonds	19,000,000	-
Proceeds from issuance of financial debentures	-	545,684
Repayment of financial debentures	(10,048,944)	(4,317,040)
Increase (decrease) in other borrowings	142,044	(1,069,017)
Repayment of the principal portion of lease liabilities	(1,002,350)	(986,410)
(Decrease) increase in other liabilities	(2,206,091)	2,480,015
Acquisition of interests in subsidiaries	-	(911,234)
Changes in non-controlling interests	(648,019)	(833,297)
Net cash used in financing activities	(4,193,360)	(8,637,299)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,960,699	555,928
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	150,219,311	(249,325,675)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	620,603,407	692,041,687
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 770,822,718	\$ 442,716,012
Reconciliation of cash and cash equivalents:		
	June 30	
	2023	2022
Cash and cash equivalents presented in the consolidated balance sheets	\$ 401,196,388	\$ 226,789,570
Due from the Central Bank and call loans to banks qualified for cash and cash equivalents under the definition of IAS 7	335,786,693	168,249,248
Notes and bonds purchased under resale agreements qualified for cash and cash equivalents under the definition of IAS 7	33,839,637	47,677,194
Cash and cash equivalents at the end of the period	\$ 770,822,718	\$ 442,716,012

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

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on August 17, 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 FSC

Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"

The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Group should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Group to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Group should disclose qualitative and quantitative information that helps users of financial statements understand the Group's exposure to Pillar Two income taxes. The requirement that the Group apply the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

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

- b. The IFRSs endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRSs will be 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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.

- c. 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
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 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

- IFRS 17 “Insurance Contracts” and its amendments

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

Level of aggregation

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

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

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

Recognition

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

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

Measurement on initial recognition

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

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

Subsequent measurement

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

Onerous contracts

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

Premium Allocation Approach (PAA)

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

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

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

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

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

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

Investment contracts with discretionary participation features

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

Modification and derecognition

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

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

Transition

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

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

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

Redesignation of financial assets

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Statements by Insurance Enterprises, Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Statements by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

Basis of Preparation

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

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

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

Basis of Consolidation

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

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

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

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

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

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

Business Combinations

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

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

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

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

Foreign Currencies

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

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

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

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

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

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

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

Investments in Associates

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

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

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

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

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

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

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

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

Property and Equipment

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

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

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

For a contract where a land owner provides land for the construction of buildings by a property developer in exchange for a certain percentage of the buildings, any exchange gain or loss is recognized when the exchange transaction occurs, if the buildings acquired are classified as property and equipment and if the exchange transaction has commercial substance.

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

Investment Properties

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

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

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

For a transfer of classification from investment properties to property and equipment, the deemed cost of the property for subsequent accounting is its fair value at the commencement of owner-occupation. For a transfer of classification from property and equipment to investment properties at the end of owner-occupation, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income and accumulated in gain on property revaluation under other equity that will be transferred directly to retained earnings when the asset is derecognized.

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

Goodwill

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

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

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

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

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

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

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

Financial Instruments

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

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to 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 or issue of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

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

1) Measurement categories

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

a) Financial assets at FVTPL

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

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

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

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

b) Financial assets at amortized cost

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

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

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

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

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

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

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

In addition, in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, Cathay Life and Cathay Century classify their credit assets as normal ("First Category"), assets that require special 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 collaterals and the length of time overdue. The minimum amounts of allowance for bad debts are based upon each of the following categories:

- a) The sum of 0.5% of the First Category loan assets excluding life insurance policy loans, premium loans and loans to government agencies, 2% of the Second Category of loan assets, 10% of the Third Category of loan assets, as well as 50% and 100% of the Fourth and Fifth category loan assets.
- b) 1% of the sum of all five categories of loan assets excluding life insurance policy loans, premium loans and loans to government agencies.
- c) Total unsecured portion of non-performing loans and non-accrual loans.

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

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

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

3) Derecognition of financial assets

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

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

4) Offsetting of financial instruments

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

5) Reclassification of financial assets

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

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

b. Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized and deducted directly from equity, and its carrying amounts are calculated based on the 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.

c. Financial liabilities

1) Subsequent measurement

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

Financial liabilities at FVTPL

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

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

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

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

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

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

Financial guarantee contracts

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

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

e. Modification of financial instrument

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

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

Hedge Accounting

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

a. Fair value hedges

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

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

b. Cash flow hedges

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

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

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

c. Hedges of net investments in foreign operations

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

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

Notes and Bonds Purchased/Sold Under Resale/Repurchase Agreements

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

Separate Accounts Insurance Products

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

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

Insurance Liability

a. Cathay Life

Funds reserved for insurance contracts and financial instruments with or without a discretionary participation features are determined in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and validated by the certified actuarial professionals approved by the FSC. For investment contracts with discretionary participation features, the guaranteed elements are not separately recognized from the discretionary participation features, and the whole contract is classified as a liability. The provision of reserve for short-term group insurance is based upon the greater of premium received or calculated according to Jin Guan Bao Tsai No. 11004925801. Provision of reserve for the other insurance liabilities is as follows:

1) Unearned premium reserve

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

2) Loss reserve

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

3) Policy reserve

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

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

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

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

4) Special reserve

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

The increments due to measuring the property at fair value, except for the portion in offsetting adverse effects of the first-time adoption of IFRSs on other accounts, the excess should be set aside as special reserve for revaluation increments of property under insurance liabilities.

5) Premium deficiency reserve

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

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

6) Other reserve

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

7) Liability adequacy reserve

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

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

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

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

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

d. Cathay Century and its subsidiaries

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

The descriptions of these reserves are as follows:

1) Unearned premium reserve

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

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

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

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

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

2) Loss reserve

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

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

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

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

3) Special reserve

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

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

Furthermore, according to the Notice for the Improvement of the Reserves of Natural Disaster Insurances (commercial-business earthquake, typhoon and flood insurances enterprises) issued by the Financial Supervisory Commission on November 9, 2012, except for those special reserves of compulsory automobile insurances, nuclear energy insurances, residential earthquake insurances, commercial-business earthquake insurances and typhoon and flood insurances, the special reserves recognized as liabilities before December 31, 2012 were used to compensate the deficiencies of commercial-business earthquake insurances and typhoon and flood insurances to the required level and were recognized as liabilities. The remaining special reserves were reclassified as equity, net of tax according to IAS 12 starting from January 1, 2013. In addition, the above precautions were amended in accordance with Rule No. 11101405951 on June 30, 2022, and the name was changed to “Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises”. According to point eight of the Notice, when the actual claims net of the debit amounts to special reserves for catastrophic events exceed the expected claims after deducting the special reserve for major accidents, or the total accumulated deposit reaches the full water level, an appropriate amount should be written off or recovered from the special reserves for fluctuation of risk pursuant to the third point of the “Regulations Governing the Reserves for Commercial-business Earthquake Insurance and Typhoon and Flood Insurance”. The write off and recovery of special reserves for catastrophic events and fluctuation of risk provided under liabilities should be in conformity with the notice mentioned above.

a) Special reserves for catastrophic events

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

As a single event that meets the government’s definition of a major accident, special reserves for catastrophic events 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 reaches \$2,000 million.

Special reserves for catastrophic events that have been provided for more than 15 years may be reversed in the manner prescribed by the appointed actuary, which should be filed with the authorities. In addition, such reserves for commercial-business 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 amount 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 events 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 for other insurance types. The insurance type and debit amounts for covering the shortfall should be filed with the authorities.

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

4) Premium deficiency reserve

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

5) Policy reserve

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

6) Liability adequacy reserve

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

Liability Adequacy Test

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

Reserve for Insurance Contracts with the Nature of Financial Products

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

Reserve for Foreign Exchange Valuation

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

Revenue and the Related Expenses Recognition

a. Cathay Life and its subsidiaries

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

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

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

2) Cathay Lujiazui Life

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

3) Cathay Life (Vietnam)

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

b. Cathay United Bank and its subsidiaries

1) Recognition of interest revenue and expense

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

2) Recognition of service fee revenue and expense

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

3) Customer loyalty program

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

c. Cathay Century and its subsidiaries

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

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

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

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

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

Provision for loss reserve is not discounted.

d. Cathay Securities

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

Classification of Insurance Products

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

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

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

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

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

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

Reinsurance

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

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

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

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

Provisions

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

Leases

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

a. The Group as lessor

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

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

b. The Group as lessee

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

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

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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

c. Termination benefits

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

d. Employee preferential interest rate deposits

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

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

Taxation

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

a. Current tax

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

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

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

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

b. Deferred tax

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

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

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

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

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

c. Current and deferred taxes for the year

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

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of loans

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

b. Fair value measurements and valuation processes

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

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

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

c. Valuation of insurance contract liabilities

1) Cathay Life and its subsidiaries

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

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

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

2) Cathay Century and its subsidiaries

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand	\$ 21,842,859	\$ 25,804,834	\$ 18,748,017
Cash in banks	177,255,164	142,995,682	105,058,292
Time deposits	106,649,109	115,356,201	25,291,763
Checks for clearing	2,055,981	5,633,023	2,091,704
Cash equivalents	19,027,814	33,985,224	6,805,132
Due from banks	74,421,137	88,281,746	68,815,126
Less: Loss allowance	<u>(55,676)</u>	<u>(42,810)</u>	<u>(20,464)</u>
	<u>\$ 401,196,388</u>	<u>\$ 412,013,900</u>	<u>\$ 226,789,570</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Financial assets mandatorily classified as at FVTPL</u>			
Stocks	\$ 422,955,122	\$ 416,247,404	\$ 463,390,603
Funds and beneficiary certificates	752,925,977	706,159,006	691,453,876
Government bonds	1,968,962	9,106,147	2,943,993
Corporate bonds	20,485,006	10,439,754	19,301,310
Financial debentures	99,692,310	51,335,119	52,711,267
Overseas bonds	279,152,449	268,876,240	280,592,148
Short-term notes	133,430,961	95,605,849	100,798,971
Futures trading margin	441,776	159,636	511,907
Structured time deposits	14,085,702	13,981,139	14,152,546
Derivative instruments	<u>104,607,768</u>	<u>103,114,335</u>	<u>76,973,483</u>
	<u>\$ 1,829,746,033</u>	<u>\$ 1,675,024,629</u>	<u>\$ 1,702,830,104</u>
<u>Financial liabilities at FVTPL</u>			
Designated as at FVTPL			
Bonds	\$ 40,134,653	\$ 39,076,751	\$ 40,342,514
Held for trading			
Derivative instruments	164,952,575	142,950,303	157,922,691
Security lending payable (non-hedging)	452,396	639,802	3,504,275
Security lending payable (hedging)	<u>8,385</u>	<u>332,388</u>	<u>31,019</u>
	<u>\$ 205,548,009</u>	<u>\$ 182,999,244</u>	<u>\$ 201,800,499</u>

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

	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets mandatorily classified as at FVTPL			
Stocks	\$ 411,213,891	\$ 409,746,186	\$ 451,811,293
Funds and beneficiary certificates	722,557,717	661,870,978	675,455,827
Financial debentures	20,458,094	16,235,380	12,639,663
Overseas bonds	278,170,458	267,877,938	278,553,637
Structured time deposits	<u>14,085,702</u>	<u>13,981,139</u>	<u>14,152,546</u>
	<u>\$ 1,446,485,862</u>	<u>\$ 1,369,711,621</u>	<u>\$ 1,432,612,966</u>

Reclassifications from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the three months and six months ended June 30, 2023 and 2022 are as below:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Gain (loss) due to application of IFRS 9 to profit or loss	\$ 39,610,308	\$(117,707,777)	\$ 121,367,055	\$(180,240,922)
Gain if applying IAS 39 to profit or loss	<u>(23,611,893)</u>	<u>(22,667,948)</u>	<u>(44,868,986)</u>	<u>(47,643,166)</u>
Loss (gain) reclassified due to application of overlay approach	<u>\$ 15,998,415</u>	<u>\$(140,375,725)</u>	<u>\$ 76,498,069</u>	<u>\$(227,884,088)</u>

Due to application of overlay approach, the amounts of gain and loss on financial assets and liabilities at FVTPL for the three months and six months ended June 30, 2023 and 2022 had increased from loss of \$24,908,240 thousand to loss of \$40,906,655 thousand, decreased from loss of \$210,915,765 thousand to loss of \$70,540,040 thousand, decreased from gain of \$53,952,243 thousand to loss of \$22,545,826 thousand and decreased from loss of \$347,425,404 thousand to loss of \$119,541,316 thousand, respectively.

- b. Financial liabilities designated as at FVTPL

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

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

Cathay United Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the six months ended June 30, 2023 and 2022, such interest rate swaps were valued with a net profit of \$576,667 thousand and net loss of \$3,092,844 thousand, respectively.

- c. As of June 30, 2022, Cathay Securities and its subsidiaries sold certain financial assets at FVTPL under repurchase agreements with notional amount of \$345,605 thousand.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2023	December 31, 2022	June 30, 2022
Investments in equity instrument at FVTOCI			
Stocks	<u>\$ 155,367,236</u>	<u>\$ 116,432,806</u>	<u>\$ 203,008,676</u>
Investments in debt instrument at FVTOCI			
Government bonds	103,350,503	99,707,940	110,356,980
Corporate bonds	88,346,525	77,298,462	94,744,050
Financial debentures	58,972,909	56,897,017	49,721,700
Overseas bonds	402,052,018	338,755,440	1,161,809,475
Asset-backed securities	14,241,081	7,052,947	8,237,689
Negotiable certificates of deposits	165,512,686	246,261,699	112,072,771
Less: Litigation deposits	(36,473)	(36,548)	(36,790)
Less: Deposits in the Central Bank	(2,101,945)	(2,053,785)	(965,146)
Less: Derivative collateral	<u>(12,022,043)</u>	<u>(11,263,064)</u>	<u>(10,889,239)</u>
	<u>818,315,261</u>	<u>812,620,108</u>	<u>1,525,051,490</u>
	<u>\$ 973,682,497</u>	<u>\$ 929,052,914</u>	<u>\$ 1,728,060,166</u>

- a. These investments in equity instruments are not held for trading and thus were designated as financial assets at FVTOCI.
- b. Dividend income recognized relating to investments in equity instruments at FVTOCI for the three months and six months ended June 30, 2023 and 2022 were \$3,424,782 thousand, \$4,718,573 thousand, \$3,463,084 thousand and \$4,860,053 thousand, respectively. Those related to investment derecognized for the three months and six months ended June 30, 2023 and 2022 were \$49,992 thousand, \$668,563 thousand, \$50,248 thousand and \$689,722 thousand, respectively.
- c. In consideration of the investment strategy, the Group sold equity instruments at FVTOCI at fair values of \$6,943,677 thousand and \$23,525,738 thousand at the time of sale, and transferred unrealized loss of \$272,162 thousand and loss of \$2,175,939 thousand from other equity to retained earnings for the six months ended June 30, 2023 and 2022, respectively.
- d. As of June 30, 2023, December 31, 2022 and June 30, 2022, certain financial assets at FVTOCI of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$43,393,520 thousand, \$20,288,287 thousand and \$25,956,307 thousand, respectively. The proceeds amounting to \$39,136,398 thousand, \$18,969,910 thousand and \$23,423,859 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$39,506,738 thousand, \$19,113,099 thousand and \$23,454,102 thousand before the end of November 2023, May 2023 and January 2023, respectively.
- e. As of June 30, 2023, December 31, 2022 and June 30, 2022, Cathay Securities and its subsidiaries sold certain debt instruments at FVTOCI under repurchase agreements with notional amounts of \$6,828,225 thousand, \$4,274,560 thousand and \$3,093,150 thousand, respectively.

- f. Refer to Note 29 for the financial assets at FVTOCI that were pledged as collateral.
- g. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at FVTOCI.
- h. Refer to Note 36 for information relating to reclassified debt instruments at FVTOCI and to debt instruments at amortized cost.

9. DEBT INSTRUMENTS AT AMORTIZED COST

	June 30, 2023	December 31, 2022	June 30, 2022
Time deposits	\$ 9,618,999	\$ 8,735,223	\$ 7,182,172
Financial debentures	77,285,222	75,935,708	72,380,621
Corporate bonds	50,708,046	50,874,868	42,998,500
Government bonds	77,491,595	81,566,816	82,623,543
Overseas bonds	4,019,210,913	3,918,757,911	2,809,144,033
Financial asset beneficiary certificates	2,237,000	2,237,000	2,237,000
Asset-backed securities	67,045,546	64,605,102	60,363,901
Short-term notes	321,171,922	325,589,626	409,460,651
Less: Guarantee deposits	(1,508,417)	(1,527,314)	(1,181,116)
Less: Deposits in the Central Bank	(8,266,157)	(7,431,186)	(8,815,820)
Less: Derivative collateral	(5,098,982)	(5,054,740)	(4,814,648)
Less: Loss allowance (Note)	<u>(3,676,729)</u>	<u>(3,512,419)</u>	<u>(2,704,010)</u>
	<u>\$ 4,606,218,958</u>	<u>\$ 4,510,776,595</u>	<u>\$ 3,468,874,827</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of June 30, 2023, December 31, 2022 and June 30, 2022, the amounts were \$859 thousand, \$754 thousand and \$511 thousand, respectively.

- a. For the three months and six months ended June 30, 2023 and 2022, the Group disposed of bonds before maturity due to increase in credit risk, which resulted in gains (losses) on disposal of \$(14,788) thousand, \$(26,244) thousand, \$(136,510) thousand and \$443,963 thousand, respectively; disposal of bonds close to maturity with proceeds that approximate remaining contractual cashflows, which resulted in gains on disposal of \$0 thousand, \$17,824 thousand, \$0 thousand and \$15,943 thousand, respectively; disposal of bonds before maturity because of infrequent sales or sales that are insignificant in value (either individually or in aggregate) resulted in gains on disposal of \$1,096,466 thousand, \$1,826,840 thousand, \$3,282,338 thousand and \$9,910,051 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in gains (losses) on disposal of \$(146,955) thousand, \$(224,263) thousand, \$(184,042) thousand and \$335,802 thousand, respectively.
- b. As of June 30, 2023, December 31, 2022 and June 30, 2022, certain debt instruments at amortized cost of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$2,233,615 thousand, \$16,286,483 thousand and \$14,354,789 thousand, respectively. The proceeds amounting to \$2,135,200 thousand, \$11,761,896 thousand and \$12,186,151 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$2,148,949 thousand, \$11,835,606 thousand and \$12,201,803 thousand before the end of November 2023, March 2023 and August 2022, respectively.
- c. Refer to Note 29 for information relating to debt instruments at amortized cost pledged as collateral.
- d. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at amortized cost.

10. RECEIVABLES, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable	\$ 488,103	\$ 513,968	\$ 470,546
Accounts receivable	130,521,148	108,411,353	84,465,959
Interest receivables	73,889,292	63,256,303	65,632,668
Acceptances	1,138,065	996,607	762,415
Factoring receivables	4,087,301	4,523,885	4,146,920
Others	<u>79,872,152</u>	<u>43,277,282</u>	<u>65,822,117</u>
	289,996,061	220,979,398	221,300,625
Less: Loss allowance	<u>(4,660,090)</u>	<u>(3,826,212)</u>	<u>(3,094,732)</u>
	<u>\$ 285,335,971</u>	<u>\$ 217,153,186</u>	<u>\$ 218,205,893</u>

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

For the six months ended June 30, 2023

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Beginning balance	\$ 506,839	\$ 360,011	\$ 1,591,166	\$ 2,458,016	\$ 58,994	\$ 2,517,010
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(18,673)	227,986	(3,351)	205,962	-	205,962
Transferred to credit-impaired financial assets	(5,885)	(13,925)	99,490	79,680	-	79,680
Transferred to 12-month ECLs	12,332	(107,626)	(3,458)	(98,752)	-	(98,752)
Derecognition of financial assets in the period	(221,370)	(137,413)	(45,155)	(403,938)	-	(403,938)
New financial assets purchased or originated	209,723	90,122	273,569	573,414	-	573,414
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	(1,389)	(1,389)
Written off as bad debt expense	-	-	(286,430)	(286,430)	-	(286,430)
Effects of exchange rate changes and others	<u>49,957</u>	<u>(2,200)</u>	<u>42,994</u>	<u>90,751</u>	<u>-</u>	<u>90,751</u>
Ending balance	<u>\$ 532,923</u>	<u>\$ 416,955</u>	<u>\$ 1,668,825</u>	<u>\$ 2,618,703</u>	<u>\$ 57,605</u>	<u>\$ 2,676,308</u>

For the six months ended June 30, 2022

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Beginning balance	\$ 418,248	\$ 288,704	\$ 1,658,913	\$ 2,365,865	\$ 69,669	\$ 2,435,534
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(5,513)	221,402	(2,761)	213,128	-	213,128
Transferred to credit-impaired financial assets	(1,579)	(5,965)	64,206	56,662	-	56,662
Transferred to 12-month ECLs	26,839	(195,468)	(1,858)	(170,487)	-	(170,487)
Derecognition of financial assets in the period	(336,241)	(65,402)	(69,098)	(470,741)	-	(470,741)
New financial assets purchased or originated	159,095	58,308	141,706	359,109	-	359,109
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	(43,620)	(43,620)
Written off as bad debt expense	-	-	(162,179)	(162,179)	-	(162,179)
Effects of exchange rate changes and others	<u>189,363</u>	<u>30,402</u>	<u>44,992</u>	<u>264,757</u>	<u>-</u>	<u>264,757</u>
Ending balance	<u>\$ 450,212</u>	<u>\$ 331,981</u>	<u>\$ 1,673,921</u>	<u>\$ 2,456,114</u>	<u>\$ 26,049</u>	<u>\$ 2,482,163</u>

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

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ 1,309,202	\$ 71,398
Provision for the period	678,109	558,654
Amounts written off	(3,589)	(17,586)
Amounts recovered	47	90
Foreign exchange	<u>13</u>	<u>13</u>
Ending balance	<u>\$ 1,983,782</u>	<u>\$ 612,569</u>

11. DISCOUNTS AND LOANS, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Export negotiations	\$ 1,202,456	\$ 1,246,793	\$ 1,869,160
Loans	2,609,956,923	2,524,404,978	2,434,991,256
Discounts and overdrafts	1,331,703	1,328,114	1,247,359
Overdue loans	<u>8,275,196</u>	<u>7,905,476</u>	<u>4,436,506</u>
	2,620,766,278	2,534,885,361	2,442,544,281
Less: Loss allowance	<u>(41,652,801)</u>	<u>(39,368,551)</u>	<u>(36,681,564)</u>
	<u>\$ 2,579,113,477</u>	<u>\$ 2,495,516,810</u>	<u>\$ 2,405,862,717</u>

- As of June 30, 2023, the gross amount of domestic discounts and loans belonging to Cathay United Bank amounted to \$2,005,377,338 thousand and the allowance loss amounted to \$32,600,871 thousand.
- For the six months ended June 30, 2023 and 2022, Cathay United Bank disposed credit assets in order to increase debt recovery, and recognized the loss arising from the derecognition of credit assets measured at amortized cost amounting to \$0 thousand and \$210,119 thousand, respectively.
- Refer to Note 36 for information relating to the credit risk management and impairment of discounts and loans.

12. SUBSIDIARIES

- Subsidiaries included in the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			June 30, 2023	December 31, 2022	June 30, 2022	
The Company	Cathay Life	Life Insurance	100.00	100.00	100.00	
The Company	Cathay United Bank	Banking	100.00	100.00	100.00	
The Company	Cathay Century	Property insurance	100.00	100.00	100.00	
The Company	Cathay Securities	Security	100.00	100.00	100.00	
The Company and Cathay Life	Cathay Venture	Venture capital	100.00	100.00	100.00	
The Company	Cathay Securities Investment Trust	Entrusted investments	100.00	100.00	100.00	
Cathay Life	Cathay Lujiazui Life	Life insurance	50.00	50.00	50.00	
Cathay Life	Cathay Life (Vietnam)	Life insurance	100.00	100.00	100.00	
Cathay Life	Lin Yuan (Shanghai) Real Estate Co., Ltd. ("Lin Yuan")	Office leasing	100.00	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Conning Holdings Limited ("CHL")	Holding company	100.00	100.00	100.00	
Cathay Life	Cathay Industrial Research and Design Center Co., Ltd. ("Cathay Industrial R&D Center")	Real estate rental and leasing	99.00	99.00	99.00	
Cathay Life	Cathay Power Inc. ("Cathay Power")	Energy technical services	70.00	70.00	45.00	Note 1
CHL	Conning U.S. Holdings, Inc.	Holding company	100.00	100.00	100.00	
CHL	Conning Asset Management Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Conning (Germany) GmbH	Risk management software services	100.00	100.00	100.00	
The Company and CHL	Conning Asia Pacific Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Conning Japan Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Global Evolution Holding ApS	Holding company	69.85	69.19	69.19	Note 2
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	100.00	100.00	
Conning Holdings Corp.	Conning & Company ("C&C")	Holding company	100.00	100.00	100.00	
C&C	Conning Inc.	Asset management services	100.00	100.00	100.00	
C&C	Goodwin Capital Advisers, Inc.	Asset management services	100.00	100.00	100.00	
C&C	Conning Investment Products, Inc.	Securities services	100.00	100.00	100.00	
C&C	Octagon Credit Investors, LLC ("Octagon")	Asset management services	86.34	86.34	86.34	
C&C	Pearlmark Real Estate, LLC ("Pearlmark")	Real estate investment and management	55.50	-	-	Note 3
Pearlmark	Pearlmark Real Estate Services, LLC	Real estate investment and management	100.00	-	-	Note 3
Pearlmark	PREP Investment Advisers, LLC	Real estate investment and management	100.00	-	-	Note 3
Pearlmark	PEP GP II, LLC	Real estate investment and management	52.00	-	-	Note 3

(Continued)

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			June 30, 2023	December 31, 2022	June 30, 2022	
Octagon	Octagon Credit Opportunities GP, LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP II LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP III LLC	Fund management services	100.00	-	-	Note 4
Global Evolution Holding ApS	Global Evolution Financial ApS	Asset management services	99.77	99.77	99.51	
Global Evolution Financial ApS	Global Evolution Fondsmæglerelskab A/S	Asset management services	100.00	100.00	100.00	
Global Evolution Financial ApS	Global Evolution Manco S.A.	Asset management services	90.00	90.00	90.00	
Global Evolution Fondsmæglerelskab A/S	Global Evolution USA, LLC	Asset management services	100.00	100.00	100.00	
Global Evolution Fondsmæglerelskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	100.00	100.00	
Cathay Power	SUNRISE PV ONE CO., LTD. ("SUNRISE PV ONE")	Energy technical services	100.00	100.00	-	Note 1
Cathay Power	Cathy Sunrise Two Co., Ltd. ("Cathy Sunrise Two")	Energy technical services	100.00	100.00	-	Note 1
Cathay Power	Bai Yang Energy Co., Ltd. ("Bai Yang Energy")	Energy technical services	100.00	100.00	-	Note 1
Cathay Power	Cathy Sunrise Electric Power Two Co., Ltd. ("Cathy Sunrise Electric Power Two")	Energy technical services	100.00	100.00	-	Note 1
Cathay Power	Hong Cheng Sing Tech. Co., Ltd. ("Hong Cheng Sing Tech")	Energy technical services	100.00	100.00	-	Note 1
Cathay Power	Shen Lyu Co., Ltd. ("Shen Lyu")	Energy technical services	100.00	100.00	-	Note 1
Cathay Power	Nan Yang Power Co., Ltd. ("Nan Yang Power")	Energy technical services	80.00	80.00	-	Note 1
Cathay Power	CM Energy Co., Ltd. ("CM Energy")	Energy technical services	70.00	70.00	-	Note 5
Cathay Power	Neo Cathay Power Corp. ("Neo Cathay Power")	Energy technical services	100.00	100.00	-	Note 5
SUNRISE PV ONE	Shu Guang Energy Co., Ltd. ("Shu Guang Energy")	Energy technical services	70.00	70.00	-	Note 1
CM Energy	Hong Tai Energy Co., Ltd. ("Hong Tai Energy")	Energy technical services	100.00	100.00	-	Note 5
CM Energy	Tian Ji Energy Co., Ltd. ("Tian Ji Energy")	Energy technical services	100.00	100.00	-	Note 5
CM Energy	Tian Ji Power Co., Ltd. ("Tian Ji Power")	Energy technical services	100.00	100.00	-	Note 5
CM Energy	Chen Fong Power Co., Ltd. ("Chen Fong Power")	Energy technical services and electric power supply, electric transmission and power distribution machinery manufacturing	-	100.00	-	Note 6
Hong Tai Energy	Hong Tai Power Co., Ltd. ("Hong Tai Power")	Energy technical services	100.00	100.00	-	Note 5
Neo Cathay Power	Si Yi Co., Ltd. ("Si Yi")	Energy technical services	100.00	100.00	-	Note 5
Neo Cathay Power	Da Li Energy Co., Ltd. ("Da Li")	Energy technical services	100.00	100.00	-	Note 5
Neo Cathay Power	Yong Han Co., Ltd. ("Yong Han")	Energy technical services	100.00	100.00	-	Note 5
Cathay Century	Cathay Insurance (Vietnam) Co., Ltd. ("Cathay Insurance (Vietnam)")	Property insurance	100.00	100.00	100.00	
Cathay United Bank	Indovina Bank Limited ("Indovina Bank")	Banking	50.00	50.00	50.00	
Cathay United Bank	Cathay United Bank (Cambodia)	Banking	100.00	100.00	100.00	
Cathay United Bank	Cathay United Bank (China) Co., Ltd. ("CUBCN Bank")	Banking	100.00	100.00	100.00	
CUBC Bank	CUBC Investment Co., LTD. (CUBC-I)	Investment service	49.00	49.00	49.00	Note 7
Cathay Securities	Cathay Futures Co., Ltd. ("Cathay Futures")	Futures services	99.99	99.99	99.99	
Cathay Securities	Cathay Securities (Hong Kong) Co., Limited. ("Cathay Securities (Hong Kong)")	Securities services	100.00	100.00	100.00	
Cathay Securities (Hong Kong)	Cathay Capital (Asia) Limited ("Cathay Capital (Asia)")	Investment service	100.00	100.00	100.00	
Cathay Securities Investment Trust	Cathay Private Equity Co., Ltd. ("Cathay Private Equity")	Private equity	100.00	100.00	100.00	

(Concluded)

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

Note 2: On June 22, 2022, non-controlling interests executed the put options on the subsidiary's shares, such that CHL acquired an additional 8.04% of equity shares, and its ownership interest increased from 61.15% to 69.19%. On March 28, 2023 and June 21, 2023, non-controlling interests executed the put options on the subsidiary's shares, and its ownership interest increased from 69.19% to 69.44% and from 69.44% to 69.85%.

Note 3: On March 28, 2023, C&C acquired 55.5% of Pearlmark shares in cash and obtained control of Pearlmark and its subsidiaries. Refer to Note 38 for the description of the business combination.

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

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

Note 6: On December 28, 2022, CM Energy acquired 100% of Chen Fong Power shares for \$31,000 thousand in cash. Refer to Note 38 for the description of the business combination. On May 2, 2023, CM Energy disposed of Chen Fong Power's shares. Refer to Note 39 for the description of the disposal of the subsidiaries.

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

b. Subsidiaries excluded from the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			June 30, 2023	December 31, 2022	June 30, 2022	
Cathay Life	Cathay Securities Investment Consulting Co., Ltd. ("Cathay Securities Investment Consulting")	Security investment consulting services	100.00	100.00	100.00	

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Investments in unconsolidated subsidiaries	\$ 596,843	\$ 687,870	\$ 598,388
Investments in associates	<u>32,822,258</u>	<u>32,195,431</u>	<u>34,289,867</u>
	<u>\$ 33,419,101</u>	<u>\$ 32,883,301</u>	<u>\$ 34,888,255</u>

a. Investments in unconsolidated subsidiaries

	June 30, 2023	December 31, 2022	June 30, 2022
Cathay Securities Investment Consulting	<u>\$ 596,843</u>	<u>\$ 687,870</u>	<u>\$ 598,388</u>

b. Investments in associates

	June 30, 2023	December 31, 2022	June 30, 2022
Rizal Commercial Banking Corporation	\$ 17,388,133	\$ 16,976,954	\$ 16,089,710
Cathay Insurance Company Limited (China)	5,067,741	4,950,963	4,993,159
CMG International Two Co., Ltd.	1,766,552	1,770,924	1,785,306
CMG International One Co., Ltd.	1,553,084	1,555,961	1,566,653
Taiwan Finance Corp.	1,541,484	1,526,245	1,723,613
Dasheng IV Venture Capital Co., Ltd.	1,114,490	1,147,091	1,309,689
PSS Co., Ltd.	1,054,863	963,095	959,937
			(Continued)

	June 30, 2023	December 31, 2022	June 30, 2022
Ding Teng Co., Ltd.	\$ 908,521	\$ 893,766	\$ 873,548
Dasheng Venture Capital Co., Ltd.	599,751	611,753	857,595
TaiYang Solar Power Co., Ltd.	534,466	501,756	484,974
Symphox Information Co., Ltd.	382,901	350,320	358,746
BSCOM Cathay Asset Management Co., Ltd.	266,050	285,340	322,935
ThrivEnergy Co., Ltd.	217,564	215,844	215,983
Tien-Tai Optronics Corporation	131,127	137,346	129,732
Tien-Tai II Optoelectronics Co., Ltd.	127,052	132,470	125,523
Taiwan Real-estate Management Corp.	94,107	95,880	94,404
Lin Yuan Property Management Co., Ltd.	54,130	58,045	44,910
Southern Electricity Corp.	17,869	18,519	-
Tien-Tai Management Consulting Co., Ltd.	2,373	3,159	1,943
Neo Cathay Power Corp.	-	-	700,528
Cathay Power Inc.	-	-	698,118
Greenhealth Water Resources Co., Ltd.	-	-	483,675
CM Energy Co., Ltd.	-	-	469,186
	<u>\$ 32,822,258</u>	<u>\$ 32,195,431</u>	<u>\$ 34,289,867</u> (Concluded)

Aggregate information of associates that are not individually material

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
The Group's share of:				
Net income	\$ 619,663	\$ 757,236	\$ 1,259,408	\$ 1,114,575
Other comprehensive income (loss)	<u>76,842</u>	<u>(423,750)</u>	<u>(357,708)</u>	<u>(91,636)</u>
Total comprehensive income (loss) for the period	<u>\$ 696,505</u>	<u>\$ 333,486</u>	<u>\$ 901,700</u>	<u>\$ 1,022,939</u>

- 1) As the individual associates are not significant, the related financial information is disclosed aggregately. The amounts of the share of profit or loss and other comprehensive income (loss) of associates were based on non-audited financial statements.
- 2) Cathay Life disposed of all shares of Greenhealth Water Resources Co., Ltd. in December 2022.
- 3) CDBS Cathay Asset Management Co., Ltd. was renamed as BSCOM Cathay Asset Management Co., Ltd. on July 28, 2022.
- 4) The investments in associates were not pledged as collateral.

14. INVESTMENT PROPERTY

	Land	Buildings	Investment Property Under Construction	Prepayments for Buildings and Land - Investments	Total
Balance at January 1, 2022	\$ 309,245,953	\$ 119,624,493	\$ 3,412,376	\$ 242,642	\$ 432,525,464
Additions	3,995,792	-	1,229,976	509,530	5,735,298
Disposals	(28,829)	(5,671)	-	-	(34,500)
Other reclassification	1,571,080	1,206,643	(1,118,022)	(11,393)	1,648,308
Gain on changes in fair value of investment property	161,388	1,745,680	-	-	1,907,068
Foreign exchange	(385,664)	(478,874)	-	-	(864,538)
Others	-	(5,067)	-	-	(5,067)
Balance at June 30, 2022	<u>\$ 314,559,720</u>	<u>\$ 122,087,204</u>	<u>\$ 3,524,330</u>	<u>\$ 740,779</u>	<u>\$ 440,912,033</u>
Balance at January 1, 2023	\$ 319,283,898	\$ 121,607,590	\$ 5,747,767	\$ 1,501,343	\$ 448,140,598
Additions	-	-	2,566,006	249	2,566,255
Disposals	(28,998)	(24,312)	-	-	(53,310)
Other reclassification	-	230,754	223,400	(475,543)	(21,389)
Loss on changes in fair value of investment property	545,017	(653,237)	-	-	(108,220)
Foreign exchange	630,874	834,762	50,457	71,056	1,587,149
Others	(22,461)	-	-	-	(22,461)
Balance at June 30, 2023	<u>\$ 320,408,330</u>	<u>\$ 121,995,557</u>	<u>\$ 8,587,630</u>	<u>\$ 1,097,105</u>	<u>\$ 452,088,622</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Rental income from investment properties	\$ 2,879,188	\$ 2,903,818	\$ 6,031,881	\$ 5,909,278
Direct operating expenses from investment properties that generate rental income	(250,743)	(261,744)	(429,936)	(417,143)
Direct operating expenses from investment properties that do not generate rental income	<u>(58,052)</u>	<u>(32,288)</u>	<u>(62,832)</u>	<u>(178,210)</u>
	<u>\$ 2,570,393</u>	<u>\$ 2,609,786</u>	<u>\$ 5,539,113</u>	<u>\$ 5,313,925</u>

- Certain properties are held to earn rental or for capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component could not be sold separately, it would be classified as investment property only when owner occupation is lower than 5% of the property.
- As of June 30, 2023, the investment properties (excluding investment property under construction and prepayment for buildings and land - investments) belonging to Cathay Life amounted to \$404,473,847 thousand. Investment properties are held mainly for lease business. All the lease agreements are operating leases and the primary terms of the lease agreements are the same as general lease agreements. Rents from investment property are received annually, semi-annually, quarterly, monthly or in one lump sum.
- The ownership of the Group's investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other's debts; the ownership of its trust property is not subject to restrictions. Besides, the Group is not involved in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.

- d. Valuation on the investment property of Cathay Life and its subsidiaries has been carried out by the following appraisers of the joint appraisal firms meeting the qualification requirements for real estate appraisers in the R.O.C., with valuation dates on June 30, 2023, December 31, 2022 and June 30, 2022:

Name of Appraiser Firms	June 30, 2023	December 31, 2022	June 30, 2022
DTZ Real Estate Appraiser Firm	Chang-da, Yang; Gen-yuan, Li; Chia-ho, Tsai; Chun-chun, Hu	Chang-da, Yang; Gen-yuan, Li; Chia-ho, Tsai; Chun-chun, Hu	Chang-da, Yang; Gen-yuan, Li; Chia-ho, Tsai; Chun-chun, Hu
Savills plc Real Estate Appraiser Firm	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang; Cheng-Yeh Wu; Shi-Yu, Ye	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang
REPro KnightFrank Real Estate Appraiser Firm	Yu-hsiang, Tsai; Hsiang-yi, Hsu	Yu-hsiang, Tsai; Hsiang-yi, Hsu	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu
V-LAND Real Estate Appraiser Firm	His-chung, Wang	His-chung, Wang	Chun-han, Lin; Yu-chih, Kao; Xi-zhong, Wang;
Shang-shang Real Estate Appraiser Firm	Hong-yuan, Wang Jian-hao, Huang	Hong-yuan, Wang; Jian-hao, Huang	Hong-yuan, Wang Jian-hao, Huang
Sinyi Real Estate Appraiser Firm	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang
Elite Real Estate Appraiser Firm	Yu-lin, Chen; Yi-huei Luo; Xiu-Ying, Zhan	Yu-lin, Chen; Yi-hui, Luo	Yu-lin, Chen; Yi-huei Luo
CBRE Real Estate Appraiser Firm	Fu-xue, Shi; Chih-wei, Li	Fu-xue, Shi; Chih-wei, Li	Fu-xue, Shi; Chih-wei, Li
China Credit Information Service Ltd.	Zhi-Hao, Wu; Wei-Ru, Li	Zhi-Hao, Wu; Wei-Ru, Li	Zhi-Hao, Wu; Wei-Ru, Li
LinkU Real Estate Appraisal and Consulting Services	Lin-Yu, Lian; Sheng-Feng, Lai	Lin-Yu, Lian; Sheng-Feng, Lai	Lin-Yu, Lian; Sheng-Feng, Lai
Colliers International Group Inc.	Feng-Ru, Ke	Feng-Ru, Ke	-

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

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

The main inputs used are as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Direct capitalization rates (net)	0.44%-5.50%	0.44%-5.15%	0.44%-4.90%
Discount rates	2.82%-4.45%	2.82%-4.50%	2.65%-3.97%

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

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

- e. Cathay United Bank's investment properties were based on the valuations carried out by qualified real estate appraisers in Taiwan in accordance with the "Regulations on Real Estate Appraisal". The valuation dates were June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

Name of Appraiser Firm	June 30, 2023	December 31, 2022	June 30, 2022
REPro Knight Frank Real Estate Appraiser Firm	Xiang-Yi, Hsu; You-Xiang, Cai	Xiang-Yi, Hsu; You-Xiang, Cai	Hsiang-yi, Hsu Hong-xu, Wu; Yu-hsiang, Tsai;

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

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

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

According to the R.O.C. Real Estate Appraisers Association Gazette No. 5, the house tax is determined based on the reference tables of current house values provided by each city/county to estimate the total current house value considering the area of the subject property and related public utilities. House tax is calculated based on the tax rates in the House Tax Act and the actual payment data.

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

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

The main inputs used are as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Direct capitalization rates	1.13%-4.03%	1.13%-4.03%	1.14%-4.03%
Overall capital interest rate	0.95%-2.86%	0.84%-2.50%	0.76%-2.21%

- 2) The fair values of hillside conservation zones, farmlands and scenic areas had been determined mainly by the land development analysis and comparison approaches due to fewer market transactions in such areas as a result of legal restrictions and furthermore, no significant changes are expected in these areas that will affect the market in the near future.
- f. Valuation on the investment property of Cathay Securities and its subsidiaries has been performed by the appraiser from Elite Real Estate Appraiser Firm (Yi-huei, Luo) that met the qualification requirements for real estate appraisers in the R.O.C., with valuation on June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Estimated future cash inflows	\$ 465,501	\$ 460,417	\$ 451,063
Estimated future cash outflows	<u>(15,335)</u>	<u>(15,041)</u>	<u>(15,039)</u>
Estimated net cash inflows	<u>\$ 450,166</u>	<u>\$ 445,376</u>	<u>\$ 436,024</u>
Discount rate	2.845%	2.720%	2.470%
Direct capitalization rate	2.44%	2.48%	2.51%

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

The investment properties were entirely leased under operating leases, and generated rental income of \$1,976 thousand, \$1,951 thousand, \$3,930 thousand and \$3,901 thousand, respectively, for the three months ended June 30, 2023 and 2022, and for the six months ended June 30, 2023 and 2022.

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

The discount rate on June 30, 2023, December 31, 2022 and June 30, 2022 are determined based on the interest rate on a 2-year time deposit of petty cash plus 5 quarters percentage points as posted by Chunghwa Post Co., Ltd., plus the risk premium.

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

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ 416,636,209	\$ 405,850,441
Amount recognized in profit or loss		
(Loss) gain from investment property	(108,220)	1,907,068
Amount recognized in other comprehensive income		
Exchange differences resulting from translation of the financial statements of foreign operations	1,465,636	(864,538)
Additions	-	3,995,792
Disposals	(53,310)	(34,500)
Transfers to property and equipment	(21,389)	(42,644)
Transfers from investment property under construction	251,894	1,118,359
Transfers from prepayment for buildings and land	249	727
Transfers from investment properties measured at cost	-	2,218,659
Transfers from property and equipment	-	1,690,615
Others	<u>(22,461)</u>	<u>(5,067)</u>
Ending balance	<u>\$ 418,148,608</u>	<u>\$ 415,834,912</u>

The above amount excludes those measured at cost.

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

15. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvements	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 69,524,895	\$ 44,614,486	\$ 10,154,047	\$ 1,383,785	\$ 125,651	\$ 12,855,198	\$ 1,541,462	\$ 140,199,524
Additions	-	905	322,817	22,162	848	320,327	807,238	1,474,297
Disposals	-	-	(83,347)	-	(3,665)	(142,368)	-	(229,380)
Reclassification	(136,459)	1,103,463	(306,940)	9,236	-	364,171	(1,603,894)	(570,423)
Foreign exchange	38,553	36,327	113,472	38,128	8,304	20,587	2,425	257,796
Balance at June 30, 2022	<u>69,426,989</u>	<u>45,755,181</u>	<u>10,200,049</u>	<u>1,453,311</u>	<u>131,138</u>	<u>13,417,915</u>	<u>747,231</u>	<u>141,131,814</u>
<u>Depreciation and impairment</u>								
Balance at January 1, 2022	103,134	24,072,492	6,907,169	878,153	87,261	10,299,049	-	42,347,258
Depreciation	-	434,944	495,079	59,622	4,275	352,124	-	1,346,044
Disposals	-	-	(83,207)	-	(3,273)	(133,026)	-	(219,506)
Reclassification	-	(136,359)	(16,604)	-	-	16,604	-	(136,359)
Foreign exchange	-	13,137	45,911	20,275	5,680	13,480	-	98,483
Balance at June 30, 2022	<u>103,134</u>	<u>24,384,214</u>	<u>7,348,348</u>	<u>958,050</u>	<u>93,943</u>	<u>10,548,231</u>	<u>-</u>	<u>43,435,920</u>
Carrying amount at June 30, 2022	<u>\$ 69,323,855</u>	<u>\$ 21,370,967</u>	<u>\$ 2,851,701</u>	<u>\$ 495,261</u>	<u>\$ 37,195</u>	<u>\$ 2,869,684</u>	<u>\$ 747,231</u>	<u>\$ 97,695,894</u>
<u>Cost</u>								
Balance at January 1, 2023	\$ 69,408,189	\$ 45,560,623	\$ 10,907,605	\$ 1,502,267	\$ 133,897	\$ 24,189,936	\$ 2,335,971	\$ 154,038,488
Additions	-	-	337,066	11,790	1,154	918,485	1,076,969	2,345,464
Acquisitions through business combinations (Note 38)	-	-	6,946	-	-	1,077	-	8,023
Disposals	-	-	(129,756)	-	(958)	(170,311)	(130,921)	(431,946)
Disposal of subsidiaries (Note 39)	-	-	-	-	-	-	(1,097)	(1,097)
Others (Note)	(31,559)	105,401	-	-	-	80,625	-	154,467
Reclassification	-	51,493	86,518	-	3,768	1,261,986	(1,382,442)	21,323
Foreign exchange	8,087	(13,587)	15,264	(11,567)	1,649	5,654	(166)	5,334
Balance at June 30, 2023	<u>69,384,717</u>	<u>45,703,930</u>	<u>11,223,643</u>	<u>1,502,490</u>	<u>139,510</u>	<u>26,287,452</u>	<u>1,898,314</u>	<u>156,140,056</u>
<u>Depreciation and impairment</u>								
Balance at January 1, 2023	98,268	24,682,675	7,422,110	1,024,463	98,577	12,161,504	-	45,487,597
Depreciation	-	442,099	597,614	57,428	4,405	720,763	-	1,822,309
Acquisitions through business combinations (Note 38)	-	-	5,618	-	-	1,043	-	6,661
Disposals	-	-	(127,823)	-	(958)	(165,280)	-	(294,061)
Reclassification	-	-	1,438	-	-	(1,438)	-	-
Foreign exchange	-	(2,060)	4,429	(9,117)	1,197	4,270	-	(1,281)
Balance at June 30, 2023	<u>98,268</u>	<u>25,122,714</u>	<u>7,903,386</u>	<u>1,072,774</u>	<u>103,221</u>	<u>12,720,862</u>	<u>-</u>	<u>47,021,225</u>
Carrying amount at December 31, 2022 and January 1, 2023	<u>\$ 69,309,921</u>	<u>\$ 20,877,948</u>	<u>\$ 3,485,495</u>	<u>\$ 477,804</u>	<u>\$ 35,320</u>	<u>\$ 12,028,432</u>	<u>\$ 2,335,971</u>	<u>\$ 108,550,891</u>
Carrying amount at June 30, 2023	<u>\$ 69,286,449</u>	<u>\$ 20,581,216</u>	<u>\$ 3,320,257</u>	<u>\$ 429,716</u>	<u>\$ 36,289</u>	<u>\$ 13,566,590</u>	<u>\$ 1,898,314</u>	<u>\$ 109,118,831</u>

Note: Cathay United Bank collected the difference compensation in the amount of \$10,487 thousand and recognized a gain on disposal of \$164,954 thousand for contracts where a landowner provides land for the construction of buildings by a property developer in exchange for a certain percentage of the buildings in May 2023.

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

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

- b. As of December 31, 2021, Cathay United Bank disposed of two vacant premises and classified them as assets held for sale with a carrying amount of \$283,087 thousand. The two premises were originally used for the Bank's office and business warehouse. In January and April 2022, Cathay United Bank disposed of the premises at the price of \$23,700 thousand and \$700,000 thousand, respectively, and recognized gains on disposal of \$440,613 thousand. No impairment loss was recognized on the classification of the premises as assets held for sale for the year ended December 31, 2022.

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

16. LEASE AGREEMENTS

a. Right-of-use assets

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Carrying amount</u>			
Land	\$ 251,285	\$ 175,445	\$ -
Buildings	5,117,116	4,556,008	4,291,416
Office equipment	21,776	14,706	5,782
Machine equipment	2,147	2,435	1,823
Transportation equipment	<u>80,512</u>	<u>84,603</u>	<u>91,668</u>
	<u>\$ 5,472,836</u>	<u>\$ 4,833,197</u>	<u>\$ 4,390,689</u>
Right-of-use assets presented as investment properties	<u>\$ 13,284,472</u>	<u>\$ 13,499,663</u>	<u>\$ 13,720,466</u>
	For the Three Months Ended June 30		For the Six Months Ended June 30
	2023	2022	2023
			2022
Additions to right-of-use assets	<u>\$ 689,655</u>	<u>\$ 242,374</u>	<u>\$ 1,617,877</u>
Depreciation expense for right-of-use assets			
Land	\$ 3,481	\$ -	\$ 6,978
Buildings	392,928	372,693	784,964
Office equipment	2,169	2,728	4,641
Machine equipment	229	213	466
Transportation equipment	<u>12,624</u>	<u>12,269</u>	<u>25,423</u>
	<u>\$ 411,431</u>	<u>\$ 387,903</u>	<u>\$ 822,472</u>
			<u>\$ 769,757</u>

b. Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amount	<u>\$ 19,806,827</u>	<u>\$ 19,240,853</u>	<u>\$ 18,649,387</u>

Range of discount rates for lease liabilities is as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Land	1.24%-2.63%	1.24%-2.63%	-
Buildings	0.05%-8.57%	0.05%-8.57%	0.04%-8.57%
Office equipment	1.35%-4.76%	0.42%-4.76%	0.42%-4.76%
Machine equipment	0.36%-3.49%	0.36%-4.15%	0.36%-4.15%
Transportation equipment	0.25%-8.76%	0.22%-4.35%	0.22%-4.35%
Investment property - superficies right	2.82%-4.24%	2.82%-4.24%	2.82%-4.24%

17. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 6,698,107	\$ 37,659,600	\$ 363,265	\$ 5,406,299	\$ 21,880,593	\$ 194,906	\$ 72,202,770
Addition - acquired separately	244,139	-	-	-	-	-	244,139
Disposal	(165,468)	-	-	-	-	-	(165,468)
Reclassification	133,436	-	-	-	-	-	133,436
Foreign exchange	34,475	-	26,710	397,517	786,675	14,320	1,259,697
Balance at June 30, 2022	<u>\$ 6,944,689</u>	<u>\$ 37,659,600</u>	<u>\$ 389,975</u>	<u>\$ 5,803,816</u>	<u>\$ 22,667,268</u>	<u>\$ 209,226</u>	<u>\$ 73,674,574</u>
<u>Amortization and impairment</u>							
Balance at January 1, 2022	\$ 4,670,668	\$ 13,515,990	\$ -	\$ 2,279,391	\$ -	\$ 193,138	\$ 20,659,187
Amortization	416,599	894,208	-	181,235	-	-	1,492,042
Disposal	(165,468)	-	-	-	-	-	(165,468)
Foreign exchange	25,240	-	-	173,688	-	14,201	213,129
Balance at June 30, 2022	<u>\$ 4,947,039</u>	<u>\$ 14,410,198</u>	<u>\$ -</u>	<u>\$ 2,634,314</u>	<u>\$ -</u>	<u>\$ 207,339</u>	<u>\$ 22,198,890</u>
Carrying amount at June 30, 2022	<u>\$ 1,997,650</u>	<u>\$ 23,249,402</u>	<u>\$ 389,975</u>	<u>\$ 3,169,502</u>	<u>\$ 22,667,268</u>	<u>\$ 1,887</u>	<u>\$ 51,475,684</u>
<u>Cost</u>							
Balance at January 1, 2023	\$ 7,565,876	\$ 37,659,600	\$ 402,858	\$ 5,995,545	\$ 23,566,077	\$ 216,149	\$ 75,406,105
Addition - acquired separately	194,800	-	-	-	-	-	194,800
Acquisitions through business combinations (Note 38)	-	-	-	-	157,826	-	157,826
Disposals	(160,755)	-	-	-	(961)	-	(161,716)
Reclassification	109,287	-	-	-	-	-	109,287
Foreign exchange	(12,427)	-	5,602	83,369	168,515	2,996	248,055
Balance at June 30, 2023	<u>\$ 7,696,781</u>	<u>\$ 37,659,600</u>	<u>\$ 408,460</u>	<u>\$ 6,078,914</u>	<u>\$ 23,891,457</u>	<u>\$ 219,145</u>	<u>\$ 75,954,357</u>
<u>Amortization and impairment</u>							
Balance at January 1, 2023	\$ 5,336,050	\$ 15,304,406	\$ -	\$ 2,914,844	\$ -	\$ 214,188	\$ 23,769,488
Amortization	488,690	894,207	-	192,588	-	-	1,575,485
Disposals	(160,755)	-	-	-	-	-	(160,755)
Foreign exchange	(8,850)	-	-	44,143	-	2,979	38,272
Balance at June 30, 2023	<u>\$ 5,655,135</u>	<u>\$ 16,198,613</u>	<u>\$ -</u>	<u>\$ 3,151,575</u>	<u>\$ -</u>	<u>\$ 217,167</u>	<u>\$ 25,222,490</u>
Carrying amount at December 31, 2022 and January 1, 2023	<u>\$ 2,229,826</u>	<u>\$ 22,355,194</u>	<u>\$ 402,858</u>	<u>\$ 3,080,701</u>	<u>\$ 23,566,077</u>	<u>\$ 1,961</u>	<u>\$ 51,636,617</u>
Carrying amount at June 30, 2023	<u>\$ 2,041,646</u>	<u>\$ 21,460,987</u>	<u>\$ 408,460</u>	<u>\$ 2,927,339</u>	<u>\$ 23,891,457</u>	<u>\$ 1,978</u>	<u>\$ 50,731,867</u>

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

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

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

1) Cathay Life

Cathay Life recognized goodwill in the acquisitions of (1) all assets, liabilities and operations (except reserved assets and liabilities) of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. on July 1, 2015; (2) 100% interest in Conning Holdings Limited on September 18, 2015; (3) 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of the Group) on February 1, 2016; and (4) 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020; (5) Cathay Power and its subsidiaries, which increased its ownership interest to 70% on November 25, 2022; (6) Chen Fong Power through CM Energy, a 70% owned subsidiary of the Group on December 28, 2022, and disposed of on May 2, 2023; (7) 55.5% interest in Pearlmark Real Estate LLC (through Conning & Company, a 100% owned subsidiary of the Conning Holdings Limited) on March 28, 2023. As of June 30, 2023, December 31, 2022 and June 30, 2022, the carrying amounts of goodwill were \$15,299,077 thousand, \$14,978,211 thousand and \$14,089,782 thousand, respectively.

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

2) Cathay United Bank

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

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

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

18. COMMERCIAL PAPER PAYABLE, NET

	June 30, 2023	December 31, 2022	June 30, 2022
Nominal amount	\$ 64,450,000	\$ 73,880,000	\$ 61,000,000
Less: Discount on short-term bills payable	<u>(3,488)</u>	<u>-</u>	<u>(239)</u>
	<u>\$ 64,446,512</u>	<u>\$ 73,880,000</u>	<u>\$ 60,999,761</u>
Interest rate range	1.27%-1.69%	1.30%-1.58%	0.34%-1.16%

19. DEPOSITS AND REMITTANCES

	June 30, 2023	December 31, 2022	June 30, 2022
Checking deposits	\$ 13,739,791	\$ 16,598,955	\$ 15,118,583
Demand deposits	786,789,476	798,676,913	812,809,794
Demand savings deposits	1,390,272,079	1,331,212,632	1,290,301,712
Time deposits	807,987,825	638,736,493	497,407,210
Time savings deposits	415,237,900	392,058,316	368,002,526
Negotiable certificates of deposit	4,420,758	5,897,706	8,876,709
Outward remittances and remittances payable	<u>1,744,507</u>	<u>2,255,074</u>	<u>2,428,026</u>
	<u>\$ 3,420,192,336</u>	<u>\$ 3,185,436,089</u>	<u>\$ 2,994,944,560</u>

20. BONDS PAYABLE

	June 30, 2023	December 31, 2022	June 30, 2022
Financial debentures	\$ 27,100,000	\$ 37,147,398	\$ 43,063,726
Cumulative perpetual subordinated corporate bonds	45,000,000	45,000,000	45,000,000
Unsecured corporate bonds	<u>69,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
	<u>\$ 141,100,000</u>	<u>\$ 132,147,398</u>	<u>\$ 138,063,726</u>

a. Subordinated financial debentures

	June 30, 2023	December 31, 2022	June 30, 2022
2nd of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: August 2022	\$ -	\$ -	\$ 5,600,000
1st of subordinated financial debentures in 2013; fixed rate at 1.70%; maturity: April 2023	-	9,900,000	9,900,000
1st of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000	12,000,000
2nd of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000	12,700,000
2nd of subordinated financial debentures in 2017; fixed rate at 1.50%; maturity: April 2024	2,400,000	2,400,000	2,400,000
US dollars exchange rate structured note 6 months; interest rate at 1.00%; maturity: August 2022 (US\$15,600 thousand)	-	-	463,726
US dollars exchange rate structured note 6 months; interest rate between 4.8%-5.6%; maturity: June 2023 (US\$4,800 thousand)	<u>-</u>	<u>147,398</u>	<u>-</u>
	<u>\$ 27,100,000</u>	<u>\$ 37,147,398</u>	<u>\$ 43,063,726</u>

b. Cumulative perpetual subordinated corporate bonds

1) Pursuant to Order No. Securities-TPEX-Bond-10600099421 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on May 12, 2017 through public offering. Key terms and conditions are as follows:

- a) Issue amount: \$35,000,000 thousand.
- b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
- c) Years to maturity: Perpetual.
- d) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year from the issue date.

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

- 2) Pursuant to Order No. Securities-TPEX-Bond-10900064782 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on June 23, 2020 through public offering. Key terms and conditions are as follows:
- a) Issue amount: \$8,900,000 thousand, which is divided into A Note of \$1,900,000 thousand, B Note of \$6,500,000 thousand and C Note of \$500,000 thousand by issue periods.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
 - d) Coupon rate: Fixed rate of 0.59% for A Note, 0.64% for B Note and 0.67% for C Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Form of bonds: Book-entry securities.
- 3) Pursuant to Order No. Securities-TPEX-Bond-10900108202 of the Taipei Exchange, Cathay Financial Holdings issued its second unsecured corporate bonds on September 8, 2020 through public offering. Key terms and conditions are as follows:
- a) Issue amount: \$21,100,000 thousand, which is divided into A Note of \$2,400,000 thousand, B Note of \$7,800,000 thousand, C Note of \$2,500,000 thousand and D Note of \$8,400,000 thousand by period issued.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A Note is 5 years, B Note is 6 years, C Note is 7 years and D Note is 10 years.
 - d) Coupon rate: Fixed rate of 0.61% for A Note, 0.64% for B Note, 0.66% for C Note and 0.70% for D Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Form of bonds: Book-entry securities.
- 4) Pursuant to Order No. Securities-TPEX-Bond-11200056252 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on June 16, 2023 through public offering. Key terms and conditions are as follows:
- a) Issue amount: \$19,000,000 thousand, which is divided into A Note of \$10,100,000 thousand, and B Note of \$8,900,000 thousand by period issued.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each and is issued at par.
 - c) Years to maturity: A Note is 5 years and B Note is 10 years.
 - d) Coupon rate: Fixed rate of 1.62% for A Note and 1.82% for B Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Form of bonds: Book-entry securities.

21. PROVISIONS

	June 30, 2023	December 31, 2022	June 30, 2022
Insurance liability			
Unearned premium reserve	\$ 37,083,545	\$ 36,385,842	\$ 35,340,815
Loss reserve	28,577,801	36,298,952	31,027,367
Policy reserve	6,772,120,181	6,672,193,954	6,559,857,192
Special reserve	12,736,279	12,714,102	12,634,783
Premium deficiency reserve	7,546,004	9,370,726	10,164,214
Reserve for insurance contracts with the nature of financial products	20,567,489	18,495,469	17,048,572
Reserve for foreign exchange valuation	42,166,921	49,503,457	33,020,868
Other reserve	<u>1,839,253</u>	<u>1,845,253</u>	<u>1,860,925</u>
	6,922,637,473	6,836,807,755	6,700,954,736
Provisions for employee benefits	3,320,677	4,068,167	3,851,800
Other reserves	<u>1,337,050</u>	<u>1,256,262</u>	<u>1,168,447</u>
	<u>\$ 6,927,295,200</u>	<u>\$ 6,842,132,184</u>	<u>\$ 6,705,974,983</u>

As of June 30, 2023, policy reserve belonging to Cathay Life amounted to \$6,696,614,194 thousand.

a. Cathay Life and its subsidiaries

As of June 30, 2023, December 31, 2022 and June 30, 2022, the details and changes of Cathay Life and its subsidiaries' insurance contracts and financial instruments with discretionary participation features are summarized below:

1) Unearned premium reserve

	June 30, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 77,047	\$ -	\$ 77,047
Individual injury insurance	7,654,687	-	7,654,687
Individual health insurance	11,087,714	-	11,087,714
Group insurance	1,408,579	-	1,408,579
Investment-linked insurance	<u>125,156</u>	<u>-</u>	<u>125,156</u>
	<u>20,353,183</u>	<u>-</u>	<u>20,353,183</u>
Less ceded unearned premium reserve			
Individual life insurance	744,867	-	744,867
Individual injury insurance	23,510	-	23,510
Individual health insurance	<u>234,078</u>	<u>-</u>	<u>234,078</u>
	<u>1,002,455</u>	<u>-</u>	<u>1,002,455</u>
	<u>\$ 19,350,728</u>	<u>\$ -</u>	<u>\$ 19,350,728</u>

December 31, 2022			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 79,271	\$ -	\$ 79,271
Individual injury insurance	7,824,570	-	7,824,570
Individual health insurance	11,203,470	-	11,203,470
Group insurance	1,314,757	-	1,314,757
Investment-linked insurance	<u>125,502</u>	<u>-</u>	<u>125,502</u>
	<u>20,547,570</u>	<u>-</u>	<u>20,547,570</u>
Less ceded unearned premium reserve			
Individual life insurance	906,602	-	906,602
Individual injury insurance	20,883	-	20,883
Individual health insurance	<u>253,267</u>	<u>-</u>	<u>253,267</u>
	<u>1,180,752</u>	<u>-</u>	<u>1,180,752</u>
	<u>\$ 19,366,818</u>	<u>\$ -</u>	<u>\$ 19,366,818</u>
June 30, 2022			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 71,530	\$ -	\$ 71,530
Individual injury insurance	7,257,695	-	7,257,695
Individual health insurance	10,460,512	-	10,460,512
Group insurance	1,303,692	-	1,303,692
Investment-linked insurance	<u>121,607</u>	<u>-</u>	<u>121,607</u>
	<u>19,215,036</u>	<u>-</u>	<u>19,215,036</u>
Less ceded unearned premium reserve			
Individual life insurance	741,049	-	741,049
Individual injury insurance	20,268	-	20,268
Individual health insurance	<u>212,205</u>	<u>-</u>	<u>212,205</u>
	<u>973,522</u>	<u>-</u>	<u>973,522</u>
	<u>\$ 18,241,514</u>	<u>\$ -</u>	<u>\$ 18,241,514</u>

The changes in unearned premium reserve are summarized below:

For the Six Months Ended June 30, 2023			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 20,547,570	\$ -	\$ 20,547,570
Provision	20,198,207	-	20,198,207
Recovery	(20,383,111)	-	(20,383,111)
Foreign exchange	(9,483)	-	(9,483)
Ending balance	<u>20,353,183</u>	<u>-</u>	<u>20,353,183</u>
Less ceded unearned premium reserve			
Beginning balance	1,180,752	-	1,180,752
Decrease	(178,297)	-	(178,297)
Ending balance	<u>1,002,455</u>	<u>-</u>	<u>1,002,455</u>
Net ending balance	<u>\$ 19,350,728</u>	<u>\$ -</u>	<u>\$ 19,350,728</u>
For the Six Months Ended June 30, 2022			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 19,496,231	\$ -	\$ 19,496,231
Provision	19,081,744	-	19,081,744
Recovery	(19,375,292)	-	(19,375,292)
Foreign exchange	12,353	-	12,353
Ending balance	<u>19,215,036</u>	<u>-</u>	<u>19,215,036</u>
Less ceded unearned premium reserve			
Beginning balance	1,131,321	-	1,131,321
Decrease	(157,799)	-	(157,799)
Ending balance	<u>973,522</u>	<u>-</u>	<u>973,522</u>
Net ending balance	<u>\$ 18,241,514</u>	<u>\$ -</u>	<u>\$ 18,241,514</u>

2) Loss reserve

	June 30, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance			
Filed but not paid	\$ 3,885,472	\$ 31,695	\$ 3,917,167
Not yet filed	53,970	-	53,970
Individual injury insurance			
Filed but not paid	95,088	-	95,088
Not yet filed	2,361,836	-	2,361,836
Individual health insurance			
Filed but not paid	843,603	-	843,603
Not yet filed	4,180,018	-	4,180,018
Group insurance			
Filed but not paid	85,898	-	85,898
Not yet filed	1,579,647	-	1,579,647
Investment-linked insurance			
Filed but not paid	209,560	-	209,560
Not yet filed	1,084	-	1,084
	<u>13,296,176</u>	<u>31,695</u>	<u>13,327,871</u>
Less ceded loss reserve			
Individual life insurance	120,988	-	120,988
Individual injury insurance	38	-	38
Individual health insurance	12,985	-	12,985
Group insurance	7,789	-	7,789
	<u>141,800</u>	<u>-</u>	<u>141,800</u>
	<u>\$ 13,154,376</u>	<u>\$ 31,695</u>	<u>\$ 13,186,071</u>

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

	June 30, 2022		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Individual life insurance			
Filed but not paid	\$ 3,728,963	\$ 14,259	\$ 3,743,222
Not yet filed	44,669	-	44,669
Individual injury insurance			
Filed but not paid	68,118	-	68,118
Not yet filed	2,113,321	-	2,113,321
Individual health insurance			
Filed but not paid	1,048,107	-	1,048,107
Not yet filed	3,609,699	-	3,609,699
Group insurance			
Filed but not paid	101,001	-	101,001
Not yet filed	1,784,085	-	1,784,085
Investment-linked insurance			
Filed but not paid	233,081	-	233,081
Not yet filed	2,230	-	2,230
	<u>12,733,274</u>	<u>14,259</u>	<u>12,747,533</u>
Less ceded loss reserve			
Individual life insurance	58,351	-	58,351
Individual injury insurance	7	-	7
Individual health insurance	10,236	-	10,236
Group insurance	4,098	-	4,098
	<u>72,692</u>	<u>-</u>	<u>72,692</u>
	<u>\$ 12,660,582</u>	<u>\$ 14,259</u>	<u>\$ 12,674,841</u>

The changes in loss reserve are summarized below:

For the Six Months Ended June 30, 2023			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 12,703,094	\$ 56,967	\$ 12,760,061
Provision	13,568,257	31,695	13,599,952
Recovery	(12,964,441)	(56,967)	(13,021,408)
Foreign exchange	<u>(10,734)</u>	<u>-</u>	<u>(10,734)</u>
Ending balance	<u>13,296,176</u>	<u>31,695</u>	<u>13,327,871</u>
Less ceded loss reserve:			
Beginning balance	122,896	-	122,896
Increase	38,466	-	38,466
Decrease	(19,200)	-	(19,200)
Foreign exchange	<u>(362)</u>	<u>-</u>	<u>(362)</u>
Ending balance	<u>141,800</u>	<u>-</u>	<u>141,800</u>
Net ending balance	<u>\$ 13,154,376</u>	<u>\$ 31,695</u>	<u>\$ 13,186,071</u>

For the Six Months Ended June 30, 2022			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 11,731,634	\$ 31,747	\$ 11,763,381
Provision	13,055,793	14,259	13,070,052
Recovery	(12,099,185)	(31,747)	(12,130,932)
Foreign exchange	<u>45,032</u>	<u>-</u>	<u>45,032</u>
Ending balance	<u>12,733,274</u>	<u>14,259</u>	<u>12,747,533</u>
Less ceded loss reserve:			
Beginning balance	51,497	-	51,497
Increase	46,046	-	46,046
Decrease	(25,125)	-	(25,125)
Foreign exchange	<u>274</u>	<u>-</u>	<u>274</u>
Ending balance	<u>72,692</u>	<u>-</u>	<u>72,692</u>
Net ending balance	<u>\$ 12,660,582</u>	<u>\$ 14,259</u>	<u>\$ 12,674,841</u>

3) Policy reserve

June 30, 2023			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance (Note 1)	\$ 5,776,362,107	\$ 2,605	\$ 5,776,364,712
Injury insurance	7,577,844	-	7,577,844
Health insurance	977,310,738	-	977,310,738
Annuity insurance	1,081,250	6,704,392	7,785,642
Investment-linked insurance	2,588,319	-	2,588,319
Total (Note 2)	<u>6,764,920,258</u>	<u>6,706,997</u>	<u>6,771,627,255</u>
Less ceded policy reserve			
Life insurance	348,533	-	348,533
Health insurance	4,848	-	4,848
	<u>353,381</u>	<u>-</u>	<u>353,381</u>
	<u>\$ 6,764,566,877</u>	<u>\$ 6,706,997</u>	<u>\$ 6,771,273,874</u>
December 31, 2022			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance (Note 1)	\$ 5,710,174,015	\$ 2,609	\$ 5,710,176,624
Injury insurance	7,566,436	-	7,566,436
Health insurance	942,869,506	-	942,869,506
Annuity insurance	1,080,857	7,771,653	8,852,510
Investment-linked insurance	2,241,645	-	2,241,645
Total (Note 2)	<u>6,663,932,459</u>	<u>7,774,262</u>	<u>6,671,706,721</u>
Less ceded policy reserve			
Life insurance	367,705	-	367,705
Health insurance	19,900	-	19,900
	<u>387,605</u>	<u>-</u>	<u>387,605</u>
	<u>\$ 6,663,544,854</u>	<u>\$ 7,774,262</u>	<u>\$ 6,671,319,116</u>

	June 30, 2022		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Life insurance (Note 1)	\$ 5,633,890,787	\$ 3,699	\$ 5,633,894,486
Injury insurance	7,514,400	-	7,514,400
Health insurance	905,515,953	-	905,515,953
Annuity insurance	1,302,221	9,274,788	10,577,009
Investment-linked insurance	<u>1,895,208</u>	<u>-</u>	<u>1,895,208</u>
Total (Note 2)	<u>6,550,118,569</u>	<u>9,278,487</u>	<u>6,559,397,056</u>
Less ceded policy reserve			
Life insurance	378,781	-	378,781
Health insurance	<u>20,033</u>	<u>-</u>	<u>20,033</u>
	<u>398,814</u>	<u>-</u>	<u>398,814</u>
	<u>\$ 6,549,719,755</u>	<u>\$ 9,278,487</u>	<u>\$ 6,558,998,242</u>

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

Note 2: Total policy reserve including policy reserve-payables to the insured amounted to \$6,772,120,043 thousand, \$6,672,193,784 thousand and \$6,559,857,094 thousand as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

The changes in policy reserve are summarized below:

	For the Six Months Ended June 30, 2023		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Beginning balance	\$ 6,663,932,459	\$ 7,774,262	\$ 6,671,706,721
Provision	249,153,291	39,225	249,192,516
Recovery	(166,264,721)	(1,106,486)	(167,371,207)
Reclassification	133,737	-	133,737
Foreign exchange	<u>17,965,492</u>	<u>(4)</u>	<u>17,965,488</u>
Ending balance	<u>6,764,920,258</u>	<u>6,706,997</u>	<u>6,771,627,255</u>
Less ceded policy reserve			
Beginning balance	387,605	-	387,605
Increase	15,659	-	15,659
Decrease	(39,423)	-	(39,423)
Foreign exchange	<u>(10,460)</u>	<u>-</u>	<u>(10,460)</u>
Ending balance	<u>353,381</u>	<u>-</u>	<u>353,381</u>
Net ending balance	<u>\$ 6,764,566,877</u>	<u>\$ 6,706,997</u>	<u>\$ 6,771,273,874</u>

For the Six Months Ended June 30, 2022

	Financial Instruments with Discretionary Participation		
	Insurance Contracts	Features	Total
Beginning balance	\$ 6,324,073,143	\$ 10,400,305	\$ 6,334,473,448
Provision	255,385,379	36,272	255,421,651
Recovery	(128,567,103)	(1,158,116)	(129,725,219)
Reclassification	60,417	-	60,417
Foreign exchange	<u>99,166,733</u>	<u>26</u>	<u>99,166,759</u>
Ending balance	<u>6,550,118,569</u>	<u>9,278,487</u>	<u>6,559,397,056</u>
Less ceded policy reserve			
Beginning balance	395,115	-	395,115
Increase	47,575	-	47,575
Decrease	(52,380)	-	(52,380)
Foreign exchange	<u>8,504</u>	<u>-</u>	<u>8,504</u>
Ending balance	<u>398,814</u>	<u>-</u>	<u>398,814</u>
Net ending balance	<u>\$ 6,549,719,755</u>	<u>\$ 9,278,487</u>	<u>\$ 6,558,998,242</u>

4) Special reserve

June 30, 2023

	Financial Instruments with Discretionary Participation			
	Insurance Contracts	Features	Others	Total
Participating policies dividends reserve	\$ (8,323)	\$ -	\$ -	\$ (8,323)
Dividend risk reserve	10,482	-	-	10,482
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 2,159</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,483</u>

December 31, 2022				
	Financial Instruments with Discretionary Participation Features			
	Insurance Contracts		Others	Total
Participating policies dividends reserve	\$ (13,396)	\$ -	\$ -	\$ (13,396)
Dividend risk reserve	15,805	-	-	15,805
Special reserve for revaluation increments of property	-	-	11,083,324	11,083,324
	<u>\$ 2,409</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,733</u>

June 30, 2022				
	Financial Instruments with Discretionary Participation Features			
	Insurance Contracts		Others	Total
Participating policies dividends reserve	\$ (28,841)	\$ -	\$ -	\$ (28,841)
Dividend risk reserve	30,712	-	-	30,712
Special reserve for revaluation increments of property	-	-	11,083,324	11,083,324
	<u>\$ 1,871</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,195</u>

The changes in special reserve are summarized below:

For the Six Months Ended June 30, 2023				
	Financial Instruments with Discretionary Participation Features			
	Insurance Contracts		Others	Total
Beginning balance	\$ 2,409	\$ -	\$ 11,083,324	\$ 11,085,733
Provision for participating policies dividends reserve	15,289	-	-	15,289
Recovery of participating policies dividends reserve	(10,216)	-	-	(10,216)
Recovery of dividend risk reserve	<u>(5,323)</u>	<u>-</u>	<u>-</u>	<u>(5,323)</u>
Ending balance	<u>\$ 2,159</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,483</u>

	For the Six Months Ended June 30, 2022			
	Financial Instruments with Discretionary Participation Features			Total
	Insurance Contracts		Others	
Beginning balance	\$ 1,735	\$ -	\$ 11,083,324	\$ 11,085,059
Provision for participating policies dividends reserve	23,859	-	-	23,859
Recovery of participating policies dividends reserve	(10,846)	-	-	(10,846)
Recovery of dividend risk reserve	<u>(12,877)</u>	<u>-</u>	<u>-</u>	<u>(12,877)</u>
Ending balance	<u>\$ 1,871</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,195</u>

5) Premium deficiency reserve

	June 30, 2023		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Individual life insurance	\$ 6,181,966	\$ -	\$ 6,181,966
Individual injury insurance	4,180	-	4,180
Individual health insurance	1,359,549	-	1,359,549
Group insurance	<u>32</u>	<u>-</u>	<u>32</u>
	<u>\$ 7,545,727</u>	<u>\$ -</u>	<u>\$ 7,545,727</u>

	December 31, 2022		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Individual life insurance	\$ 6,802,796	\$ -	\$ 6,802,796
Individual injury insurance	4,495	-	4,495
Individual health insurance	1,323,134	-	1,323,134
Group insurance	<u>41</u>	<u>-</u>	<u>41</u>
	<u>\$ 8,130,466</u>	<u>\$ -</u>	<u>\$ 8,130,466</u>

	June 30, 2022		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Individual life insurance	\$ 8,078,327	\$ -	\$ 8,078,327
Individual injury insurance	3,022	-	3,022
Individual health insurance	1,302,566	-	1,302,566
Group insurance	<u>90,299</u>	<u>-</u>	<u>90,299</u>
	<u>\$ 9,474,214</u>	<u>\$ -</u>	<u>\$ 9,474,214</u>

The changes in premium deficiency reserve are summarized below:

	For the Six Months Ended June 30, 2023		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Beginning balance	\$ 8,130,466	\$ -	\$ 8,130,466
Provision	-	-	-
Recovery	(603,536)	-	(603,536)
Foreign exchange	<u>18,797</u>	<u>-</u>	<u>18,797</u>
Ending balance	<u>\$ 7,545,727</u>	<u>\$ -</u>	<u>\$ 7,545,727</u>

	For the Six Months Ended June 30, 2022		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Beginning balance	\$ 9,808,215	\$ -	\$ 9,808,215
Provision	90,249	-	90,249
Recovery	(590,949)	-	(590,949)
Foreign exchange	<u>166,699</u>	<u>-</u>	<u>166,699</u>
Ending balance	<u>\$ 9,474,214</u>	<u>\$ -</u>	<u>\$ 9,474,214</u>

6) Other reserve

	June 30, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Others	<u>\$ 1,839,253</u>	<u>\$ -</u>	<u>\$ 1,839,253</u>
	December 31, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Others	<u>\$ 1,845,253</u>	<u>\$ -</u>	<u>\$ 1,845,253</u>
	June 30, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Others	<u>\$ 1,860,925</u>	<u>\$ -</u>	<u>\$ 1,860,925</u>

The changes in other reserve are summarized below:

	For the Six Months Ended June 30, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 1,845,253	\$ -	\$ 1,845,253
Recovery	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
Ending balance	<u>\$ 1,839,253</u>	<u>\$ -</u>	<u>\$ 1,839,253</u>

	For the Six Months Ended June 30, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 1,865,925	\$ -	\$ 1,865,925
Recovery	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
Ending balance	<u>\$ 1,860,925</u>	<u>\$ -</u>	<u>\$ 1,860,925</u>

7) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	June 30, 2023	December 31, 2022	June 30, 2022
Unearned premium reserve	\$ 20,353,183	\$ 20,547,570	\$ 19,215,036
Policy reserve	6,772,120,043	6,672,193,784	6,559,857,094
Premium deficiency reserve	7,545,727	8,130,466	9,474,214
Other reserve	<u>1,839,253</u>	<u>1,845,253</u>	<u>1,860,925</u>
Book value of insurance liabilities	<u>\$ 6,801,858,206</u>	<u>\$ 6,702,717,073</u>	<u>\$ 6,590,407,269</u>
Estimated present value of cash flows	<u>\$ 6,376,702,063</u>	<u>\$ 5,672,979,281</u>	<u>\$ 5,875,428,419</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

	June 30, 2023	December 31, 2022	June 30, 2022
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Information of policies	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.
b. Discount rate	Under the asset allocation situation on March 31, 2023, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2022; with neutral assumptions for the discount rate after 30 years.	Under the asset allocation situation on September 30, 2022, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2021; with neutral assumptions for the discount rate after 30 years.	Under the asset allocation situation on March 31, 2022, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2021; with neutral assumptions for the discount rate after 30 years.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Information of policies	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.
b. Discount rate	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2022; with neutral assumptions for the discount rate after 40 years.	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2021; with neutral assumptions for the discount rate after 40 years.	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2021; with neutral assumptions for the discount rate after 40 years.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Test method:	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups:	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.
b. Discount rate	Discount rates are calculated using the return on investment of the 5-year financial forecast of the current year, with a neutral assumption for discount rates after 5 years.	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.

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

Cathay Life and its subsidiaries issued financial instruments without discretionary participation features and recognized a reserve for insurance contracts with the nature of financial products. As of June 30, 2023, December 31, 2022 and June 30, 2022, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Life insurance	\$ 19,494,838	\$ 17,369,718	\$ 15,878,199
Investment-linked insurance	<u>1,072,651</u>	<u>1,125,751</u>	<u>1,170,373</u>
	<u>\$ 20,567,489</u>	<u>\$ 18,495,469</u>	<u>\$ 17,048,572</u>
	For the Six Months Ended June 30		
	2023	2022	
Beginning balance	\$ 18,495,469	\$ 15,188,788	
Premiums received	3,947,749	2,543,447	
Claims and payments	(2,018,757)	(1,536,431)	
Net provision of statutory reserve	722,595	506,573	
Foreign exchange	<u>(579,567)</u>	<u>346,195</u>	
Ending balance	<u>\$ 20,567,489</u>	<u>\$ 17,048,572</u>	

9) Reserve for foreign exchange valuation

a) The hedging strategy and risk exposure

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

b) Reconciliation for reserve for foreign exchange valuation

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ 49,503,457	\$ 9,053,726
Provision:		
Compulsory reserve	3,992,325	3,002,647
Additional reserve	<u>2,150,894</u>	<u>23,489,655</u>
	6,143,219	26,492,302
Recovery	<u>(13,479,755)</u>	<u>(2,525,160)</u>
Ending balance	<u>\$ 42,166,921</u>	<u>\$ 33,020,868</u>

c) Effects due to reserve for foreign exchange valuation

Item	For the Six Months Ended June 30, 2023		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 26,626,438	\$ 32,495,667	\$ 5,869,229
Earnings per share	1.58	1.98	0.40
Reserve for foreign exchange valuation	-	42,166,921	42,166,921
Equity attributable to owners of the Company	737,334,612	707,203,972	(30,130,640)

Item	For the Six Months Ended June 30, 2022		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 67,981,374	\$ 48,807,660	\$ (19,173,714)
Earnings per share	4.90	3.45	(1.45)
Reserve for foreign exchange valuation	-	33,020,868	33,020,868
Equity attributable to owners of the Company	462,392,836	439,579,038	(22,813,798)

b. Cathay Century and its subsidiaries

1) Unearned insurance premium reserve

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

June 30, 2023				
Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ 2,319,403	\$ 60,262	\$ 1,896,099	\$ 483,566
Marine insurance	292,804	7,122	237,717	62,209
Land and air insurance	7,346,186	568	411,050	6,935,704
Liability insurance	1,302,625	1,408	333,311	970,722
Guarantee insurance	64,730	3,453	52,177	16,006
Other property insurance	1,578,520	31,871	1,334,112	276,279
Accident insurance	1,662,599	4,847	139,733	1,527,713
Health insurance	55,582	-	173	55,409
Policy-oriented residential earthquake insurance	236,107	32,819	236,106	32,820
Compulsory automobile liability insurance	<u>1,263,309</u>	<u>466,147</u>	<u>757,986</u>	<u>971,470</u>
	<u>\$ 16,121,865</u>	<u>\$ 608,497</u>	<u>\$ 5,398,464</u>	<u>\$ 11,331,898</u>

December 31, 2022				
Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct	Reinsurance	Ceded	
	Business (1)	Inward Business (2)	Reinsurance Business (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	<u>1,250,469</u>	<u>464,968</u>	<u>750,282</u>	<u>965,155</u>
	<u>\$ 15,167,130</u>	<u>\$ 671,142</u>	<u>\$ 4,482,083</u>	<u>\$ 11,356,189</u>
June 30, 2022				
Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct	Reinsurance	Ceded	
	Business (1)	Inward Business (2)	Reinsurance Business (3)	
Fire insurance	\$ 2,344,620	\$ 179,676	\$ 1,776,310	\$ 747,986
Marine insurance	267,403	18,715	220,131	65,987
Land and air insurance	6,417,886	14,967	230,063	6,202,790
Liability insurance	1,083,494	2,816	245,729	840,581
Guarantee insurance	59,764	3,207	36,055	26,916
Other property insurance	1,725,467	32,278	1,300,214	457,531
Accident insurance	1,590,830	8,072	160,347	1,438,555
Health insurance	403,109	2,634	88,502	317,241
Policy-oriented residential earthquake insurance	234,077	32,809	234,077	32,809
Compulsory automobile liability insurance	<u>1,242,643</u>	<u>461,312</u>	<u>745,585</u>	<u>958,370</u>
	<u>\$ 15,369,293</u>	<u>\$ 756,486</u>	<u>\$ 5,037,013</u>	<u>\$ 11,088,766</u>

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

	For the Six Months Ended June 30			
	2023		2022	
	Unearned Premium Reserve	Ceded Unearned Premium Reserve	Unearned Premium Reserve	Ceded Unearned Premium Reserve
Beginning balance	\$ 15,838,272	\$ 4,482,083	\$ 15,305,826	\$ 4,361,937
Provision	16,724,601	5,395,490	16,120,141	5,034,199
Recovery	(15,870,479)	(4,491,102)	(15,350,754)	(4,381,967)
Foreign exchange	<u>37,968</u>	<u>11,993</u>	<u>50,566</u>	<u>22,844</u>
Ending balance	<u>\$ 16,730,362</u>	<u>\$ 5,398,464</u>	<u>\$ 16,125,779</u>	<u>\$ 5,037,013</u>

2) Loss reserve

a) Loss reserve and ceded loss reserve

Items	June 30, 2023			
	Loss Reserve		Ceded Loss Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Filed not yet paid	\$ 8,476,424	\$ 1,092,745	\$ 4,124,188	\$ 5,444,981
Not yet filed	<u>5,171,045</u>	<u>509,716</u>	<u>1,615,198</u>	<u>4,065,563</u>
	<u>\$ 13,647,469</u>	<u>\$ 1,602,461</u>	<u>\$ 5,739,386</u>	<u>\$ 9,510,544</u>

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

Items	June 30, 2022			
	Loss Reserve		Ceded Loss Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Filed not yet paid	\$ 7,082,345	\$ 1,177,654	\$ 3,656,399	\$ 4,603,600
Not yet filed	<u>9,545,804</u>	<u>474,031</u>	<u>2,362,704</u>	<u>7,657,131</u>
	<u>\$ 16,628,149</u>	<u>\$ 1,651,685</u>	<u>\$ 6,019,103</u>	<u>\$ 12,260,731</u>

b) Net changes in loss reserve and ceded loss reserve

For the six months ended June 30, 2023

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	Loss Reserve (5)=(1)-(2)+ (3)-(4)
Filed not yet paid	\$ 8,504,029	\$ 9,238,709	\$ 1,092,745	\$ 1,230,106	\$ (872,041)
Not yet filed	<u>5,136,477</u>	<u>12,593,469</u>	<u>509,716</u>	<u>475,820</u>	<u>(7,423,096)</u>
	<u>\$ 13,640,506</u>	<u>\$ 21,832,178</u>	<u>\$ 1,602,461</u>	<u>\$ 1,705,926</u>	<u>\$ (8,295,137)</u>

Items	Ceded Reinsurance Business		Net Changes in
	Provision (6)	Recovery (7)	Ceded Loss Reserve (8)=(6)-(7)
Filed not yet paid	\$ 4,134,847	\$ 3,987,173	\$ 147,674
Not yet filed	<u>1,599,286</u>	<u>2,402,699</u>	<u>(803,413)</u>
	<u>\$ 5,734,133</u>	<u>\$ 6,389,872</u>	<u>\$ (655,739)</u>

For the six months ended June 30, 2022

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	Ceded Loss Reserve (5)=(1)-(2)+ (3)-(4)
Filed not yet paid	\$ 7,105,252	\$ 5,958,639	\$ 1,177,654	\$ 1,129,732	\$ 1,194,535
Not yet filed	<u>9,518,902</u>	<u>4,301,044</u>	<u>474,031</u>	<u>450,325</u>	<u>5,241,564</u>
	<u>\$ 16,624,154</u>	<u>\$ 10,259,683</u>	<u>\$ 1,651,685</u>	<u>\$ 1,580,057</u>	<u>\$ 6,436,099</u>

Items	Ceded Reinsurance Business		Net Changes in
	Provision (6)	Recovery (7)	Ceded Loss Reserve (8)=(6)-(7)
Filed not yet paid	\$ 3,666,548	\$ 2,751,509	\$ 915,039
Not yet filed	<u>2,350,023</u>	<u>1,372,166</u>	<u>977,857</u>
	<u>\$ 6,016,571</u>	<u>\$ 4,123,675</u>	<u>\$ 1,892,896</u>

See Note 40 for the impact of the COVID-19 on Cathay Century and its subsidiaries.

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

Insurance Type	June 30, 2023		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 3,550,539	\$ 246,296	\$ 3,796,835
Marine insurance	701,540	252,495	954,035
Land and air insurance	2,466,259	1,517,809	3,984,068
Liability insurance	728,449	905,073	1,633,522
Guarantee insurance	47,210	37,071	84,281
Other property insurance	1,280,535	162,848	1,443,383
Accident insurance	253,347	529,796	783,143
Health insurance	54,753	219,530	274,283
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>486,537</u>	<u>1,809,843</u>	<u>2,296,380</u>
	<u>\$ 9,569,169</u>	<u>\$ 5,680,761</u>	<u>\$ 15,249,930</u>
Insurance Type	December 31, 2022		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 4,182,815	\$ 82,858	\$ 4,265,673
Marine insurance	671,037	208,516	879,553
Land and air insurance	2,372,432	1,327,669	3,700,101
Liability insurance	661,738	762,778	1,424,516
Guarantee insurance	48,770	34,605	83,375
Other property insurance	801,742	528,210	1,329,952
Accident insurance	256,038	528,089	784,127
Health insurance	957,852	7,837,730	8,795,582
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>484,303</u>	<u>1,791,709</u>	<u>2,276,012</u>
	<u>\$ 10,436,727</u>	<u>\$ 13,102,164</u>	<u>\$ 23,538,891</u>

Insurance Type	June 30, 2022		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 3,803,095	\$ 28,381	\$ 3,831,476
Marine insurance	571,053	183,375	754,428
Land and air insurance	1,826,818	1,373,013	3,199,831
Liability insurance	588,945	763,927	1,352,872
Guarantee insurance	47,764	36,101	83,865
Other property insurance	559,459	1,409,620	1,969,079
Accident insurance	131,351	521,492	652,843
Health insurance	275,007	3,846,339	4,121,346
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>456,507</u>	<u>1,857,587</u>	<u>2,314,094</u>
	<u>\$ 8,259,999</u>	<u>\$ 10,019,835</u>	<u>\$ 18,279,834</u>

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

Insurance Type	June 30, 2023		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,968,502	\$ 115,528	\$ 2,084,030
Marine insurance	524,226	153,650	677,876
Land and air insurance	85,139	41,108	126,247
Liability insurance	336,084	328,463	664,547
Guarantee insurance	13,615	21,623	35,238
Other property insurance	1,028,490	81,655	1,110,145
Accident insurance	14,907	41,827	56,734
Health insurance	3,821	6,555	10,376
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>149,404</u>	<u>824,789</u>	<u>974,193</u>
	<u>\$ 4,124,188</u>	<u>\$ 1,615,198</u>	<u>\$ 5,739,386</u>

December 31, 2022			
Insurance Type	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 2,379,825	\$ 38,119	\$ 2,417,944
Marine insurance	482,299	133,887	616,186
Land and air insurance	108,566	37,903	146,469
Liability insurance	283,097	281,830	564,927
Guarantee insurance	13,774	19,391	33,165
Other property insurance	489,080	109,591	598,671
Accident insurance	23,411	41,044	64,455
Health insurance	42,960	940,321	983,281
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>149,161</u>	<u>816,297</u>	<u>965,458</u>
	<u>\$ 3,972,173</u>	<u>\$ 2,418,383</u>	<u>\$ 6,390,556</u>
June 30, 2022			
Insurance Type	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 2,279,118	\$ 12,810	\$ 2,291,928
Marine insurance	383,962	112,355	496,317
Land and air insurance	106,455	33,605	140,060
Liability insurance	287,771	283,925	571,696
Guarantee insurance	13,416	17,742	31,158
Other property insurance	329,589	272,390	601,979
Accident insurance	8,405	33,759	42,164
Health insurance	115,601	741,259	856,860
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>132,082</u>	<u>854,859</u>	<u>986,941</u>
	<u>\$ 3,656,399</u>	<u>\$ 2,362,704</u>	<u>\$ 6,019,103</u>

e) Reconciliation of loss reserve and ceded loss reserve

For the Six Months Ended June 30				
	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	15,242,967	5,734,133	18,275,839	6,016,571
Recovery	(23,538,104)	(6,389,872)	(11,839,740)	(4,123,675)
Foreign exchange	<u>6,176</u>	<u>4,569</u>	<u>8,463</u>	<u>6,353</u>
Ending balance	<u>\$ 15,249,930</u>	<u>\$ 5,739,386</u>	<u>\$ 18,279,834</u>	<u>\$ 6,019,103</u>

3) Special reserve

a) Special reserve for compulsory automobile liability insurance

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ 926,605	\$ 851,422
Provision	48,157	68,686
Recovery	<u>(25,730)</u>	<u>(72,284)</u>
Ending balance	<u>\$ 949,032</u>	<u>\$ 847,824</u>

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

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

	For the Six Months Ended June 30, 2023		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	\$ 393,265	\$ 308,499	\$ 701,764
Provision	-	-	-
Recovery	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 393,265</u>	<u>\$ 308,499</u>	<u>\$ 701,764</u>

	For the Six Months Ended June 30, 2022		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	\$ 393,265	\$ 1,345,017	\$ 1,738,282
Provision	-	-	-
Recovery	<u>-</u>	<u>(1,036,518)</u>	<u>(1,036,518)</u>
Ending balance	<u>\$ 393,265</u>	<u>\$ 308,499</u>	<u>\$ 701,764</u>

If the Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises (formerly Directions for Strengthening Natural Disaster Insurance (Commercial Earthquake, Typhoon and Flood Insurance) Reserve by Non-Life Insurance Enterprises), Directions in Strengthening the Reserve Provision Made by the Co-Insurance Members Undertaking the Taiwan Residential Earthquake Insurance, and Directions for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises were not applied, Cathay Century and its subsidiaries pre-tax income/loss would decrease by \$0 thousand and \$1,036,518 thousand for the six months ended June 30, 2023 and 2022, respectively. The special reserve under liabilities would decrease by \$393,265 thousand and \$393,265 thousand, and special reserve under equity would increase by \$308,748 thousand and \$310,139 thousand as of June 30, 2023 and 2022, respectively. The (loss) earnings per share would decrease by \$0 and \$9.37 for the six months ended June 30, 2023 and 2022, respectively.

For the six months ended June 30, 2022, the Cathay Century and its subsidiaries recovered of \$1,036,518 thousand from the special reserve for fluctuation of risk in accordance with the Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises, since the actual retained claims that resulted from disasters exceeded the expected claims net of the reversal of the special reserve for a catastrophic event.

4) Premium deficiency reserve

a) Premium deficiency reserve and ceded premium deficiency reserve

Insurance Type	June 30, 2023			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ -	\$ -	\$ -	\$ -
Marine insurance	-	-	-	-
Land and air insurance	-	277	-	277
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ -</u>	<u>\$ 277</u>	<u>\$ -</u>	<u>\$ 277</u>

December 31, 2022				
Insurance Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct	Reinsurance	Ceded	
	Business (1)	Inward Business (2)	Reinsurance Business (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	-	-	-	-
	<u>\$ 1,228,239</u>	<u>\$ 12,021</u>	<u>\$ -</u>	<u>\$ 1,240,260</u>

June 30, 2022				
Insurance Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct	Reinsurance	Ceded	
	Business (1)	Inward Business (2)	Reinsurance Business (3)	
Fire insurance	\$ -	\$ -	\$ -	\$ -
Marine insurance	-	-	-	-
Land and air insurance	-	-	-	-
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	183,540	-	-	183,540
Accident insurance	-	-	-	-
Health insurance	506,460	-	-	506,460
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ 690,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 690,000</u>

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

For the Six Months Ended June 30, 2023									
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$ -	\$ 28,236	\$ -	\$ 11,735	\$ (39,971)	\$ -	\$ -	\$ -	\$ (39,971)
Marine insurance	-	3	-	192	(195)	-	-	-	(195)
Land and air insurance	-	-	277	94	183	-	-	-	183
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	1,200,000	-	-	(1,200,000)	-	-	-	(1,200,000)
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 1,228,239</u>	<u>\$ 277</u>	<u>\$ 12,021</u>	<u>\$ (1,239,983)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,239,983)</u>

For the Six Months Ended June 30, 2022									
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marine insurance	-	-	-	-	-	-	-	-	-
Land and air insurance	-	-	-	-	-	-	-	-	-
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	183,540	-	-	-	183,540	-	-	-	183,540
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	506,460	-	-	-	506,460	-	-	-	506,460
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ 690,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 690,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 690,000</u>

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

For the Six Months Ended June 30				
	2023		2022	
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve
Beginning balance	\$ 1,240,260	\$ -	\$ -	\$ -
Provision	277	-	690,000	-
Recovery	<u>(1,240,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 277</u>	<u>\$ -</u>	<u>\$ 690,000</u>	<u>\$ -</u>

5) Policy reserve

a) Details of policy reserve and ceded policy reserve

June 30, 2023

Insurance Type	Policy Reserve		Ceded Policy Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	\$ 138	\$ -	\$ -	\$ 138

December 31, 2022

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

June 30, 2022

Insurance Type	Policy Reserve		Ceded Policy Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	\$ 98	\$ -	\$ -	\$ 98

b) Net changes in policy reserve and ceded policy reserve

For the six months ended June 30, 2023

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision	Recovery	Provision	Recovery	(5)=(1)-(2)+(3)-(4)
	(1)	(2)	(3)	(4)	(3)-(4)
Health insurance	\$ -	\$ 32	\$ -	\$ -	\$ (32)

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

For the six months ended June 30, 2022

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Health insurance	\$ 45	\$ 42	\$ -	\$ -	\$ 3

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

22. RETIREMENT BENEFIT PLANS

The pension expense of defined benefit plans was calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2022 and 2021 and recognized as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Employee benefit expenses	\$ 108,013	\$ 111,827	\$ 209,125	\$ 223,636

23. OTHER FINANCIAL ASSETS AND LIABILITIES

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Other financial assets</u>			
Separate account insurance product assets	\$ 711,457,729	\$ 655,426,996	\$ 645,607,368
Others	11,599,525	14,405,663	13,564,684
	<u>\$ 723,057,254</u>	<u>\$ 669,832,659</u>	<u>\$ 659,172,052</u>
<u>Other financial liabilities</u>			
Separate account insurance product liabilities	\$ 711,457,729	\$ 655,426,996	\$ 645,607,368
Principal received from the sale of structured products	66,832,313	56,044,354	35,205,943
Others	7,429,197	9,177,045	8,422,580
	<u>\$ 785,719,239</u>	<u>\$ 720,648,395</u>	<u>\$ 689,235,891</u>

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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Separate account insurance product assets</u>			
Cash in bank	\$ 1,778,716	\$ 1,635,905	\$ 1,854,845
Financial assets at FVTPL	695,326,066	649,304,281	638,942,859
Other receivables	<u>14,248,045</u>	<u>4,379,432</u>	<u>4,695,018</u>
	<u>\$ 711,352,827</u>	<u>\$ 655,319,618</u>	<u>\$ 645,492,722</u>
<u>Separate account insurance product liabilities</u>			
Other payables	\$ 811,430	\$ 599,679	\$ 367,423
Reserve for separate accounts - insurance contracts	274,869,555	257,742,323	258,868,770
Reserve for separate accounts - investment contracts	<u>435,671,842</u>	<u>396,977,616</u>	<u>386,256,529</u>
	<u>\$ 711,352,827</u>	<u>\$ 655,319,618</u>	<u>\$ 645,492,722</u>
	For the Three Months Ended June 30		For the Six Months Ended June 30
	2023	2022	2023
			2022
<u>Separate account insurance product income</u>			
Premium income	\$ 8,968,130	\$ 6,664,887	\$ 14,585,712
Interest income	8,888	1,151	12,410
Gains (losses) from financial assets at FVTPL	7,736,577	(33,635,448)	20,145,257
Foreign exchange gains	<u>4,609,980</u>	<u>7,087,295</u>	<u>2,697,786</u>
	<u>\$ 21,323,575</u>	<u>\$ (19,882,115)</u>	<u>\$ 37,441,165</u>
			<u>\$ (20,190,717)</u>
<u>Separate account insurance product expenses</u>			
Claims and payments	\$ 4,717,822	\$ 16,586,459	\$ 9,406,445
Cash surrender value	5,385,619	3,830,344	9,547,831
Provision (reversal) of separate account reserve	10,229,499	(41,369,814)	16,498,610
Administrative expenses	1,030,928	1,113,246	2,066,152
Non-operating income and expenses	<u>(40,293)</u>	<u>(42,350)</u>	<u>(77,873)</u>
	<u>\$ 21,323,575</u>	<u>\$ (19,882,115)</u>	<u>\$ 37,441,165</u>
			<u>\$ (20,190,717)</u>

For the three months and six months ended June 30, 2023 and 2022, the rebates earned from counterparties due to the business of separate account insurance products were \$204,408 thousand, \$199,775 thousand, \$365,161 thousand and \$403,692 thousand, respectively, which were recorded under service fee income.

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

	June 30, 2023	December 31, 2022	June 30, 2022	
<u>Separate account insurance product assets</u>				
Cash in bank	\$ 8,896	\$ 4,944	\$ 14,326	
Financial assets at FVTPL	95,992	102,417	100,306	
Others	<u>14</u>	<u>17</u>	<u>14</u>	
	<u>\$ 104,902</u>	<u>\$ 107,378</u>	<u>\$ 114,646</u>	
<u>Separate account insurance product liabilities</u>				
Other payables	\$ -	\$ -	\$ 57	
Reserve for separate accounts - insurance contracts	<u>104,902</u>	<u>107,378</u>	<u>114,589</u>	
	<u>\$ 104,902</u>	<u>\$ 107,378</u>	<u>\$ 114,646</u>	
	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u> <u>2022</u>	
<u>Separate account insurance product income</u>				
Premium income	\$ 13	\$ 13	\$ 26	\$ 26
Gains (losses) from financial assets at FVTPL	1,374	1,181	1,374	\$ (637)
Interest income	<u>6</u>	<u>16</u>	<u>6</u>	<u>24</u>
	<u>\$ 1,393</u>	<u>\$ 1,210</u>	<u>\$ 1,406</u>	<u>\$ (587)</u>
<u>Separate account insurance product expenses</u>				
Provision (reversal) of separate account reserve	\$ 712	\$ 843	\$ 725	\$ (1,304)
Others	681	361	681	712
Tax expense	<u>-</u>	<u>6</u>	<u>-</u>	<u>5</u>
	<u>\$ 1,393</u>	<u>\$ 1,210</u>	<u>\$ 1,406</u>	<u>\$ (587)</u>

24. EQUITY

a. Share capital

	June 30, 2023	December 31, 2022	June 30, 2022
Number of shares authorized (in thousands)	18,000,000	18,000,000	18,000,000
Shares authorized	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>
Number of shares issued and fully paid (in thousands)			
Ordinary shares	14,669,210	14,669,210	13,169,210
Preference shares	1,533,300	1,533,300	1,533,300
Shares issued	<u>\$ 162,025,102</u>	<u>\$ 162,025,102</u>	<u>\$ 147,025,102</u>

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

On October 20, 2022, the board of directors resolved the capital increase through the issuance of 1,500,000 thousand ordinary shares, and the issue price was \$35 per share. The above transaction was approved by the FSC Jin Guan Zheng Fa No. 1110361791 on November 18, 2022, and the subscription base date was determined by the board of directors to be December 27, 2022.

Issuance of preference shares

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

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

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

Issuance of overseas depositary receipts

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

b. Capital surplus

1) Capital surplus comprises the following:

	June 30, 2023	December 31, 2022	June 30, 2022
Additional paid-in capital	\$ 197,202,720	\$ 210,405,009	\$ 172,905,009
Treasury share transactions	2,539,377	2,539,377	2,539,377
Additional paid-in capital - employee stock options	1,192,146	1,175,607	497,629
Conversion of convertible bonds	1,144,486	1,144,486	1,144,486
Others	<u>105,587</u>	<u>53,568</u>	<u>35,643</u>
	<u>\$ 202,184,316</u>	<u>\$ 215,318,047</u>	<u>\$ 177,122,144</u>

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

c. Retained earnings and dividends policy

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

Under the dividends policy as set forth in the Company's articles ("Articles"), when the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, the payment of preferred dividends, and then any remaining profit (earning of the current year or actual needs) and reversal of special reserve in accordance with the laws and regulations together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting. When declaring the distribution of dividends, the Company should retain the funds for the distribution of stock dividends, and the excess may be distributed in the form of cash dividends. However, the total distribution shall be no less than 20% of annual earnings, and the cash dividends shall be no less than 10% of the total dividends declared for the year. For the policies on the distribution of compensation of employees and remuneration of directors in the Articles, refer to compensation of employees and remuneration of directors in Note 25 e.

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

The appropriations of earnings for 2022 and 2021 which were approved in the shareholders' meeting on June 9, 2023 and June 17, 2022, respectively, were as follows:

	Appropriation of Earnings	
	2022	2021
Legal reserve	\$ 2,638,502	\$ 14,275,164
Special reserve	227,719,196	52,628
Cash dividends of ordinary shares (Note)	13,202,289	46,092,235
Cash dividends of preference shares (Note)	3,390,924	3,390,924

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

d. Special reserves

	June 30, 2023	December 31, 2022	June 30, 2022
Special reserve transferred from reserve for trading default and for trading loss (1)	\$ 333,598	\$ 333,598	\$ 333,598
Special reserve reclassified from liability (2)	3,744,467	3,744,467	3,744,467
Special reserve appropriated at the first-time adoption of IFRSs (3)	2,994,565	2,994,565	2,994,565
Special reserve for appreciation of investment properties (4)	109,745,905	108,931,710	108,931,710
Special reserve transferred from insurance liabilities (5)	34,764,311	34,764,311	34,764,311
Special reserve appropriated for other equity deduction (6)	<u>226,879,065</u>	<u>-</u>	<u>-</u>
	<u>\$ 378,461,911</u>	<u>\$ 150,768,651</u>	<u>\$ 150,768,651</u>

- 1) Cathay United Bank, Cathay Securities and Cathay Futures reclassified the appropriated default losses reserve and trading losses reserve as of December 31, 2010 as special reserve according to the relevant regulations. It shall not be used except for the transfer in accordance with the matters prescribed by the competent authority. The Company set aside a special reserve of \$333,598 thousand in 2011.
- 2) According to the Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises, for the special reserves for catastrophic event and for fluctuation of risk as of January 1, 2012, amounting to \$9,022,812 thousand, Cathay Life transferred half of the reserves amounting to \$4,511,405 thousand, net of tax effect, to special reserve under retained earnings amounting to \$3,744,467 thousand; half of the reserves were kept as the initial amount of reserve for foreign exchange valuation. The Company set aside a special reserve of \$3,744,467 thousand in 2013.
- 3) At the first-time adoption of IFRSs, Cathay Life chose to use fair values as the deemed costs of investment properties in accordance with Article 32 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the increments on property revaluation should be offset by other negative effects on the first-time adoption of IFRSs. The remaining increments on property revaluation should be recovered as special reserve under liabilities and the portion of increments on property revaluation used for offsetting other negative effects is recognized as retained earnings. In accordance with Bao (Tsai) No. 10202508140, the abovementioned adjustments of retained earnings amounting to \$2,994,565 thousand should be set aside as special reserve under equity following Jin Guan Bao Tsai No. 10102508861. The Company set aside a special reserve of \$2,994,565 thousand in 2013.

- 4) In 2014, the Group changed the subsequent measurement of investment properties from the cost model to the fair value model. According to Jin-Guan-Zheng-Fa No. 1030006415, in order to maintain a sound and robust financial structure of a publicly issued company, the Group appropriated a special reserve at the amount that was the same as the net increase arising the first-time application of subsequent measurement for investment property at fair value and transferred it to retained earnings.
- 5) Cathay Life transferred insurance liabilities of \$34,764,311 thousand to special reserve in accordance with Jin Guan Bao Tsai No. 10402029590. The Company set aside a special reserve of \$34,764,311 thousand in 2015.
- 6) The Group appropriates or reverses a special reserve in accordance with Jin-Guan-Zheng-Fa No. 1090150022. If there is a net deduction of other equity accumulated in the previous period, the Group should appropriate the same amount of special reserve from the unappropriated retained earnings in the previous period. Distributions can be made out of any subsequent reversal of the debit to other equity items. In addition, pursuant to Jin-Guan-Yin-Fa No. 11102279031 issued on November 4, 2022, as appropriation of earnings, the Company shall set aside a special surplus reserve of the same amount for the change in the fair value of the financial assets reclassified by the insurance subsidiaries.

e. Other equity

- 1) Exchange differences on translation of the financial statements of foreign operations

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	<u>\$ (13,027,301)</u>	<u>\$ (18,652,251)</u>
Recognized for the period	1,183,593	3,169,329
Share of associates accounted for using the equity method	156,846	752,229
Tax effects	<u>(18,300)</u>	<u>(389,069)</u>
Other comprehensive income recognized for the period	<u>1,322,139</u>	<u>3,532,489</u>
Ending balance	<u>\$ (11,705,162)</u>	<u>\$ (15,119,762)</u>

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

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	<u>\$ (58,533,041)</u>	<u>\$ 47,131,473</u>
Recognized for the period	22,834,773	(307,430,391)
Share of associates accounted for using the equity method	(357,890)	(886,669)
Reclassification adjustments		
Disposal of debt instruments	(305,251)	(681,229)
Tax effects	<u>(1,200,450)</u>	<u>53,277,105</u>
Other comprehensive income (loss) recognized for the period	20,971,182	(255,721,184)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>272,162</u>	<u>2,175,939</u>
Ending balance	<u>\$ (37,289,697)</u>	<u>\$ (206,413,772)</u>

3) Gain on hedging instruments

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ 950,265	\$ 335,851
Recognized for the period	(959,618)	348,085
Reclassification adjustments		
Hedged item that affects profit or loss	448,483	51,738
Tax effects	<u>100,573</u>	<u>(76,651)</u>
Other comprehensive (loss) income recognized for the period	<u>(410,562)</u>	<u>323,172</u>
Ending balance	<u>\$ 539,703</u>	<u>\$ 659,023</u>

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

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ (428,795)	\$ (889,397)
Recognized for the period	232,964	388,021
Tax effects	<u>(46,592)</u>	<u>(77,604)</u>
Other comprehensive income recognized for the period	<u>186,372</u>	<u>310,417</u>
Ending balance	<u>\$ (242,423)</u>	<u>\$ (578,980)</u>

5) Remeasurement of defined benefit plans

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ (1,097,143)	\$ (966,130)
Recognized for the period	(2,723)	(826)
Share of associate accounted for using the equity method	(155,565)	43,865
Tax effects	<u>31,802</u>	<u>(8,371)</u>
Other comprehensive (loss) income recognized for the period	<u>(126,486)</u>	<u>34,668</u>
Ending balance	<u>\$ (1,223,629)</u>	<u>\$ (931,462)</u>

6) Property revaluation surplus

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ 12,609,000	\$ 11,281,909
Recognized for the period	-	1,322,404
Tax effects	<u>-</u>	<u>(10,677)</u>
Other comprehensive income recognized for the period	-	1,311,727
Transferred to retained earnings	<u>-</u>	<u>15,364</u>
Ending balance	<u>\$ 12,609,000</u>	<u>\$ 12,609,000</u>

7) Other comprehensive loss on reclassification using the overlay approach

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	<u>\$(171,329,940)</u>	<u>\$ 64,764,671</u>
Recognized for the period		
Unrealized gain (loss)	100,115,203	(200,907,258)
Reclassification adjustments		
Disposal of financial instruments	(24,221,266)	(27,045,173)
Tax effects	<u>(5,443,947)</u>	<u>16,390,705</u>
Other comprehensive income (loss) recognized for the period	<u>70,449,990</u>	<u>(211,561,726)</u>
Ending balance	<u>\$(100,879,950)</u>	<u>\$(146,797,055)</u>

8) Other equity - other

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ (2,493,326)	\$ (3,224,389)
Actual execution of put options on subsidiaries' share	<u>-</u>	<u>731,063</u>
Ending balance	<u>\$ (2,493,326)</u>	<u>\$ (2,493,326)</u>

f. Non-controlling interests

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ 12,867,695	\$ 12,000,581
Attributed to non-controlling interest		
Net profit for the period	522,121	505,734
Exchange differences on translation of the financial statements of foreign operations	(187,033)	469,478
Unrealized gain (loss) on financial assets at FVTOCI	196,793	(288,219)
Other comprehensive income on reclassification using the overlay approach	604,132	68,343
Actual acquisition of interests in subsidiaries	7,433	(109,072)
Others	<u>(648,025)</u>	<u>(833,300)</u>
Ending balance	<u>\$ 13,363,116</u>	<u>\$ 11,813,545</u>

25. NET PROFIT FOR THE PERIOD

a. Net gain on service fee and commission fee

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Service fee revenue	\$ 10,519,885	\$ 8,482,535	\$ 19,871,031	\$ 17,353,426
Commission fee revenue	2,389,608	2,185,171	4,884,420	4,760,531
	<u>12,909,493</u>	<u>10,667,706</u>	<u>24,755,451</u>	<u>22,113,957</u>
Service fee expense	(2,936,578)	(2,534,461)	(5,789,205)	(5,150,901)
Commission fee expense	<u>(6,834,733)</u>	<u>(4,043,723)</u>	<u>(11,630,641)</u>	<u>(8,610,394)</u>
	<u>(9,771,311)</u>	<u>(6,578,184)</u>	<u>(17,419,846)</u>	<u>(13,761,295)</u>
	<u>\$ 3,138,182</u>	<u>\$ 4,089,522</u>	<u>\$ 7,335,605</u>	<u>\$ 8,352,662</u>

b. Net income on insurance operations

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Retained premiums earned	\$ 105,406,757	\$ 104,577,865	\$ 211,999,098	\$ 211,585,807
Separate account insurance product income	<u>21,324,968</u>	<u>(19,880,905)</u>	<u>37,442,571</u>	<u>(20,191,304)</u>
	<u>126,731,725</u>	<u>84,696,960</u>	<u>249,441,669</u>	<u>191,394,503</u>
Claims and payments	(111,261,966)	(91,833,544)	(220,829,394)	(168,885,624)
Separate account insurance product expenses	(21,324,968)	19,880,905	(37,442,571)	20,191,304
Others	<u>(127,336)</u>	<u>(221,386)</u>	<u>(198,286)</u>	<u>(437,892)</u>
	<u>(132,714,270)</u>	<u>(72,174,025)</u>	<u>(258,470,251)</u>	<u>(149,132,212)</u>
	<u>\$ (5,982,545)</u>	<u>\$ 12,522,935</u>	<u>\$ (9,028,582)</u>	<u>\$ 42,262,291</u>

c. Net changes in insurance liability reserves

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Net change in loss reserve	\$ (13,247)	\$ (4,717,455)	\$ 7,080,120	\$ (5,461,402)
Net change in policy reserve	(35,233,053)	(55,356,626)	(81,845,042)	(125,701,240)
Net change in premium deficiency reserve	207,665	(507,464)	1,843,519	(189,300)
Net change in special reserve	(11,201)	1,037,923	(22,177)	1,039,980
Net change in other reserves	3,000	3,000	6,000	5,000
Net change in reserve for insurance contracts with the nature of financial products	<u>(394,150)</u>	<u>(252,280)</u>	<u>(722,595)</u>	<u>(506,573)</u>
	<u>\$ (35,440,986)</u>	<u>\$ (59,792,902)</u>	<u>\$ (73,660,175)</u>	<u>\$ (130,813,535)</u>

d. Employee benefit expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Short-term benefits				
Salaries	\$ 16,364,685	\$ 13,314,545	\$ 31,175,089	\$ 27,763,411
Labor and health insurance expenses	1,171,269	1,128,553	2,506,556	2,480,388
Post-employment benefits	554,641	550,822	1,106,745	1,122,153
Remuneration of directors	51,085	58,977	99,012	147,890
Others	<u>338,151</u>	<u>290,837</u>	<u>650,450</u>	<u>599,745</u>
	<u>\$ 18,479,831</u>	<u>\$ 15,343,734</u>	<u>\$ 35,537,852</u>	<u>\$ 32,113,587</u>
An analysis of employee benefit expenses by function				
Profit from operations	\$ 3,285,659	\$ 2,324,014	\$ 5,723,633	\$ 5,008,845
Operating expenses	<u>15,194,172</u>	<u>13,019,720</u>	<u>29,814,219</u>	<u>27,104,742</u>
	<u>\$ 18,479,831</u>	<u>\$ 15,343,734</u>	<u>\$ 35,537,852</u>	<u>\$ 32,113,587</u>

e. Compensation of employees and remuneration of directors

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

The compensation of employees and remuneration of directors for the six months ended June 30, 2023 and 2022, which were accrued at rates of 0.01% and no higher than 0.05%, respectively, were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
	Cash	Cash	Cash	Cash
Compensation of employees	\$ 2,459	\$ 1,809	\$ 3,149	\$ 5,238
Remuneration of directors	450	675	900	1,350

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

The compensation of employees and remuneration of directors for 2022 and 2021 which were resolved by the Company's board of directors on March 9, 2023 and March 11, 2022, respectively, were as follows:

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Compensation of employees	\$ 4,098	\$ 14,057
Remuneration of directors	1,800	2,700

There was no significant difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

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

f. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Right-of-use assets	\$ 411,431	\$ 387,903	\$ 822,472	\$ 769,757
Property and equipment	916,366	682,152	1,822,309	1,346,044
Intangible assets	<u>787,783</u>	<u>751,227</u>	<u>1,575,485</u>	<u>1,492,042</u>
	<u>\$ 2,115,580</u>	<u>\$ 1,821,282</u>	<u>\$ 4,220,266</u>	<u>\$ 3,607,843</u>
An analysis of depreciation by function				
Operating expenses	<u>\$ 1,327,797</u>	<u>\$ 1,070,055</u>	<u>\$ 2,644,781</u>	<u>\$ 2,115,801</u>
An analysis of amortization by function				
Operating expenses	<u>\$ 787,783</u>	<u>\$ 751,227</u>	<u>\$ 1,575,485</u>	<u>\$ 1,492,042</u>

26. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Current tax				
In respect of the current period	\$ 1,473,114	\$ 683,188	\$ 2,243,825	\$ 864,919
Adjustments for prior years	(334,040)	(121,892)	(333,617)	(152,033)
Additional tax of unappropriated earnings	-	3,947,034	-	3,947,034
Others	75,984	145,268	1,019,503	545,681
Deferred tax				
In respect of the current period	4,571,184	4,357,402	2,921,115	9,238,549
Adjustments for prior years	<u>(204,484)</u>	<u>(1,887)</u>	<u>(205,028)</u>	<u>(1,887)</u>
Income tax expense recognized in profit or loss	<u>\$ 5,581,758</u>	<u>\$ 9,009,113</u>	<u>\$ 5,645,798</u>	<u>\$ 14,442,263</u>

b. Income tax recognized directly in equity

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Current tax				
Derecognition of equity instruments at FVTOCI	\$ 19,911	\$ 91,596	\$ 40,868	\$ 88,931
Deferred tax				
Derecognition of equity instruments at FVTOCI	(19,911)	(91,596)	(40,868)	(88,931)
Capital surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,088</u>
Income tax recognized directly in equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,088</u>

c. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
<u>Deferred tax</u>				
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ (11,471)	\$ (10,900)	\$ (46,592)	\$ (77,604)
Exchange differences on translation of financial statements of foreign operations	(27,654)	(14,118)	(18,300)	(389,069)
Unrealized loss (gain) on financial assets at FVTOCI	1,148,342	28,903,429	(1,238,916)	53,189,650
Loss (gain) on hedging instruments	126,854	(77,087)	100,573	(76,651)
Property revaluation surplus	-	(10,677)	-	(10,677)
Remeasurement of defined benefit plans	-	-	545	165
Shares of associates accounted for using the equity method	13,555	21,814	69,723	78,919
Other comprehensive (income) loss reclassified using overlay approach	<u>(791,313)</u>	<u>9,435,216</u>	<u>(5,443,947)</u>	<u>16,390,705</u>
Income tax benefit (expense) recognized in other comprehensive income	<u>\$ 458,313</u>	<u>\$ 38,247,677</u>	<u>\$ (6,576,914)</u>	<u>\$ 69,105,438</u>

d. Income tax assessments

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

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

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

27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Basic earnings per share	<u>\$ 1.50</u>	<u>\$ 0.85</u>	<u>\$ 1.98</u>	<u>\$ 3.45</u>

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

Net Income for the Period

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income for the period attributable to owners of the Company	\$ 25,486,639	\$ 14,600,898	\$ 32,495,667	\$ 48,807,660
Less: Dividends on preference shares	<u>(3,390,924)</u>	<u>(3,390,924)</u>	<u>(3,390,924)</u>	<u>(3,390,924)</u>
Earnings used in the computation of basic earnings per share	<u>\$ 22,095,715</u>	<u>\$ 11,209,974</u>	<u>\$ 29,104,743</u>	<u>\$ 45,416,736</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>14,669,210</u>	<u>13,169,210</u>	<u>14,669,210</u>	<u>13,169,210</u>

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

28. RELATED-PARTY TRANSACTIONS

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

Related Party Name	Related Party Category
Cathay Life	Subsidiary
Cathay United Bank	Subsidiary
Cathay Century	Subsidiary
Cathay Securities	Subsidiary
Cathay Securities Investment Trust	Subsidiary
Cathay Venture	Subsidiary
Cathay Lujiazui Life	Subsidiary
Cathay Life (Vietnam)	Subsidiary
Conning Asia Pacific Ltd.	Subsidiary
Cathay Securities Investment Consulting	Subsidiary
Cathay Investment	Subsidiary before February 2022
Lin Yuan	Subsidiary
Conning Holdings Limited	Subsidiary
Cathay Woolgate Exchange Holding 1 Limited	Subsidiary
Cathay Woolgate Exchange Holding 2 Limited	Subsidiary
Cathay Walbrook Holding 1 Limited	Subsidiary
Cathay Walbrook Holding 2 Limited	Subsidiary
Cathay Industrial R&D Center	Subsidiary
Global Evolution Holding ApS	Subsidiary
Cathay Power	Subsidiary (Note 1)
SUNRISE PV ONE	Subsidiary (Note 2)
Cathy Sunrise Two	Subsidiary (Note 2)
Cathy Sunrise Electric Power Two	Subsidiary (Note 2)
Bai Yang Energy	Subsidiary (Note 2)
Hong Cheng Sing Tech	Subsidiary (Note 2)
Shen Lyu	Subsidiary (Note 2)

(Continued)

Related Party Name	Related Party Category
Nan Yang Power	Subsidiary (Note 2)
Neo Cathay Power	Subsidiary (Note 1)
CM Energy	Subsidiary (Note 1)
Shu Guang Energy	Subsidiary (Note 2)
Si Yi	Subsidiary (Note 2)
Da Li	Subsidiary (Note 2)
Yong Han	Subsidiary (Note 2)
Hong Tai Energy	Subsidiary (Note 2)
Hong Tai Power	Subsidiary (Note 2)
Tian Ji Energy	Subsidiary (Note 2)
Tian Ji Power	Subsidiary (Note 2)
Chen Fong Power	Subsidiary from December 2022 to April 2023
Cathay Insurance (Vietnam)	Subsidiary
Indovina Bank	Subsidiary
CUBC Bank	Subsidiary
CUBC-I	Subsidiary
CUBCN Bank	Subsidiary
Cathay Futures	Subsidiary
Cathay Private Equity	Subsidiary
Cathay Securities (Hong Kong) Limited	Subsidiary
Cathay Capital (Asia)	Subsidiary
Taiwan Real-estate Management Corp.	Associate
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate
CMG International One Corp.	Associate
CMG International Two Corp.	Associate
ThrivEnergy Co., Ltd.	Associate
Seaward Card Co., Ltd.	Other related party
Vietinbank	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Cathay Real Estate Management Co., Ltd.	Other related party
Funds managed by Cathay Securities Investment Trust	Other related party
Private Equity Funds managed by Cathay Private Equity	Other related party
Funds managed by Global Evolution Holding ApS	Other related party
Funds managed by Octagon Credit Investors, LLC	Other related party
Bonds managed by Octagon Credit Investors, LLC	Other related party
San Ching Engineering Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party
ThinkPower Information Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Hong-Sui Co., Ltd.	Other related party
Bowl Cut Entertainment Co., Ltd.	Other related party
Cymlin Co., Ltd.	Other related party
Cymder Co., Ltd.	Other related party

(Continued)

Related Party Name	Related Party Category
Tien-Tai energy Co., Ltd.	Other related party
Cathay Cultural Foundation	Other related party
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cathay Life Insurance Employees' Welfare Committee	Other related party
Cathay United Bank Employees' Welfare Committee	Other related party
Cathay Real Estate Development Employees' Welfare Committee	Other related party
Hsin Chung Co., Ltd.	Other related party
Pai Hsing Investment Co., Ltd.	Other related party
Bannan Realty Co., Ltd.	Other related party
Yi Ru Capital Co., Ltd.	Other related party
FundRich Securities Co., Ltd.	Other related party
Daiwa - Cathay Capital Markets Co., Ltd.	Other related party
CDIB & PARTNERS Investment Holding Corporation	Other related party
Sanchong Realty Co., Ltd.	Other related party
Ann Fong Co., Ltd.	Other related party
Srisawad Corporation Public Company Limited	Other related party
Quantifeed Holdings Limited	Other related party
Taiwan Asset Management Corporation	Other related party
Taipei Forex Inc.	Other related party
HanTech Venture Capital Corporation	Other related party
Financial information service Co., Ltd.	Other related party
Zhulun Realty Co., Ltd.	Other related party
EasyCard Corporation	Other related party
Bioengine Capital Inc.	Other related party
Lung Chuan Water Resources Co., Ltd.	Other related party
Others	Other related party

(Concluded)

Note 1: Associate before November 2022

Note 2: Other related party before November 2022

b. Significant transactions with related parties were as follows:

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

1) Transactions with banks

a) Due from commercial banks

Name	June 30, 2023		December 31, 2022		June 30, 2022	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party Vietcombank	\$ 1,043,134	\$ 32	\$ 169,946	\$ 139	\$ 31,716	\$ 12

b) Due to commercial banks

Name	June 30, 2023		December 31, 2022		June 30, 2022	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party Vietinbank	<u>\$ 3,779,900</u>	<u>\$ 6,848</u>	<u>\$ 1,296,629</u>	<u>\$ 4,111</u>	<u>\$ 12,177</u>	<u>\$ 1,046</u>

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

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party Vietinbank	<u>\$ -</u>	<u>\$ 386,264</u>	<u>\$ 383,067</u>

Name	Interest Income			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2023	2022	2023	2022
Other related party Vietinbank	<u>\$ 5,079</u>	<u>\$ 6,054</u>	<u>\$ 11,222</u>	<u>\$ 11,943</u>

2) Balance of shares issued by related parties

Name	June 30, 2023	December 31, 2022	June 30, 2022
Associate			
PSS Co., Ltd.	<u>\$ 39,731</u>	<u>\$ 22,400</u>	<u>\$ 16,711</u>
Other related party			
Srisawad Corporation Public Company Limited	5,169,293	5,511,187	5,192,526
Cathay Real Estate Development Co., Ltd.	1,118,939	1,046,860	1,191,018
Taiwan Asset Management Corporation	988,819	1,021,279	1,094,876
CDIB & PARTNERS Investment Holding Corporation	1,472,911	1,389,761	1,423,225
Financial information service Co., Ltd.	644,751	577,792	587,512
Quantifeed Holdings Limited	198,915	62,162	23,253
Daiwa - Cathay Capital Markets Co., Ltd.	145,000	143,800	148,500
Cathay Healthcare Management Co., Ltd.	126,638	106,343	92,153
EasyCard Corporation	125,759	14,940	-
HanTech Venture Capital Corporation	78,816	72,622	74,871
Taipei Forex Inc.	60,083	58,603	53,387
Ann Fong Co., Ltd. Enterprise Co., Ltd.	<u>23,022</u>	<u>14,463</u>	<u>16,248</u>
	<u>10,152,946</u>	<u>10,019,812</u>	<u>9,897,569</u>
	<u>\$ 10,192,677</u>	<u>\$ 10,042,212</u>	<u>\$ 9,914,280</u>

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

3) Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Six Months Ended June 30	
		2023	2022
Associate			
CMG International Two Co., Ltd.	Ordinary shares	\$ -	\$ 1,125,000
CMG International One Co., Ltd.	Ordinary shares	-	900,000
ThrivEnergy Co., Ltd.	Ordinary shares	-	216,000
TaiYang Solar Power Co., Ltd.	Ordinary shares	-	67,500
		<u>\$ -</u>	<u>\$ 2,308,500</u>

4) Receivables

Name	June 30, 2023	December 31, 2022	June 30, 2022
Associate			
Cathay Insurance Company Limited (China)	\$ 6,836	\$ 1,526	\$ 5,410
Cathay Power	-	-	8,702
Neo Cathay Power	-	-	7,900
	<u>6,836</u>	<u>1,526</u>	<u>22,012</u>
Other related party			
Fund managed by Cathay Securities Investment Trust	318,908	265,853	250,861
Lung Chuan Water Resources Co., Ltd.	-	-	4,442
Others	<u>3,066</u>	<u>2,179</u>	<u>394</u>
	<u>321,974</u>	<u>268,032</u>	<u>255,697</u>
	<u>\$ 328,810</u>	<u>\$ 269,558</u>	<u>\$ 277,709</u>

5) Prepayments

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party			
ThinkPower Information Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,047</u>

6) Contract liability

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party			
Private equity fund managed by Cathay Private Equity	<u>\$ 48,721</u>	<u>\$ -</u>	<u>\$ 42,665</u>

7) Loans

Name	June 30, 2023		December 31, 2022		June 30, 2022	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Associate						
TaiYang Solar Power Co., Ltd.	\$ 51,987	\$ 717	\$ 54,647	\$ 1,318	\$ 57,286	\$ 620
Taiwan Real-estate Management Corp.	33,000	386	33,000	635	33,000	285
	<u>84,987</u>	<u>1,103</u>	<u>87,647</u>	<u>1,953</u>	<u>90,286</u>	<u>905</u>
Other related party						
Cathay Real Estate Development Co., Ltd.	620,000	5,742	620,000	11,113	620,000	836
Tien-Tai energy Co., Ltd.	64,146	919	67,919	1,648	71,692	773
Others	<u>2,984,887</u>	<u>30,769</u>	<u>3,528,289</u>	<u>53,602</u>	<u>3,287,691</u>	<u>22,911</u>
	<u>3,669,033</u>	<u>37,430</u>	<u>4,216,208</u>	<u>66,363</u>	<u>3,979,383</u>	<u>24,520</u>
	<u>\$ 3,754,020</u>	<u>\$ 38,533</u>	<u>\$ 4,303,855</u>	<u>\$ 68,316</u>	<u>\$ 4,069,669</u>	<u>\$ 25,425</u>

8) Deposits

Name	June 30, 2023		December 31, 2022		June 30, 2022	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary of the Company						
Cathay Securities Investment Consulting	\$ 496,101	\$ 3,967	\$ 621,212	\$ 1,369	\$ 457,276	\$ 238
Associate						
CMG International Two Corp.	193,447	373	31,820	271	281,115	55
Lin Yuan Property Management Co., Ltd.	191,598	1,158	247,327	1,606	199,782	683
Symphox Information Co., Ltd.	134,021	356	220,167	217	89,679	45
CMG International One Corp.	<u>59,956</u>	<u>308</u>	<u>43,320</u>	<u>236</u>	<u>309,090</u>	<u>53</u>
	<u>579,022</u>	<u>2,195</u>	<u>542,634</u>	<u>2,330</u>	<u>879,666</u>	<u>836</u>
Other related party						
Cathay Life Insurance Employees' Welfare Committee	2,217,852	16,892	2,301,702	24,533	2,369,535	10,406
Cathay United Bank Employees' Welfare Committee	800,805	15,032	761,220	30,417	772,011	14,687
Cathay Real Estate Development Co., Ltd.	779,076	1,167	429,818	289	249,701	11
Cathay United Bank Foundation	553,035	3,742	556,325	5,623	536,577	2,434
Cathay Real Estate Development Employees' Welfare Committee	461,243	3,485	467,213	5,215	431,036	2,166
Bannan Realty Co., Ltd.	330,922	903	544,195	532	214,517	33
Cathay Medical Care Corp.	321,372	993	522,260	570	391,410	91
Cathay Charity Foundation	312,102	2,084	311,735	2,862	293,110	1,183
Zhulun Realty Co., Ltd.	246,441	485	-	-	-	-
Cathay Hospitality Consulting Co., Ltd	238,557	561	410,749	230	34,110	9
Cathay Cultural Foundation	208,610	1,497	210,841	2,245	206,885	969

(Continued)

Name	June 30, 2023		December 31, 2022		June 30, 2022	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
EasyCard Corporation	\$ 194,313	\$ 542	\$ 101,163	\$ 474	\$ 43,597	\$ 45
Yua-Yung Marketing (Taiwan) Co., Ltd.	179,538	401	168,200	238	122,664	51
Private equity fund managed by Cathay Private Equity	173,564	982	551,457	683	535,186	86
Cathay Hospitality Management Co., Ltd.	156,351	424	263,959	260	137,281	25
Sanchong Realty Co., Ltd.	116,739	317	479,732	594	456,536	69
Cathay Real Estate Management Co., Ltd.	102,646	620	110,936	815	89,681	341
Pai Hsing Investment Co., Ltd.	14,238	37	15,521	83	132,843	65
Bioengine Capital Inc.	-	-	-	-	159,179	13
Others	<u>7,740,027</u>	<u>46,031</u>	<u>8,958,412</u>	<u>69,693</u>	<u>9,145,195</u>	<u>29,582</u>
	<u>15,147,431</u>	<u>96,195</u>	<u>17,165,438</u>	<u>145,356</u>	<u>16,321,054</u>	<u>62,266</u>
	<u>\$ 16,222,554</u>	<u>\$ 102,357</u>	<u>\$ 18,329,284</u>	<u>\$ 149,055</u>	<u>\$ 17,657,996</u>	<u>\$ 63,340</u>

(Concluded)

9) Property transactions

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

Name	For the Six Months Ended June 30			
	2023		2022	
	Items	Amount	Items	Amount
Associate				
Lin Yuan Property Management Co., Ltd.	Duun-Nang Xin-Yi Building, etc.	<u>\$ 6,686</u>	Yu-Ren Business Building.	<u>\$ 1,496</u>
Other related parties				
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	1,579,817	Tucheng East Building, etc.	683,555
Ally Logistic Property Co., Ltd.	Yongmei Erchungxi Warehouse, etc.	<u>596,815</u>	Yongmei Erchungxi Warehouse, etc.	<u>395,110</u>
		<u>2,176,632</u>		<u>1,078,665</u>
		<u>\$ 2,183,318</u>		<u>\$ 1,080,161</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Lin Yuan Property Management Co., Ltd. were \$1,829 thousand, \$3,447 thousand and \$0 thousand, respectively.

As of June 30, 2023, December 31, 2022 and June 30, 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$15,425,905 thousand, \$15,573,524 thousand and \$15,576,286 thousand, respectively.

As of June 30, 2023, December 31, 2022 and June 30, 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$4,005,983 thousand, \$4,005,983 thousand and \$3,342,857 thousand, respectively.

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

Name	Rental Income			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2023	2022	2023	2022
Subsidiary				
Cathay Securities				
Investment				
Consulting	\$ 2,530	\$ 2,530	\$ 5,059	\$ 5,059
Associate				
Symphox				
Information Co.,				
Ltd.	7,845	8,383	16,125	16,593
Lin Yuan Property				
Management Co.,				
Ltd.	5,937	5,035	11,625	9,866
	<u>13,782</u>	<u>13,418</u>	<u>27,750</u>	<u>26,459</u>
Other related party				
Ally Logistic				
Property Co., Ltd.	250,756	248,448	502,933	466,997
Cathay Medical Care				
Corp.	52,493	52,450	101,757	101,544
Cathay Hospitality				
Management Co.,				
Ltd.	50,502	44,014	100,936	94,641
Cathay Hospitality				
Consulting Co.,				
Ltd.	48,525	43,143	96,783	89,909
Cathay Healthcare				
Management Co.,				
Ltd.	23,338	22,429	45,863	44,256
Yua-Yung Marketing				
(Taiwan) Co., Ltd.	16,150	9,508	28,992	20,475
Hong-Sui Co., Ltd.	8,655	7,007	17,224	14,098
Cathay Real Estate				
Development Co.,				
Ltd.	4,541	4,468	9,032	8,765
Cymlin Co., Ltd.	2,142	2,142	4,285	4,285
Cymder Co., Ltd.	2,075	2,075	3,459	3,459
San Ching				
Engineering Co.,				
Ltd.	1,463	1,587	2,927	3,193
Hsin Chung Co., Ltd.	-	3,225	-	6,451
	<u>460,640</u>	<u>440,496</u>	<u>914,191</u>	<u>858,073</u>
	<u>\$ 476,952</u>	<u>\$ 456,444</u>	<u>\$ 947,000</u>	<u>\$ 889,591</u>

Name	Guarantee Deposits Received		
	June 30, 2023	December 31, 2022	June 30, 2022
Associates			
Symphox Information Co., Ltd.	\$ 7,767	\$ 11,708	\$ 8,259
Other related parties			
Ally Logistic Property Co., Ltd.	211,001	210,782	210,626
Cathay Hospitality Consulting Co., Ltd.	185,651	184,100	182,996
Cathay Hospitality Management Co., Ltd.	149,053	190,582	189,808
Cathay Medical Care Corp.	61,208	61,208	61,208
Cathay Healthcare Management Co., Ltd.	26,139	21,113	21,113
Yua-Yung Marketing (Taiwan) Co., Ltd.	9,178	5,370	4,915
Hong-Sui Co., Ltd.	5,612	4,740	4,740
Cathay Real Estate Development Co., Ltd.	4,171	4,086	4,215
Cymlin Co., Ltd.	4,081	4,081	4,081
Hsin Chung Co., Ltd.	3,072	3,072	3,072
	<u>659,166</u>	<u>689,134</u>	<u>686,774</u>
	<u>\$ 666,933</u>	<u>\$ 700,842</u>	<u>\$ 695,033</u>

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

c) Lease arrangements

i. Acquisition of right-of-use assets

Name	For the Six Months Ended June 30	
	2023	2022
Other related party		
Cathay Real Estate Development Co., Ltd.	\$ -	\$ 7,844
Yi Ru Capital Co., Ltd.	<u>5,035</u>	<u>-</u>
	<u>\$ 5,035</u>	<u>\$ 7,844</u>

ii. Lease liabilities

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party			
Cathay Real Estate Development Co., Ltd.	\$ 18,957	\$ 25,561	\$ 12,420
Yi Ru Capital Co., Ltd.	4,025	1,064	3,177
Ally Logistic Property Co., Ltd.	<u>2,851</u>	<u>4,381</u>	<u>4,802</u>
	<u>\$ 25,833</u>	<u>\$ 31,006</u>	<u>\$ 20,399</u>

iii. Guarantee deposits paid

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party Cathay Real Estate Development Co., Ltd.	\$ <u>4,482</u>	\$ <u>4,482</u>	\$ <u>4,482</u>

d) Acquisition of computer equipment and software

Name	For the Six Months Ended June 30	
	2023	2022
Other related party ThinkPower Information Co., Ltd.	\$ <u>7,599</u>	\$ <u>11,515</u>

10) Guarantee deposits received

Name	June 30, 2023	December 31, 2022	June 30, 2022
Associate Lin Yuan Property Management Co., Ltd.	\$ <u>5,000</u>	\$ <u>5,000</u>	\$ <u>5,000</u>
Other related party San Ching Engineering Co., Ltd.	1,638,977	1,638,378	1,870,877
Ally Logistic Property Co., Ltd.	<u>1,388,335</u>	<u>1,458,873</u>	<u>1,557,045</u>
	<u>3,027,312</u>	<u>3,097,251</u>	<u>3,427,922</u>
	\$ <u>3,032,312</u>	\$ <u>3,102,251</u>	\$ <u>3,432,922</u>

11) Payables

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary Cathay Securities Investment Consulting	\$ <u>28,021</u>	\$ <u>25,883</u>	\$ <u>29,694</u>
Associate Symphox Information Co., Ltd.	92,067	59,739	135,887
Lin Yuan Property Management Co., Ltd.	<u>4,019</u>	<u>2,610</u>	<u>8,348</u>
	<u>96,086</u>	<u>62,349</u>	<u>144,235</u>
Other related party Seaward Card Co., Ltd.	23,483	13,970	13,932
Funds managed by Cathay Securities Investment Trust	7,185	5,617	6,285
ThinkPower Information Co., Ltd.	<u>-</u>	<u>5,054</u>	<u>-</u>
	<u>30,668</u>	<u>24,641</u>	<u>20,217</u>
	\$ <u>154,775</u>	\$ <u>112,873</u>	\$ <u>194,146</u>

12) Balance of bonds managed by related parties

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party			
Bonds managed by Octagon Credit Investors, LLC	<u>\$ 5,314,527</u>	<u>\$ 5,309,027</u>	<u>\$ 5,151,044</u>

13) Balances of funds managed by related parties

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party			
Funds managed by Cathay Securities Investment Trust	\$ 72,187,073	\$ 63,380,239	\$ 68,232,151
Funds managed by Global Evolution Holding ApS	2,865,111	2,657,844	2,503,245
Funds managed by Octagon Credit Investors, LLC	2,350,057	2,218,342	2,122,806
Private Equity Funds managed by Cathay Private Equity	<u>1,519,013</u>	<u>1,414,805</u>	<u>1,213,230</u>
	<u>\$ 78,921,254</u>	<u>\$ 69,671,230</u>	<u>\$ 74,071,432</u>

14) Balances of related parties' discretionary management investment

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party			
Cathay Charity Foundation	\$ 128,778	\$ 108,540	\$ 108,178
Cathay Cultural Foundation	<u>57,706</u>	<u>54,935</u>	<u>56,266</u>
	<u>\$ 186,484</u>	<u>\$ 163,475</u>	<u>\$ 164,444</u>

15) Service fee income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Subsidiary				
Cathay Securities Investment Consulting	\$ 9,743	\$ 9,649	\$ 18,932	\$ 19,268
Other related party				
Cathay Real Estate Development Co., Ltd.	<u>1,325</u>	<u>1,178</u>	<u>4,103</u>	<u>5,024</u>
	<u>\$ 11,068</u>	<u>\$ 10,827</u>	<u>\$ 23,035</u>	<u>\$ 24,292</u>

16) Premium income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Associate				
Cathay Power	\$ -	\$ 8,802	\$ -	\$ 8,906
Neo Cathay Power	-	7,934	-	7,934
	<u>-</u>	<u>16,736</u>	<u>-</u>	<u>16,840</u>
Other related party				
Cathay Medical Care Corp.	9,804	15,522	24,644	25,438
Hong-Sui Co., Ltd.	1,725	1,863	3,841	3,869
ThinkPower Information Co., Ltd.	998	3,718	3,344	3,737
San Ching Engineering Co., Ltd.	290	1,989	1,702	8,983
Cathay Hospitality Management Co., Ltd.	36	16	4,473	4,295
Cathay Hospitality Consulting Co., Ltd.	32	15	5,012	2,473
Lung Chuan Water Resources Co., Ltd.	-	4,442	-	4,442
Others	<u>14,649</u>	<u>16,055</u>	<u>30,980</u>	<u>38,879</u>
	<u>27,534</u>	<u>43,620</u>	<u>73,996</u>	<u>92,116</u>
	<u>\$ 27,534</u>	<u>\$ 60,356</u>	<u>\$ 73,996</u>	<u>\$ 108,956</u>

17) Net other non-interest income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Other related party				
Funds managed by Cathay Securities Investment Trust	\$ 915,817	\$ 758,778	\$ 1,734,941	\$ 1,509,609
Private Equity Funds managed by Cathay Private Equity	24,095	22,471	49,777	42,526
Cathay Hospitality Consulting Co., Ltd.	<u>2,291</u>	<u>2,291</u>	<u>3,437</u>	<u>3,437</u>
	<u>\$ 942,203</u>	<u>\$ 783,540</u>	<u>\$ 1,788,155</u>	<u>\$ 1,555,572</u>

18) Operating expenses

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Subsidiary				
Cathay Securities				
Investment Consulting	\$ 27,094	\$ 29,372	\$ 54,414	\$ 59,678
Associate				
Symphox Information				
Co., Ltd.	261,280	171,245	505,164	324,790
Lin Yuan Property				
Management Co., Ltd.	242,393	249,640	513,298	488,336
	<u>503,673</u>	<u>420,885</u>	<u>1,018,462</u>	<u>813,126</u>
Other related party				
Seaward Card Co., Ltd.	103,725	75,180	190,577	147,526
ThinkPower Information				
Co., Ltd.	45,621	44,259	82,832	71,594
Ann Fong Co., Ltd.	31,340	54,943	77,534	102,435
Cathay Healthcare				
Management Co., Ltd.	11,349	5,209	13,269	8,564
EasyCard Corporation	5,250	5,250	5,250	5,250
FundRich Securities Co.,				
Ltd.	5,006	3,717	9,502	6,819
Bowl Cut Entertainment				
Co., Ltd.	-	-	21,550	19,630
	<u>202,291</u>	<u>188,558</u>	<u>400,514</u>	<u>361,818</u>
	<u>\$ 733,058</u>	<u>\$ 638,815</u>	<u>\$ 1,473,390</u>	<u>\$ 1,234,622</u>

19) Guarantees on duties and contracts

June 30, 2023

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party					
Yua-Yung Marketing	\$ 49,443	\$ 48,117	\$ 5	0.65%-	Demand
(Taiwan) Co., Ltd.				0.8%	deposits

December 31, 2022

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party					
Yua-Yung Marketing	\$ 63,513	\$ 49,443	\$ 6	0.65%-	Demand
(Taiwan) Co., Ltd.				0.8%	deposits

June 30, 2022

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 63,513</u>	<u>\$ 62,889</u>	<u>\$ 6</u>	0.65% - 0.8%	Demand deposits

20) Compensation of key management personnel

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 304,681	\$ 249,832	\$ 707,661	\$ 767,662
Post-employment benefits	6,602	6,125	12,871	12,618
Other long-term employee benefits	<u>4</u>	<u>-</u>	<u>34</u>	<u>20</u>
	<u>\$ 311,287</u>	<u>\$ 255,957</u>	<u>\$ 720,566</u>	<u>\$ 780,300</u>

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

c. The Company

1) Cash in banks

Name	June 30, 2023		December 31, 2022		June 30, 2022	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary Cathay United Bank	<u>\$ 24,858</u>	<u>\$ 2,379</u>	<u>\$ 438,003</u>	<u>\$ 4,388</u>	<u>\$ 16,270,807</u>	<u>\$ 195</u>

2) Receivables

Name	Nature of Transaction	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary Cathay United Bank	Integrated income tax, etc.	\$ 4,226,180	\$ 3,162,531	\$ 851,573
Cathay Life	Subordinated corporation bonds interests, etc.	690,411	70,989	690,411
Cathay Securities	Integrated income tax, etc.	1,064,382	484,896	257,303
Cathay Securities Investment Trust	Integrated income tax, etc.	1,656,170	402,738	211,747
Cathay Venture	Dividends receivable	<u>105,986</u>	<u>-</u>	<u>-</u>
		<u>\$ 7,743,129</u>	<u>\$ 4,121,154</u>	<u>\$ 2,011,034</u>

3) Guarantee deposits paid

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary Cathay Life	\$ <u>38,585</u>	\$ <u>33,709</u>	\$ <u>33,633</u>

4) Financial assets at FVTPL

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary Cathay Life	\$ <u>35,000,000</u>	\$ <u>35,000,000</u>	\$ <u>35,000,000</u>

5) Payables

Name	Nature of Transaction	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary Cathay Life	Integrated income tax	\$ 14,256,999	\$ 14,465,582	\$ 11,479,040
Cathay Century	Integrated income tax	<u>32,397</u>	<u>612,702</u>	<u>102,749</u>
		<u>14,289,396</u>	<u>15,078,284</u>	<u>11,581,789</u>
Other related party ThinkPower Information Co., Ltd.		<u>-</u>	<u>5,054</u>	<u>-</u>
		<u>\$ 14,289,396</u>	<u>\$ 15,083,338</u>	<u>\$ 11,581,789</u>

6) Lease agreements

a) Acquisition of right-of-use assets

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary Cathay Life	\$ <u>127,124</u>	\$ <u>279,221</u>	\$ <u>-</u>

b) Lease liabilities

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary			
Cathay Life	\$ 212,833	\$ 267,465	\$ 51,463
Cathay United Bank	<u>2,808</u>	<u>3,789</u>	<u>-</u>
	<u>215,641</u>	<u>271,254</u>	<u>51,463</u>
Other related party			
Ally Logistic Property Co., Ltd.	<u>2,851</u>	<u>4,381</u>	<u>4,802</u>
	<u>\$ 218,492</u>	<u>\$ 275,635</u>	<u>\$ 56,265</u>

c) Lease expense

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Subsidiary				
Cathay Life	<u>\$ 1,677</u>	<u>\$ 5,104</u>	<u>\$ 3,098</u>	<u>\$ 10,920</u>

7) Interest income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Subsidiary				
Cathay Life	<u>\$ 314,137</u>	<u>\$ 314,137</u>	<u>\$ 624,822</u>	<u>\$ 624,822</u>

8) Operating expenses

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Subsidiary				
Cathay Life	\$ 18,633	\$ 5,016	\$ 21,639	\$ 7,840
Cathay Securities	5,550	-	5,550	-
Cathay United Bank	<u>10,730</u>	<u>216</u>	<u>10,846</u>	<u>293</u>
	<u>34,913</u>	<u>5,232</u>	<u>38,035</u>	<u>8,133</u>
Associate				
Lin Yuan Property Management Co., Ltd.	4,510	862	5,847	2,213
Symphox Information Co., Ltd.	<u>1,932</u>	<u>135</u>	<u>3,097</u>	<u>2,286</u>
	<u>6,442</u>	<u>997</u>	<u>8,944</u>	<u>4,499</u>

(Continued)

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Other related party				
Bowl Cut Entertainment Co., Ltd.	\$ -	\$ -	\$ 21,550	\$ 19,630
ThinkPower Information Co., Ltd.	9,220	7,051	21,146	21,691
Seaward Card Co., Ltd.	<u>1,883</u>	<u>2,245</u>	<u>4,928</u>	<u>4,890</u>
	<u>11,103</u>	<u>9,296</u>	<u>47,624</u>	<u>46,211</u>
	<u>\$ 52,458</u>	<u>\$ 15,525</u>	<u>\$ 94,603</u>	<u>\$ 58,843</u>

(Concluded)

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

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

1) Cathay Life and its subsidiaries

a) Property transactions

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

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

Name	For the Six Months Ended June 30			
	2023		2022	
	Items	Amount	Items	Amount
Other related party				
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	\$ 1,579,817	Tucheng East Building, etc.	\$ 683,555
Ally Logistic Property Co., Ltd.	Yongmei Erchong Warehouse, etc.	<u>596,815</u>	Yongmei Erchong Warehouse, etc.	<u>395,110</u>
		<u>\$ 2,176,632</u>		<u>\$ 1,078,665</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$15,425,905 thousand, \$15,573,524 thousand and \$15,576,286 thousand, respectively.

As of June 30, 2023, December 31, 2022 and June 30, 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$4,005,983 thousand, \$4,005,983 thousand and \$3,342,857 thousand, respectively.

ii. Real-estate rental

Name	Rental Income			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Subsidiary				
Cathay United Bank	\$ 199,637	\$ 194,174	\$ 351,716	\$ 349,003
Other related party				
Ally Logistic Property Co., Ltd.	250,756	248,448	502,933	466,997
Cathay Medical Care Corp.	52,493	52,450	101,757	101,544
Cathay Hospitality Management Co., Ltd.	50,502	44,014	100,936	94,641
	<u>353,751</u>	<u>344,912</u>	<u>705,626</u>	<u>663,182</u>
	<u>\$ 553,388</u>	<u>\$ 539,086</u>	<u>\$ 1,057,342</u>	<u>\$ 1,012,185</u>

Name	Guarantee Deposits Received		
	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary			
Cathay United Bank	\$ 193,355	\$ 191,579	\$ 190,613
Other related party			
Ally Logistic Property Co., Ltd.	211,001	210,782	210,626
Cathay Hospitality Consulting Co., Ltd.	185,651	184,100	182,996
Cathay Hospitality Management Co., Ltd.	149,053	190,582	189,808
	<u>545,705</u>	<u>585,464</u>	<u>583,430</u>
	<u>\$ 739,060</u>	<u>\$ 777,043</u>	<u>\$ 774,043</u>

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

b) Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Six Months Ended June 30	
		2023	2022
Associate			
CMG International Two Co., Ltd.	Ordinary shares	\$ -	\$ 1,125,000
CMG International One Co., Ltd.	Ordinary shares	-	900,000
ThrivEnergy Co., Ltd.	Ordinary shares	-	216,000
		<u>\$ -</u>	<u>\$ 2,241,000</u>

c) Balance of shares issued by related parties

Name	Nature of Transaction	June 30, 2023	December 31, 2022	June 30, 2022
Other related party				
Srisawad Corporation Public Company Limited	Ordinary shares	\$ 2,596,438	\$ 2,718,023	\$ 2,560,845
Cathay Real Estate Development Co., Ltd.	Ordinary shares	1,118,939	1,046,860	1,191,018
CDIB & PARTNERS Investment Holding Corporation	Ordinary shares	726,300	694,980	711,720
Daiwa - Cathay Capital Markets Co., Ltd.	Ordinary shares	<u>145,000</u>	<u>143,800</u>	<u>148,500</u>
		<u>\$ 4,586,677</u>	<u>\$ 4,603,663</u>	<u>\$ 4,612,083</u>

d) Cash in banks

Name	Nature of Transaction	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary				
Cathay United Bank	Time deposits	\$ 1,875,513	\$ 1,867,186	\$ 1,398,756
	Demand deposits	44,601,981	43,913,419	42,059,778
	Checking deposits	176,434	197,778	174,814
	Security deposits	<u>522,403</u>	<u>1,409,644</u>	<u>203,484</u>
		<u>47,176,331</u>	<u>47,388,027</u>	<u>43,836,832</u>
Indovina Bank	Time deposits	3,010,222	3,045,564	2,674,574
	Demand deposits	<u>8,787</u>	<u>17,002</u>	<u>22,059</u>
		<u>3,019,009</u>	<u>3,062,566</u>	<u>2,696,633</u>
		<u>\$ 50,195,340</u>	<u>\$ 50,450,593</u>	<u>\$ 46,533,465</u>

For the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the interest income from above deposits in Cathay United Bank amounted to \$114,236 thousand, \$24,201 thousand, \$213,943 thousand and \$37,868 thousand, respectively.

For the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the interest income from above deposits in Indovina Bank amounted to \$50,733 thousand, \$34,096 thousand, \$101,943 thousand and \$61,895 thousand, respectively.

e) Loans

Name	For the Six Months Ended June 30, 2023		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 877,198</u>	1.57%-7.19%	<u>\$ 832,414</u>

For the Six Months Ended June 30, 2022			
Name	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 893,463</u>	1.03%-3.72%	<u>\$ 860,163</u>

f) Balance of bonds managed by related parties

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party Bonds managed by Octagon Credit Investors, LLC	<u>\$ 5,314,527</u>	<u>\$ 5,309,027</u>	<u>\$ 5,151,044</u>

g) Balance of funds managed by related parties

Name	Item	June 30, 2023	December 31, 2022	June 30, 2022
Other related party				
Funds managed by				
Octagon Credit	Market value	<u>\$ 2,350,057</u>	<u>\$ 2,218,342</u>	<u>\$ 2,122,806</u>
Investors, LLC	Cost	<u>\$ 2,393,517</u>	<u>\$ 2,336,430</u>	<u>\$ 2,242,357</u>
Funds managed by				
Global Evolution	Market value	<u>\$ 2,865,111</u>	<u>\$ 2,657,844</u>	<u>\$ 2,503,245</u>
Holding ApS	Cost	<u>\$ 2,668,828</u>	<u>\$ 2,611,516</u>	<u>\$ 2,507,856</u>
Funds managed by				
Cathay Securities	Market value	<u>\$ 71,669,093</u>	<u>\$ 62,661,305</u>	<u>\$ 67,168,527</u>
Investment Trust	Cost	<u>\$ 83,797,755</u>	<u>\$ 76,547,914</u>	<u>\$ 80,355,872</u>
Private Equity Funds				
managed by Cathay	Market value	<u>\$ 1,481,245</u>	<u>\$ 1,380,514</u>	<u>\$ 1,174,054</u>
Private Equity	Cost	<u>\$ 1,469,983</u>	<u>\$ 1,389,261</u>	<u>\$ 1,190,055</u>

h) Balance of discretionary management investments

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary			
Cathay Securities Investment Trust	<u>\$ 266,659,795</u>	<u>\$ 202,504,395</u>	<u>\$ 211,614,797</u>

i) Other receivables

Name	June 30, 2023	December 31, 2022	June 30, 2022
The Company			
Cathay Financial Holdings (Note)	<u>\$ 14,256,999</u>	<u>\$ 14,465,582</u>	<u>\$ 11,479,040</u>
Subsidiary			
Cathay Century	94,817	131,089	72,527
Cathay Venture	35,329	961,728	-
Indovina Bank	<u>88,176</u>	<u>111,737</u>	<u>63,296</u>
	<u>218,322</u>	<u>1,204,554</u>	<u>135,823</u>
	<u>\$ 14,475,321</u>	<u>\$ 15,670,136</u>	<u>\$ 11,614,863</u>

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

j) Guarantee deposits paid (for future transactions)

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary			
Cathay Futures	<u>\$ 2,295,835</u>	<u>\$ 3,390,281</u>	<u>\$ 2,041,406</u>

k) Guarantee deposits received and collateral

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party			
San Ching Engineering Co., Ltd.	\$ 1,638,977	\$ 1,638,378	\$ 1,870,877
Ally Logistic Property Co., Ltd.	<u>1,388,335</u>	<u>1,458,873</u>	<u>1,557,045</u>
	<u>\$ 3,027,312</u>	<u>\$ 3,097,251</u>	<u>\$ 3,427,922</u>

l) Other payables

Name	June 30, 2023	December 31, 2022	June 30, 2022
The Company			
Cathay Financial Holdings (Note)	\$ 690,411	\$ 70,989	\$ 690,411
Subsidiary			
Cathay United Bank	<u>454,689</u>	<u>303,859</u>	<u>349,531</u>
	<u>\$ 1,145,100</u>	<u>\$ 374,848</u>	<u>\$ 1,039,942</u>

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

m) Bonds payable

Name	June 30, 2023	December 31, 2022	June 30, 2022
The Company			
Cathay Financial Holdings	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

n) Insurance expense

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Subsidiary				
Cathay Century	<u>\$ 20,049</u>	<u>\$ 3,937</u>	<u>\$ 125,735</u>	<u>\$ 106,449</u>

o) Other operating costs

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Subsidiary				
Cathay United Bank	\$ 209,867	\$ 213,434	\$ 449,938	\$ 475,627
Cathay Securities				
Investment Trust	<u>42,694</u>	<u>104,889</u>	<u>82,190</u>	<u>219,943</u>
	<u>\$ 252,561</u>	<u>\$ 318,323</u>	<u>\$ 532,128</u>	<u>\$ 695,570</u>

p) Finance costs

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
The Company				
Cathay Financial Holdings	<u>\$ 314,137</u>	<u>\$ 314,137</u>	<u>\$ 624,822</u>	<u>\$ 624,822</u>

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

q) Operating expenses

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Subsidiary				
Cathay United Bank	\$ 1,426,071	\$ 1,293,450	\$ 3,218,520	\$ 3,226,338
Associate				
Lin Yuan Property Management Co., Ltd.	<u>221,136</u>	<u>236,795</u>	<u>479,860</u>	<u>461,318</u>
	<u>\$ 1,647,207</u>	<u>\$ 1,530,245</u>	<u>\$ 3,698,380</u>	<u>\$ 3,687,656</u>

r) Non-operating income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Subsidiary				
Cathay Century	\$ 217,248	\$ 172,237	\$ 426,809	\$ 335,266
Cathay United Bank	<u>52,444</u>	<u>62,571</u>	<u>82,914</u>	<u>107,370</u>
	<u>\$ 269,692</u>	<u>\$ 234,808</u>	<u>\$ 509,723</u>	<u>\$ 442,636</u>

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

s) Others

As of June 30, 2023, December 31, 2022 and June 30, 2022, the nominal amounts of the financial instruments transacted between Cathay Life and Cathay United Bank are summarized as follows (in thousands of each currency):

Name	June 30, 2023	December 31, 2022	June 30, 2022
SWAP	US\$ 3,835,000	US\$ 4,340,000	US\$ 2,485,000
CCS	US\$ -	US\$ 100,000	US\$ 100,000

2) Cathay United Bank and its subsidiaries

a) Loans and deposits

Loans and interest income

June 30, 2023

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-06.30	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	22	\$ 67,041	\$ 13,291	V	\$ -	None	None	\$ 15	\$ 255
Self-used housing mortgage loans	216	2,319,048	2,132,794	V	-	Real estate, securities and certificates of deposits	None	531	26,809
Other loans	Cathay Real Estate Development Co., Ltd.	620,000	620,000	V	-	Real estate	None	-	6,200

December 31, 2022

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-06.30	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	29	\$ 259,204	\$ 11,735	V	\$ -	None	None	\$ (233)	\$ 184
Self-used housing mortgage loans	262	2,986,723	2,644,407	V	-	Real estate, securities and certificates of deposits	None	6,687	33,375
Other loans	Cathay Real Estate Development Co., Ltd.	2,420,000	620,000	V	-	Real estate	None	6,200	6,200

June 30, 2022

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-06.30	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	26	\$ 228,292	\$ 15,861	V	\$ -	None	None	\$ (170)	\$ 248
Self-used housing mortgage loans	253	2,593,688	2,395,966	V	-	Real estate, securities and certificates of deposits	None	2,976	29,692
Other loans	Cathay Real Estate Development Co., Ltd.	620,000	620,000	V	-	Real estate	None	6,200	6,200

Deposits and interest expense

Name	June 30, 2023		December 31, 2022		June 30, 2022	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
The Company						
Cathay Financial Holdings	\$ 24,858	\$ 2,379	\$ 438,003	\$ 4,388	\$ 16,270,807	\$ 195
Subsidiary						
Cathay Life	43,244,241	186,373	44,848,736	135,469	41,671,420	17,304
Cathay Century	3,181,578	8,993	3,790,370	7,074	3,158,929	945
Cathay Life (Vietnam)	3,019,068	101,943	3,234,204	148,787	2,696,633	61,895
Cathay Securities	2,588,383	13,373	3,365,442	8,703	2,275,922	1,512
Cathay Industrial R&D Center	1,830,695	1,116	514,600	838	551,573	223
Cathay Futures	1,704,378	30,093	1,722,934	15,206	446,632	150
Lin Yuan	1,825,973	22,638	1,626,645	40,546	1,535,947	20,235
Cathay Securities Investment Consulting	496,101	3,967	621,212	1,369	457,276	238
Cathay Insurance (Vietnam)	312,403	7,977	272,684	13,676	287,226	6,382
Cathay Securities Investment Trust	204,148	275	216,349	239	301,476	61
Cathay Venture	162,742	142	410,300	122	101,115	6
	<u>58,569,710</u>	<u>376,890</u>	<u>60,623,476</u>	<u>372,029</u>	<u>53,484,149</u>	<u>108,951</u>
Associate						
CMG International Two Corp.	193,447	373	31,820	271	281,115	55
Lin Yuan Property Management Co., Ltd.	191,598	1,158	247,327	1,606	199,782	683
Symphox Information Co., Ltd.	134,021	356	220,167	217	89,679	45
CMG International One Corp.	59,956	308	43,320	236	309,090	53
	<u>579,022</u>	<u>2,195</u>	<u>542,634</u>	<u>2,330</u>	<u>879,666</u>	<u>836</u>
Other related party						
Cathay Life Insurance Employees' Welfare Committee	2,217,852	16,892	2,301,702	24,533	2,369,535	10,406
Cathay United Bank Employees' Welfare Committee	800,805	15,032	761,220	30,417	772,011	14,687
Cathay Real Estate Development Co., Ltd.	779,076	1,167	429,818	289	249,701	11
Cathay United Bank Foundation	553,035	3,742	556,325	5,623	536,577	2,434
Cathay Real Estate Development Employees' Welfare Committee	461,243	3,485	467,213	5,215	431,036	2,166
Bannan Realty Co., Ltd.	330,922	903	544,195	532	214,517	33
Cathay Medical Care Corp.	321,372	993	522,260	570	391,410	91
Cathay Charity Foundation	312,102	2,084	311,735	2,862	293,110	1,183
Zhulun Realty Co., Ltd.	246,441	485	-	-	-	-
Cathay Hospitality Consulting Co., Inc.	238,557	561	410,749	230	34,110	9
Cathay Cultural Foundation	208,610	1,497	210,841	2,245	206,885	969
EasyCard Corporation	194,313	542	101,163	474	43,597	45
Yua-Yung Marketing (Taiwan) Co., Ltd.	179,538	401	168,200	238	122,664	51
Private equity fund managed by Cathay Private Equity	173,564	982	551,457	683	535,186	86
Cathay Hospitality Management Co., Ltd.	156,351	424	263,959	260	137,281	25
Sanchong Realty Co., Ltd.	116,739	317	479,732	594	456,536	69
Cathay Real Estate Management Co., Ltd.	102,646	620	110,936	815	89,681	341

(Continued)

Name	June 30, 2023		December 31, 2022		June 30, 2022	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Pai Hsing Investment Co., Ltd.	\$ 14,238	\$ 37	\$ 15,521	\$ 83	\$ 132,843	\$ 65
Bioengine Capital Inc.	-	-	-	-	159,179	13
Others	<u>7,740,027</u>	<u>46,031</u>	<u>8,958,412</u>	<u>69,693</u>	<u>9,145,195</u>	<u>29,582</u>
	<u>15,147,431</u>	<u>96,195</u>	<u>17,165,438</u>	<u>145,356</u>	<u>16,321,054</u>	<u>62,266</u>
	<u>\$ 74,321,021</u>	<u>\$ 477,659</u>	<u>\$ 78,769,551</u>	<u>\$ 524,103</u>	<u>\$ 86,955,676</u>	<u>\$ 172,248</u>

(Concluded)

Name	June 30, 2023		December 31, 2022		June 30, 2022	
	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)
<u>Due from commercial banks</u>						
Other related party Vietinbank	\$ 1,043,134	\$ 32	\$ 169,946	\$ 139	\$ 31,716	\$ 12
<u>Due to commercial banks</u>						
Other related party Vietinbank	3,779,900	(6,848)	1,296,629	(4,111)	12,177	(1,046)

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

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

Item/Name	June 30, 2023	December 31, 2022	June 30, 2022
<u>Bond investment</u>			
Other related party Vietinbank	\$ -	\$ 386,264	\$ 383,067
<u>Stock investment</u>			
Other related party Srisawad Corporation Public Company Limited	2,572,855	2,793,164	2,631,681
Taiwan Asset Management Corporation	988,819	1,021,279	1,094,876
CDIB & PARTNERS Investment Holding Corporation	746,611	694,781	711,505
Financial Information Service Co., Ltd.	644,751	577,792	587,512
Quantifeed Holdings Limited	198,915	62,162	23,253
EasyCard Corporation	125,759	14,940	-

c) Derivative

June 30, 2023

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation Gain (Loss)	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2022.12.14-2024.03.25	\$ 119,402,725	\$ 5,876,656	Valuation adjustment for financial assets at FVTPL	\$ 3,684,888
					Valuation adjustment for FVTPL financial liabilities	-
	SWAP - exchange between customers (USD)	2021.04.29-2023.05.04	1,556,750	3,824	Valuation adjustment for financial assets at FVTPL	-
Cathay Century	SWAP - exchange between customers (USD)	2022.07.26-2024.06.14	2,830,172	108,290	Valuation adjustment for financial assets at FVTPL	87,490
					Valuation adjustment for FVTPL financial liabilities	(2,811)
	SWAP - exchange between customers (EUR)	2022.02.22-2023.06.06	59,142	(209)	Valuation adjustment for financial assets at FVTPL	-
					Valuation adjustment for FVTPL financial liabilities	-

December 31, 2022

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation Gain (Loss)	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2022.04.08-2023.12.21	\$ 133,272,720	\$ 3,415,063	Valuation adjustment for financial assets at FVTPL	\$ 3,095,742
					Valuation adjustment for FVTPL financial liabilities	(29,541)
	SWAP - exchange between customers (USD)	2021.04.29-2023.05.04	3,070,800	(8,152)	Valuation adjustment for financial assets at FVTPL	126,487
					Valuation adjustment for FVTPL financial liabilities	(142,400)
Cathay Century	SWAP - exchange between customers (USD)	2022.01.11-2023.12.21	2,791,357	65,093	Valuation adjustment for financial assets at FVTPL	78,977
					Valuation adjustment for FVTPL financial liabilities	(26,847)
	SWAP - exchange between customers (EUR)	2022.02.22-2023.06.06	57,251	1,865	Valuation adjustment for financial assets at FVTPL	2,061
					Valuation adjustment for FVTPL financial liabilities	-

June 30, 2022

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation Gain (Loss)	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2022.07.13-2023.03.23	\$ 65,694,460	\$ 2,647,182	Valuation adjustment for financial assets at FVTPL	\$ 2,511,867
					Valuation adjustment for FVTPL financial liabilities	(6,685)
	SWAP - exchange between customers (USD)	2022.04.29-2023.05.04	2,972,600	(21,428)	Valuation adjustment for financial assets at FVTPL	68,190
					Valuation adjustment for FVTPL financial liabilities	(93,300)
Cathay Century	SWAP - exchange between customers (USD)	2021.07.26-2022.12.14	2,829,915	113,290	Valuation adjustment for financial assets at FVTPL	109,395
					Valuation adjustment for FVTPL financial liabilities	(5)
	SWAP - exchange between customers (EUR)	2022.02.22-2023.06.06	54,333	(727)	Valuation adjustment for financial assets at FVTPL	-
					Valuation adjustment for FVTPL financial liabilities	(531)

d) Lease agreements

i. Acquisition of right-to-use assets

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

ii. Lease liabilities

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary Cathay Life	\$ <u>722,559</u>	\$ <u>1,074,210</u>	\$ <u>1,403,613</u>

iii. Guarantee deposits paid

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary Cathay Life	\$ <u>193,355</u>	\$ <u>191,579</u>	\$ <u>190,613</u>

e) Others

Item/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
<u>Service fee revenue</u>				
Subsidiary				
Cathay Life	\$ 1,629,036	\$ 1,506,890	\$ 3,661,562	\$ 3,701,965
Cathay Century	62,114	62,747	125,597	120,654
Cathay Securities	40,525	58,320	75,045	130,987
<u>General expenses – others</u>				
Subsidiary				
Cathay Life	52,588	62,577	82,914	107,376
Associate				
Symphox Information Co., Ltd.	202,347	108,410	387,478	210,348
Other related party				
Seaward Card Co., Ltd.	83,288	55,538	146,944	106,204
Ann Fong Co., Ltd.	31,340	54,943	77,534	102,435

Item/Name	June 30, 2023	December 31, 2022	June 30, 2022
<u>Receivables for insurance commission</u>			
Subsidiary			
Cathay Life	\$ <u>454,689</u>	\$ <u>303,859</u>	\$ <u>349,531</u>

Guarantee deposits paid

Subsidiary			
Cathay Futures	\$ <u>1,316,232</u>	\$ <u>1,496,350</u>	\$ <u>996,348</u>

(Continued)

Item/Name	June 30, 2023	December 31, 2022	June 30, 2022
<u>Accounts payable</u>			
Other related party			
Symphox Information Co., Ltd.	\$ <u>58,592</u>	\$ <u>49,769</u>	\$ <u>111,886</u>
<u>Payables from integrated tax</u>			
The Company			
Cathay Financial Holdings	\$ <u>2,170,592</u>	\$ <u>3,157,131</u>	\$ <u>851,573</u>
<u>Dividends payable</u>			
The Company			
Cathay Financial Holdings	\$ <u>2,055,588</u>	\$ <u>-</u>	\$ <u>-</u>
			(Concluded)

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

3) Cathay Century and its subsidiaries

a) Business transactions

Item	Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2023	2022	2023	2022
Premium income	Subsidiary Cathay Life	\$ <u>3,165</u>	\$ <u>3,937</u>	\$ <u>107,433</u>	\$ <u>106,449</u>
Operating costs					
Marketing costs	Subsidiary Cathay Life	\$ <u>209,318</u>	\$ <u>169,189</u>	\$ <u>417,043</u>	\$ <u>330,676</u>

b) Receivables from related parties

Item	Name	June 30, 2023	December 31, 2022	June 30, 2022
Other receivables	The Company			
	Cathay Financial Holdings (Note)	\$ <u>32,397</u>	\$ <u>612,702</u>	\$ <u>102,749</u>

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

c) Payables to related parties

Item	Name	June 30, 2023	December 31, 2022	June 30, 2022
Other payables	Subsidiary Cathay Life	\$ <u>94,817</u>	\$ <u>131,089</u>	\$ <u>72,527</u>

d) Cash in bank

Item	Name	June 30, 2023	December 31, 2022	June 30, 2022
Checking deposits and demand deposits	Subsidiary Cathay United Bank	\$ 3,161,548	\$ 3,770,340	\$ 3,138,913
	Indovina Bank	36,937	29,776	41,222
Time deposits	Subsidiary Cathay United Bank	20,030	20,030	20,016
	Indovina Bank	<u>275,466</u>	<u>242,908</u>	<u>246,004</u>
		<u>\$ 3,493,981</u>	<u>\$ 4,063,054</u>	<u>\$ 3,446,155</u>

e) Financial assets at FVTPL (beneficiary certificates)

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party Funds managed by Cathay Securities Investment Trust	<u>\$ 305,111</u>	<u>\$ 360,558</u>	<u>\$ 749,833</u>

f) Balance of discretionary management investments

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary Cathay Securities Investment Trust	<u>\$ 1,552,303</u>	<u>\$ 1,307,709</u>	<u>\$ 1,378,720</u>

g) Lease agreements

Name	Lease Liabilities		
	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary Cathay Life	<u>\$ 20,411</u>	<u>\$ 81,520</u>	<u>\$ 142,774</u>

h) SWAP contracts

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

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary Cathay United Bank	<u>US\$ 90,900</u>	<u>US\$ 90,900</u>	<u>US\$ 95,200</u>

4) Cathay Securities and its subsidiaries

a) Cash in bank

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary			
Cathay United Bank	<u>\$ 2,793,983</u>	<u>\$ 3,515,520</u>	<u>\$ 2,396,480</u>

Cash in bank includes cash and cash equivalents, cash and cash equivalents-receipts under custody from customers' security subscriptions, pending settlement money, restricted assets recorded under other current assets, and operating deposits recorded under other non-current assets. Restricted assets are the time deposits that were pledged as collateral.

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

b) Customer's margin accounts

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary			
Cathay United Bank	<u>\$ 1,498,959</u>	<u>\$ 1,573,034</u>	<u>\$ 326,246</u>

c) Futures trader's equity

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary			
Cathay Life	\$ 2,295,835	\$ 3,390,281	\$ 2,041,406
Cathay United Bank	<u>1,316,232</u>	<u>1,496,350</u>	<u>996,348</u>
	<u>3,612,067</u>	<u>4,886,631</u>	<u>3,037,754</u>
Other related party			
Funds managed by Cathay Securities Investment Trust	<u>1,782,217</u>	<u>2,345,956</u>	<u>1,546,981</u>
	<u>\$ 5,394,284</u>	<u>\$ 7,232,587</u>	<u>\$ 4,584,735</u>

d) Other payables

Name	June 30, 2023	December 31, 2022	June 30, 2022
The Company			
Cathay Financial Holdings (Note)	<u>\$ 1,064,382</u>	<u>\$ 484,896</u>	<u>\$ 257,303</u>

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

e) Lease agreements

Name	Lease Liabilities		
	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary Cathay Life	\$ <u>82,764</u>	\$ <u>111,110</u>	\$ <u>139,961</u>

f) Other operating expense

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Subsidiary Cathay Life	\$ 71,167	\$ 26,897	\$ 104,317	\$ 48,161
Cathay United Bank	<u>40,559</u>	<u>58,303</u>	<u>75,096</u>	<u>130,987</u>
	<u>\$ 111,726</u>	<u>\$ 85,200</u>	<u>\$ 179,413</u>	<u>\$ 179,148</u>

5) Cathay Securities Investment Trust and its subsidiaries

a) Cash and cash equivalents

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary Cathay United Bank	\$ <u>155,710</u>	\$ <u>204,252</u>	\$ <u>302,100</u>

b) Financial assets at FVTPL

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party Funds managed by Cathay Securities Investment Trust	\$ <u>112,626</u>	\$ <u>118,908</u>	\$ <u>97,299</u>

c) Receivables from related parties

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party Funds managed by Cathay Securities Investment Trust	\$ <u>318,908</u>	\$ <u>265,853</u>	\$ <u>250,861</u>

For the six months ended June 30, 2023 and 2022, no impairment losses were recognized for receivables from related parties.

d) Payables to related parties

Name	June 30, 2023	December 31, 2022	June 30, 2022
The Company			
Cathay Financial Holdings (Note)	<u>\$ 1,656,170</u>	<u>\$ 402,738</u>	<u>\$ 211,747</u>

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

e) Balance of discretionary management Investments

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary			
Cathay Life	\$ 266,659,795	\$ 202,504,395	\$ 211,614,797
Cathay Century	<u>1,552,303</u>	<u>1,307,709</u>	<u>1,378,720</u>
	<u>268,212,098</u>	<u>203,812,104</u>	<u>212,993,517</u>
Other related party			
Cathay Charity Foundation	<u>128,778</u>	<u>108,540</u>	<u>108,178</u>
	<u>\$ 268,340,876</u>	<u>\$ 203,920,644</u>	<u>\$ 213,101,695</u>

f) Management fee income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Subsidiary				
Cathay Life	<u>\$ 42,694</u>	<u>\$ 104,889</u>	<u>\$ 82,190</u>	<u>\$ 219,943</u>
Other related party				
Funds managed by Cathay Securities Investment Trust	<u>915,817</u>	<u>758,778</u>	<u>1,734,941</u>	<u>1,509,609</u>
	<u>\$ 958,511</u>	<u>\$ 863,667</u>	<u>\$ 1,817,131</u>	<u>\$ 1,729,552</u>

6) Cathay Venture

a) Cash and cash equivalents

Name	June 30, 2023	December 31, 2022	June 30, 2022
Subsidiary			
Cathay United Bank	<u>\$ 162,742</u>	<u>\$ 410,300</u>	<u>\$ 101,115</u>

b) Financial assets at FVTPL

Name	June 30, 2023	December 31, 2022	June 30, 2022
Other related party			
Funds managed by Cathay			
Securities Investment Trust	\$ 99,374	\$ 238,840	\$ 208,545
Cathay Healthcare Management Co., Ltd.	<u>126,638</u>	<u>106,343</u>	<u>92,153</u>
	<u>\$ 226,012</u>	<u>\$ 345,183</u>	<u>\$ 300,698</u>

c) Payables

Name	June 30, 2023	December 31, 2022	June 30, 2022
The Company			
Cathay Financial Holdings	<u>\$ 105,986</u>	<u>\$ -</u>	<u>\$ -</u>
Subsidiary			
Cathay Life	<u>35,239</u>	<u>963,178</u>	<u>-</u>
	<u>\$ 141,315</u>	<u>\$ 963,178</u>	<u>\$ -</u>

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

29. PLEDGED ASSETS

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

Item	Description	June 30, 2023	December 31, 2022	June 30, 2022
Demand deposits, time deposits and guarantee deposits paid	Capital guarantee, serving as deposits paid, settlement accounts, overdraft guarantee, collateral for lease of real estate, collateral for court guarantees, reimbursement account, performance bond, provisions for business and collateral	\$ 16,260,488	\$ 15,524,945	\$ 15,327,207
Financial assets at FVTOCI	Provisions for business and collateral	50,000,000	56,800,000	6,800,000
Debt instruments at amortized cost	Provisions for business and collateral	7,899,573	995,314	50,968,387
Investment properties	Short-term loans	290,341	290,341	291,175
Property and equipment	Pledge of borrowings	<u>8,217,941</u>	<u>7,707,466</u>	<u>-</u>
		<u>\$ 82,668,343</u>	<u>\$ 81,318,066</u>	<u>\$ 73,386,769</u>

30. COMMITMENTS AND CONTINGENT LIABILITIES

a. Cathay United Bank

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

- b. As of June 30, 2023, December 31, 2022 and June 30, 2022 Cathay United Bank and its subsidiaries had the following material commitments for entrusted items and guarantees:

	June 30, 2023	December 31, 2022	June 30, 2022
Trust and security held for safekeeping	\$ 1,029,354,459	\$ 962,935,721	\$ 936,698,865
Collection and payment on behalf of customers	30,314,482	29,385,182	29,603,427
Book-entry for government bonds and depository for short-term marketable securities under management	468,759,200	498,066,239	415,890,800
Entrusted financial management business	18,434,856	15,904,189	12,018,509
Guarantees on duties and contracts	19,807,574	19,613,957	18,348,169
Unused commercial letters of credit	8,486,667	7,830,013	8,960,025
Irrevocable loan commitments	171,377,854	167,901,940	166,920,690
Unused credit card line commitments	729,486,017	709,649,620	699,537,730
Underwritten securities	-	500,000	1,770,000
Financial guarantee contracts	1,522,054	1,618,136	1,405,544
Commercial paper issued on a recurring basis with underwriting commitments	13,900,000	13,900,000	13,900,000

- c. Investment limits for private equity funds

As of June 30, 2023, the remaining capital commitments for the contracted private equity fund of Cathay Life was NT\$445,015 thousand, US\$3,777,228 thousand, EUR425,812 thousand and GBP1,518 thousand.

- d. As of June 30, 2023, December 31, 2022 and June 30, 2022, Cathay Life has entered into irrevocable corporate finance and consumer lending loans but not yet loaning amounts were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
NTD	\$ 9,800,067	\$ 11,025,641	\$ 14,266,222

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

Cathay Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2023	December 31, 2022	June 30, 2022	LIABILITIES AND EQUITY	June 30, 2023	December 31, 2022	June 30, 2022
CASH AND CASH EQUIVALENTS	\$ 7,530,189	\$ 7,943,654	\$ 31,803,841	COMMERCIAL PAPER PAYABLE, NET	\$ 56,670,000	\$ 73,880,000	\$ 60,250,000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	34,251,000	33,575,500	35,542,500	PAYABLES	31,407,258	15,901,806	61,539,342
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	184,205	195,035	147,646	CURRENT TAX LIABILITIES	966,642	3,947,034	3,947,034
RECEIVABLES, NET	7,767,005	4,121,685	2,012,033	BONDS PAYABLE	69,000,000	50,000,000	50,000,000
CURRENT TAX ASSETS	3,996,221	5,131,669	4,449,996	OTHER BORROWING	5,000,000	5,000,000	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	816,701,463	696,821,834	541,956,014	PROVISIONS	757,629	753,962	693,130
PROPERTY AND EQUIPMENT, NET	224,753	161,431	51,445	LEASE LIABILITIES	230,364	290,119	59,576
RIGHT-OF-USE ASSETS	229,552	289,676	58,639	DEFERRED TAX LIABILITIES	266,714	266,714	266,721
DEFERRED TAX ASSETS	336,290	333,745	129,607	OTHER LIABILITIES	<u>461</u>	<u>270</u>	<u>701</u>
OTHER ASSETS	<u>282,362</u>	<u>306,016</u>	<u>183,821</u>	Total liabilities	<u>164,299,068</u>	<u>150,039,905</u>	<u>176,756,504</u>
				EQUITY			
				Share capital			
				Ordinary shares	146,692,102	146,692,102	131,692,102
				Preference shares	15,333,000	15,333,000	15,333,000
				Capital surplus	202,184,316	215,318,047	177,122,144
				Retained earnings			
				Legal reserve	72,994,637	73,747,059	73,747,059
				Special reserve	378,461,911	150,768,651	150,768,651
				Unappropriated earnings	32,223,490	230,331,762	249,982,416
				Other equity	<u>(140,685,484)</u>	<u>(233,350,281)</u>	<u>(359,066,334)</u>
				Total equity	<u>707,203,972</u>	<u>598,840,340</u>	<u>439,579,038</u>
TOTAL	<u>\$ 871,503,040</u>	<u>\$ 748,880,245</u>	<u>\$ 616,335,542</u>	TOTAL	<u>\$ 871,503,040</u>	<u>\$ 748,880,245</u>	<u>\$ 616,335,542</u>

Cathay Financial Holding Co., Ltd.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
REVENUE				
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 25,126,033	\$ 18,613,496	\$ 32,012,595	\$ 53,659,296
Other operating income	<u>462,090</u>	<u>315,442</u>	<u>1,355,418</u>	<u>626,268</u>
Total revenue	<u>25,588,123</u>	<u>18,928,938</u>	<u>33,368,013</u>	<u>54,285,564</u>
EXPENSES AND LOSSES				
Operating expenses	(608,390)	(400,265)	(1,097,276)	(815,923)
Other expenses and losses	<u>(391,350)</u>	<u>(435,882)</u>	<u>(781,467)</u>	<u>(1,094,778)</u>
Total expenses and losses	<u>(999,740)</u>	<u>(836,147)</u>	<u>(1,878,743)</u>	<u>(1,910,701)</u>
INCOME BEFORE TAX	24,588,383	18,092,791	31,489,270	52,374,863
INCOME TAX BENEFIT (EXPENSE)	<u>898,256</u>	<u>(3,491,893)</u>	<u>1,006,397</u>	<u>(3,567,203)</u>
NET INCOME	<u>25,486,639</u>	<u>14,600,898</u>	<u>32,495,667</u>	<u>48,807,660</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Gain (loss) on equity instruments at fair value through other comprehensive income	4,942	412	(10,830)	4,155
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	5,459,431	(19,528,042)	14,370,120	(14,024,601)
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	<u>10,383,341</u>	<u>(260,845,061)</u>	<u>78,033,345</u>	<u>(447,749,991)</u>
Other comprehensive income (loss) for the period, net of income tax	<u>15,847,714</u>	<u>(280,372,691)</u>	<u>92,392,635</u>	<u>(461,770,437)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 41,334,353</u>	<u>\$ (265,771,793)</u>	<u>\$ 124,888,302</u>	<u>\$ (412,962,777)</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.50</u>	<u>\$ 0.85</u>	<u>\$ 1.98</u>	<u>\$ 3.45</u>

Cathay Financial Holding Co., Ltd.

Statements of Changes in Equity
(In Thousands of New Taiwan Dollars)

	Other Equity														
							Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach	Other	Total Equity
	Share Capital		Capital Surplus	Retained Earnings											
	Ordinary Shares	Preference Shares			Legal Reserve	Special Reserve	Unappropriated Earnings								
BALANCE AT JANUARY 1, 2022	\$ 131,692,102	\$ 15,333,000	\$ 177,244,388	\$ 59,471,895	\$ 150,716,023	\$ 267,799,001	\$ (18,652,251)	\$ 47,131,473	\$ 335,851	\$ (889,397)	\$ (966,130)	\$ 11,281,909	\$ 64,764,671	\$ (3,224,389)	\$ 902,038,146
Appropriation of 2021 earnings															
Legal reserve	-	-	-	14,275,164	-	(14,275,164)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	52,628	(52,628)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(46,092,235)	-	-	-	-	-	-	-	-	(46,092,235)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(122,244)	-	-	-	-	-	-	-	-	-	-	-	(122,244)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(621,991)	-	-	-	-	-	-	-	731,063	109,072
Net income for the six months ended June 30, 2022	-	-	-	-	-	48,807,660	-	-	-	-	-	-	-	-	48,807,660
Other comprehensive income (loss) for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	-	3,532,489	(255,721,184)	323,172	310,417	34,668	1,311,727	(211,561,726)	-	(461,770,437)
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	-	48,807,660	3,532,489	(255,721,184)	323,172	310,417	34,668	1,311,727	(211,561,726)	-	(412,962,777)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(2,175,939)	-	2,175,939	-	-	-	-	-	-	-
Others	-	-	-	-	-	(15,364)	-	-	-	-	-	15,364	-	-	-
BALANCE AT JUNE 30, 2022	<u>\$ 131,692,102</u>	<u>\$ 15,333,000</u>	<u>\$ 177,122,144</u>	<u>\$ 73,747,059</u>	<u>\$ 150,768,651</u>	<u>\$ 249,982,416</u>	<u>\$ (15,119,762)</u>	<u>\$ (206,413,772)</u>	<u>\$ 659,023</u>	<u>\$ (578,980)</u>	<u>\$ (931,462)</u>	<u>\$ 12,609,000</u>	<u>\$ (146,797,055)</u>	<u>\$ (2,493,326)</u>	<u>\$ 439,579,038</u>
BALANCE AT JANUARY 1, 2023	\$ 146,692,102	\$ 15,333,000	\$ 215,318,047	\$ 73,747,059	\$ 150,768,651	\$ 230,331,762	\$ (13,027,301)	\$ (58,533,041)	\$ 950,265	\$ (428,795)	\$ (1,097,143)	\$ 12,609,000	\$ (171,329,940)	\$ (2,493,326)	\$ 598,840,340
Appropriation of 2022 earnings															
Legal reserve	-	-	-	2,638,502	-	(2,638,502)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	227,719,196	(227,719,196)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	(13,202,289)	-	-	-	-	-	-	-	-	-	-	-	(13,202,289)
Cash dividends on preferred shares	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	-	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	52,019	-	-	(15)	-	-	-	-	-	-	-	-	52,004
Net income for the six months ended June 30, 2023	-	-	-	-	-	32,495,667	-	-	-	-	-	-	-	-	32,495,667
Other comprehensive income (loss) for the six months ended June 30, 2023, net of income tax	-	-	-	-	-	-	1,322,139	20,971,182	(410,562)	186,372	(126,486)	-	70,449,990	-	92,392,635
Total comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	-	32,495,667	1,322,139	20,971,182	(410,562)	186,372	(126,486)	-	70,449,990	-	124,888,302
Share-based payment transactions	-	-	16,539	-	-	-	-	-	-	-	-	-	-	-	16,539
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(272,162)	-	272,162	-	-	-	-	-	-	-
Others	-	-	-	-	(25,936)	25,936	-	-	-	-	-	-	-	-	-
BALANCE AT JUNE 30, 2023	<u>\$ 146,692,102</u>	<u>\$ 15,333,000</u>	<u>\$ 202,184,316</u>	<u>\$ 72,994,637</u>	<u>\$ 378,461,911</u>	<u>\$ 32,223,490</u>	<u>\$ (11,705,162)</u>	<u>\$ (37,289,697)</u>	<u>\$ 539,703</u>	<u>\$ (242,423)</u>	<u>\$ (1,223,629)</u>	<u>\$ 12,609,000</u>	<u>\$ (100,879,950)</u>	<u>\$ (2,493,326)</u>	<u>\$ 707,203,972</u>

Cathay Financial Holding Co., Ltd.

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

	For the Six Months Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 31,489,270	\$ 52,374,863
Adjustments for:		
Depreciation expenses	97,889	71,437
(Gain) loss on financial assets at fair value through profit or loss	(675,500)	717,500
Interest income	(678,727)	(625,665)
Interest expenses	758,540	345,453
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(32,012,595)	(53,659,296)
Loss on disposal and retirement of property and equipment	401	-
Compensation cost of share-based payments	76	-
Changes in operating assets and liabilities		
Receivables	10,437	15,629
Other assets	(973)	(487)
Payables	(284,833)	(238,950)
Provisions	3,667	4,122
Other liabilities	191	122
Cash used in operations	(1,292,157)	(995,272)
Interest received	30,923	205
Interest paid	(742,865)	(465,875)
Income tax paid	(3,098)	(787,835)
Net cash used in operating activities	(2,007,197)	(2,248,777)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	-	(10,000,000)
Acquisition of property and equipment	(82,851)	(3,134)
Disposal of property and equipment	245	-
Increase in other assets	(35,025)	(24,068)
Dividends received	-	41,771,476
Net cash flows (used in) generated from investing activities	(117,631)	31,744,274
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in commercial paper payable	(17,210,000)	1,740,000
Repayments of the principal portion of lease liabilities	(78,637)	(64,889)
Proceeds from issuance of bonds payable	19,000,000	-
Net cash generated from financing activities	1,711,363	1,675,111
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(413,465)	31,170,608
CASH AND CASH EQUIVALENTS AT THE BEGINNINGS OF THE PERIOD	7,943,654	633,233
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 7,530,189	\$ 31,803,841

32. INFORMATION OF THE COMPANY'S SUBSIDIARIES

a. Condensed balance sheets and condensed statements of comprehensive income

Cathay Life Insurance Co., Ltd.

Condensed Balance Sheets (In Thousands of New Taiwan Dollars)

Assets	June 30	
	2023	2022
Cash and cash equivalents	\$ 328,971,853	\$ 139,960,034
Receivables	103,348,235	102,508,596
Financial assets at fair value through profit or loss	1,360,162,964	1,355,858,414
Financial assets at fair value through other comprehensive income	531,716,887	1,362,991,179
Financial assets at amortized cost	4,067,524,823	2,875,365,044
Financial assets for hedging	4,424	27,286
Investments accounted for using the equity method	113,032,316	108,656,823
Investment property	494,583,716	483,490,139
Loans	429,175,954	477,334,094
Reinsurance assets	2,056,300	1,795,423
Property and equipment	28,949,126	28,559,721
Right-of-use assets	491,841	442,339
Intangible assets	24,886,145	26,682,391
Deferred tax assets	75,780,090	100,158,801
Other assets	48,005,691	78,940,533
Separate account insurance product assets	<u>711,352,827</u>	<u>645,492,722</u>
Total	<u>\$ 8,320,043,192</u>	<u>\$ 7,788,263,539</u>
Liabilities		
Payables	\$ 16,756,540	\$ 14,371,224
Current tax liabilities	74,716	160,141
Financial liabilities at fair value through profit or loss	68,915,031	94,507,745
Financial liabilities for hedging	5,425,783	1,929,739
Bonds payable	80,000,000	80,000,000
Insurance liabilities	6,749,654,563	6,553,721,959
Reserve for insurance contracts with the nature of financial products	1,140,819	1,240,741
Reserve for foreign exchange valuation	42,166,921	33,020,868
Provisions	56,245	56,245
Lease liabilities	13,381,965	13,205,813
Deferred tax liabilities	56,369,555	35,898,093
Other liabilities	16,256,826	6,693,789
Separate account insurance product liabilities	<u>711,352,827</u>	<u>645,492,722</u>
Total liabilities	<u>7,761,551,791</u>	<u>7,480,299,079</u>
Equity		
Share capital	63,515,274	58,515,274
Capital surplus	90,982,411	60,472,624
Retained earnings	544,254,764	546,323,632
Other equity	<u>(140,261,048)</u>	<u>(357,347,070)</u>
Total equity	<u>558,491,401</u>	<u>307,964,460</u>
Total	<u>\$ 8,320,043,192</u>	<u>\$ 7,788,263,539</u>

Cathay Life Insurance Co., Ltd.

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

	For the Six Months Ended June 30	
	2023	2022
Operating revenue	\$ 356,235,612	\$ 336,755,762
Operating costs	(330,614,302)	(278,039,659)
Operating expenses	<u>(11,369,775)</u>	<u>(11,020,730)</u>
Operating income	14,251,535	47,695,373
Non-operating income and expenses	<u>1,042,182</u>	<u>882,778</u>
Profit before income tax	15,293,717	48,578,151
Income tax expense	<u>(2,547,838)</u>	<u>(8,330,118)</u>
Net income	12,745,879	40,248,033
Other comprehensive income (loss)	<u>88,870,784</u>	<u>(444,267,580)</u>
Total comprehensive income (loss)	<u>\$ 101,616,663</u>	<u>\$ (404,019,547)</u>
Basic earnings per share	<u>\$2.01</u>	<u>\$6.88</u>

Cathay Lujiazui Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
Assets	2023	2022
Cash and cash equivalents	\$ 5,045,625	\$ 1,881,721
Receivables	1,293,747	2,066,802
Financial assets at fair value through profit or loss	88,390,500	71,243,398
Financial assets at amortized cost	900,354	1,111,317
Loans	2,922,002	2,398,015
Reinsurance assets	123,160	140,883
Property and equipment	93,124	115,054
Right-of-use assets	353,620	408,614
Intangible assets	30,559	31,157
Other assets	2,802,595	2,724,328
Separate account insurance product assets	<u>104,902</u>	<u>114,646</u>
Total	<u>\$ 102,060,188</u>	<u>\$ 82,235,935</u>
 Liabilities		
Payables	\$ 3,013,168	\$ 1,836,218
Insurance liabilities	63,784,759	49,893,051
Reserve for insurance contracts with the nature of financial instruments	19,426,671	15,807,831
Lease liabilities	365,965	417,704
Deferred tax liabilities	101,936	5,040
Other liabilities	610,244	325,777
Separate account insurance product liabilities	<u>104,902</u>	<u>114,646</u>
Total liabilities	<u>87,407,645</u>	<u>68,400,267</u>
 Equity		
Capital	13,497,155	13,497,155
Retained earnings	304,377	(312,125)
Other equity	<u>851,011</u>	<u>650,638</u>
Total equity	<u>14,652,543</u>	<u>13,835,668</u>
Total	<u>\$ 102,060,188</u>	<u>\$ 82,235,935</u>

Cathay Lujiazui Life Insurance Co., Ltd.

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

	For the Six Months Ended June 30	
	2023	2022
Operating revenue	\$ 16,638,677	\$ 10,416,569
Operating costs	(15,405,982)	(9,233,991)
Operating expenses	<u>(1,099,968)</u>	<u>(972,273)</u>
Operating income	132,727	210,305
Non-operating income and expenses	<u>304</u>	<u>5,523</u>
Profit before income tax	133,031	215,828
Income tax benefit	<u>297,949</u>	<u>93,122</u>
Net income	430,980	308,950
Other comprehensive income	<u>767,132</u>	<u>438,428</u>
Total comprehensive income	<u>\$ 1,198,112</u>	<u>\$ 747,378</u>
Basic earnings per share	Note	Note

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

Cathay Life Insurance Company (Vietnam)

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
Assets	2023	2022
Cash and cash equivalents	\$ 6,487,350	\$ 8,185,780
Receivables	1,418,627	982,773
Financial assets at fair value through profit or loss	22,227,011	19,820,228
Financial assets at amortized cost	8,024,808	5,620,971
Loans	266,105	168,434
Property and equipment	12,171	12,226
Right-of-use assets	107,725	165,740
Intangible assets	1,258	2,394
Other assets	<u>110,568</u>	<u>106,891</u>
Total	<u>\$ 38,655,623</u>	<u>\$ 35,065,437</u>
 Liabilities		
Payables	\$ 319,370	\$ 313,640
Current tax liabilities	151,955	-
Insurance liabilities	12,832,239	10,624,986
Lease liabilities	<u>100,283</u>	<u>157,700</u>
Total liabilities	<u>13,403,847</u>	<u>11,096,326</u>
 Equity		
Capital	20,370,930	20,370,930
Retained earnings	1,539,004	35,182
Other equity	<u>3,341,842</u>	<u>3,562,999</u>
Total equity	<u>25,251,776</u>	<u>23,969,111</u>
Total	<u>\$ 38,655,623</u>	<u>\$ 35,065,437</u>

Cathay Life Insurance Company (Vietnam)

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

	For the Six Months Ended June 30	
	2023	2022
Operating revenue	\$ 2,927,277	\$ 2,721,780
Operating costs	(1,435,972)	(1,299,705)
Operating expenses	<u>(605,746)</u>	<u>(544,349)</u>
Operating income	885,559	877,726
Non-operating income and expenses	<u>3,370</u>	<u>6,925</u>
Profit before income tax	888,929	884,651
Income tax expense	<u>(149,537)</u>	<u>-</u>
Net income	739,392	884,651
Other comprehensive income	<u>3,325,400</u>	<u>308,560</u>
Total comprehensive income	<u>\$ 4,064,792</u>	<u>\$ 1,193,211</u>
Basic earnings per share	Note	Note

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

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

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
	2023	2022
Assets		
Current assets	\$ 338,748	\$ 366,603
Financial assets at amortized cost	1,693,523	1,531,972
Investment property	6,954,163	7,202,491
Property and equipment	<u>2</u>	<u>2</u>
Total	<u>\$ 8,986,436</u>	<u>\$ 9,101,068</u>
Liabilities		
Current liabilities	\$ 11,174	\$ 13,234
Deferred tax liabilities	626,801	604,006
Other non-current liabilities	<u>69,082</u>	<u>82,130</u>
Total liabilities	<u>707,057</u>	<u>699,370</u>
Equity		
Capital	7,223,435	7,223,435
Retained earnings	1,780,125	1,607,838
Other equity	<u>(724,181)</u>	<u>(429,575)</u>
Total equity	<u>8,279,379</u>	<u>8,401,698</u>
Total	<u>\$ 8,986,436</u>	<u>\$ 9,101,068</u>

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

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

	For the Six Months Ended June 30	
	2023	2022
Operating revenue	\$ 149,893	\$ 114,839
Operating expenses	<u>(20,945)</u>	<u>(26,902)</u>
Profit before income tax	128,948	87,937
Income tax expense	<u>(32,237)</u>	<u>(21,856)</u>
Net income	96,711	66,081
Other comprehensive (loss) income	<u>(251,029)</u>	<u>187,604</u>
Total comprehensive (loss) income	<u>\$ (154,318)</u>	<u>\$ 253,685</u>
Basic earnings per share	Note	Note

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

Cathay Woolgate Exchange Holding 1 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
	2023	2022
Assets		
Current assets	\$ 1,200,373	\$ 3,004,814
Investment property	<u>11,669,531</u>	<u>9,881,366</u>
Total	<u>\$ 12,869,904</u>	<u>\$ 12,886,180</u>
Liabilities		
Current liabilities	\$ <u>204</u>	\$ <u>74</u>
Total liabilities	<u>204</u>	<u>74</u>
Equity		
Capital	16,654,013	16,654,013
Retained earnings	285,303	1,418,288
Other equity	<u>(4,069,616)</u>	<u>(5,186,195)</u>
Total equity	<u>12,869,700</u>	<u>12,886,106</u>
Total	<u>\$ 12,869,904</u>	<u>\$ 12,886,180</u>

Cathay Woolgate Exchange Holding 1 Limited

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

	For the Six Months Ended June 30	
	2023	2022
Operating (loss) revenue	\$ (493,489)	\$ 300,900
Operating expenses	<u>(18,950)</u>	<u>(112,071)</u>
Operating (loss) income	(512,439)	188,829
Non-operating income and expenses	<u>24,845</u>	<u>-</u>
Net (loss) income	(487,594)	188,829
Other comprehensive income (loss)	<u>762,276</u>	<u>(445,312)</u>
Total comprehensive income (loss)	<u>\$ 274,682</u>	<u>\$ (256,483)</u>
Basic earnings per share	Note	Note

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

Cathay Woolgate Exchange Holding 2 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
	2023	2022
Assets		
Current assets	\$ 8,026	\$ 27,444
Investment property	<u>117,874</u>	<u>99,812</u>
Total	<u>\$ 125,900</u>	<u>\$ 127,256</u>
Liabilities		
Current liabilities	\$ 204	\$ 74
Total liabilities	<u>204</u>	<u>74</u>
Equity		
Capital	168,222	168,222
Retained earnings	(1,244)	11,182
Other equity	<u>(41,282)</u>	<u>(52,222)</u>
Total equity	<u>125,696</u>	<u>127,182</u>
Total	<u>\$ 125,900</u>	<u>\$ 127,256</u>

Cathay Woolgate Exchange Holding 2 Limited

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

	For the Six Months Ended June 30	
	2023	2022
Operating (loss) revenue	\$ (5,085)	\$ 2,985
Operating expenses	<u>(605)</u>	<u>(1,853)</u>
Operating (loss) income	(5,690)	1,132
Non-operating income and expenses	<u>251</u>	<u>-</u>
Net (loss) income	(5,439)	1,132
Other comprehensive income (loss)	<u>7,456</u>	<u>(4,394)</u>
Total comprehensive income (loss)	<u>\$ 2,017</u>	<u>\$ (3,262)</u>
Basic earnings per share	Note	Note

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

Cathay Walbrook Holding 1 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
	2023	2022
Assets		
Current assets	\$ 1,312,804	\$ 1,171,096
Investment property	16,920,864	18,310,625
Other non-current assets	<u>380</u>	<u>332</u>
Total	<u>\$ 18,234,048</u>	<u>\$ 19,482,053</u>
Liabilities		
Current liabilities	\$ 48,279	\$ 9,799
Non-current liabilities	<u>12,381,449</u>	<u>11,342,865</u>
Total liabilities	<u>12,429,728</u>	<u>11,352,664</u>
Equity		
Capital	10,189,090	10,189,090
Retained earnings	(2,407,942)	508,914
Other equity	<u>(1,976,828)</u>	<u>(2,568,615)</u>
Total equity	<u>5,804,320</u>	<u>8,129,389</u>
Total	<u>\$ 18,234,048</u>	<u>\$ 19,482,053</u>

Cathay Walbrook Holding 1 Limited

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

	For the Six Months Ended June 30	
	2023	2022
Operating (loss) revenue	\$ (1,594,327)	\$ 103,335
Operating costs	(409,400)	(199,126)
Operating expenses	<u>(1,515)</u>	<u>(3,326)</u>
Operating loss	(2,005,242)	(99,117)
Non-operating income and expenses	<u>22,094</u>	<u>-</u>
Loss before income tax	(1,983,148)	(99,117)
Income tax expense	<u>(94,290)</u>	<u>(74,223)</u>
Net loss	(2,077,438)	(173,340)
Other comprehensive income (loss)	<u>374,141</u>	<u>(280,911)</u>
Total comprehensive loss	<u>\$ (1,703,297)</u>	<u>\$ (454,251)</u>
Basic earnings per share	Note	Note

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

Cathay Walbrook Holding 2 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
	2023	2022
Assets		
Current assets	\$ 68,236	\$ 62,834
Investment property	890,572	963,717
Other non-current assets	<u>380</u>	<u>332</u>
Total	<u>\$ 959,188</u>	<u>\$ 1,026,883</u>
Liabilities		
Current liabilities	\$ 2,561	\$ 590
Non-current liabilities	<u>659,321</u>	<u>604,015</u>
Total liabilities	<u>661,882</u>	<u>604,605</u>
Equity		
Capital	536,268	536,268
Retained earnings	(134,944)	20,547
Other equity	<u>(104,018)</u>	<u>(134,537)</u>
Total equity	<u>297,306</u>	<u>422,278</u>
Total	<u>\$ 959,188</u>	<u>\$ 1,026,883</u>

Cathay Walbrook Holding 2 Limited

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

	For the Six Months Ended June 30	
	2023	2022
Operating (loss) revenue	\$ (83,931)	\$ 5,436
Operating costs	(21,781)	(10,604)
Operating expenses	<u>(1,355)</u>	<u>(1,041)</u>
Operating loss	(107,067)	(6,209)
Non-operating income and expenses	<u>1,163</u>	<u>-</u>
Loss before income tax	(105,904)	(6,209)
Income tax expense	<u>(4,658)</u>	<u>(3,741)</u>
Net loss	(110,562)	(9,950)
Other comprehensive income (loss)	<u>19,232</u>	<u>(14,592)</u>
Total comprehensive loss	<u>\$ (91,330)</u>	<u>\$ (24,542)</u>
Basic earnings per share	Note	Note

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

Conning Holdings Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
Assets	2023	2022
Current assets	\$ 7,141,965	\$ 5,239,369
Financial assets at fair value through profit or loss	1,465,911	2,049,040
Financial assets for hedging	-	5,500
Financial assets at fair value through other comprehensive income	3,278	6,301
Property and equipment	1,034,834	997,337
Right-of-use assets	640,320	726,593
Intangible assets	15,199,007	14,735,923
Deferred tax assets	254,483	295,076
Other non-current assets	<u>396,330</u>	<u>584,728</u>
Total	<u>\$ 26,136,128</u>	<u>\$ 24,639,867</u>
 Liabilities		
Current liabilities	\$ 2,907,361	\$ 3,019,857
Lease liabilities	753,420	838,473
Deferred tax liabilities	1,032,632	972,563
Other non-current liabilities	<u>3,112,773</u>	<u>3,127,066</u>
Total liabilities	<u>7,806,186</u>	<u>7,957,959</u>
 Equity		
Capital	99,343	99,343
Capital surplus	15,624,196	15,624,196
Retained earnings	5,011,424	4,145,577
Other equity	(3,096,885)	(3,983,636)
Non-controlling interests	<u>691,864</u>	<u>796,428</u>
Total equity	<u>18,329,942</u>	<u>16,681,908</u>
Total	<u>\$ 26,136,128</u>	<u>\$ 24,639,867</u>

Conning Holdings Limited

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

	For the Six Months Ended June 30	
	2023	2022
Operating revenue	\$ 4,924,627	\$ 5,045,026
Operating costs	(707,735)	(543,946)
Operating expenses	<u>(3,915,310)</u>	<u>(3,468,639)</u>
Operating income	301,582	1,032,441
Non-operating income and expenses	(1,519)	-
Profit before income tax	300,063	1,032,441
Income tax expense	<u>(110,540)</u>	<u>(230,861)</u>
Net income	189,523	801,580
Other comprehensive income	<u>311,030</u>	<u>1,045,035</u>
Total comprehensive income	<u>\$ 500,553</u>	<u>\$ 1,846,615</u>
Basic earnings per share	Note	Note

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

Cathay Industrial Research and Design Center Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
Assets	2023	2022
Current assets	\$ 1,682,569	\$ 403,199
Investment property	1,740,660	1,646,857
Deferred tax assets	45,577	27,959
Other assets	<u>181,170</u>	<u>169,651</u>
Total	<u>\$ 3,649,976</u>	<u>\$ 2,247,666</u>
 Liabilities		
Current liabilities	\$ 58,606	\$ 249
Leased liabilities	1,272,840	1,359,263
Other non-current liabilities	<u>841</u>	<u>-</u>
Total liabilities	<u>1,332,287</u>	<u>1,359,512</u>
 Equity		
Share capital	2,500,000	1,000,000
Retained earnings	<u>(182,311)</u>	<u>(111,846)</u>
Total equity	<u>2,317,689</u>	<u>888,154</u>
Total	<u>\$ 3,649,976</u>	<u>\$ 2,247,666</u>

Cathay Industrial Research and Design Center Co., Ltd.

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

	For the Six Months Ended June 30	
	2023	2022
Operating loss	\$ (15,746)	\$ (16,559)
Operating costs	(25,162)	(26,871)
Operating expenses	<u>(1,768)</u>	<u>(508)</u>
Operating loss	(42,676)	(43,938)
Non-operating income and expenses	<u>(518)</u>	<u>(519)</u>
Loss before income tax	(43,194)	(44,457)
Income tax benefits	<u>8,652</u>	<u>15,593</u>
Net loss	(34,542)	(28,864)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>\$ (34,542)</u>	<u>\$ (28,864)</u>
Basic loss per share	<u>\$(0.31)</u>	<u>\$(0.29)</u>

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

Assets	June 30, 2023
Current assets	\$ 1,028,279
Equity investments accounted for using the equity method	17,869
Property and equipment	10,852,221
Right-of-use assets	698,713
Intangible assets	96,793
Deferred tax assets	2,415
Other non-current assets	<u>1,045,358</u>
Total	<u>\$ 13,741,648</u>
 Liabilities	
Current liabilities	\$ 2,449,884
Lease liabilities	713,738
Other non-current liabilities	<u>6,214,422</u>
Total liabilities	<u>9,378,044</u>
 Equity	
Share capital	3,703,770
Capital surplus	152,479
Retained earnings	162,416
Non-controlling interests	<u>344,939</u>
Total equity	<u>4,363,604</u>
Total	<u>\$ 13,741,648</u>

Cathay Power Inc.

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

	From January 1 to June 30, 2023	From November 25 to December 31, 2022
Operating revenue	\$ 693,927	\$ 158,389
Operating costs	(454,433)	(124,897)
Operating expenses	<u>(64,071)</u>	<u>(31,901)</u>
Operating income	175,423	1,591
Non-operating income and expenses	<u>(3,105)</u>	<u>-</u>
Profit before income tax	172,318	1,591
Income tax expense	<u>(34,786)</u>	<u>(1,412)</u>
Net income	137,532	179
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 137,532</u>	<u>\$ 179</u>
Basic earnings per share	<u>\$0.34</u>	<u>\$0.0005</u>

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

Cathay Century Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
Assets	2023	2022
Cash and cash equivalents	\$ 9,505,529	\$ 20,178,257
Receivables	3,450,827	3,506,336
Financial assets at fair value through profit or loss	8,475,721	10,500,740
Financial assets at fair value through other comprehensive income	685,967	694,203
Financial assets at amortized cost	8,141,604	7,723,156
Investments accounted for using the equity method	3,154,664	3,064,655
Loans	114,681	175,951
Reinsurance assets	13,686,223	13,852,416
Property and equipment	345,954	301,921
Right-of-use assets	52,925	174,244
Intangible assets	87,058	84,973
Deferred tax assets	4,517,542	949,748
Other assets	<u>1,406,828</u>	<u>921,960</u>
Total	<u>\$ 53,625,523</u>	<u>\$ 62,128,560</u>
 Liabilities		
Payables	\$ 4,663,237	\$ 3,927,727
Financial liabilities at fair value through profit or loss	172,215	230,326
Lease liabilities	51,362	173,348
Insurance liabilities	32,909,880	36,167,170
Provisions	429,852	464,214
Deferred tax liabilities	331,668	270,948
Other liabilities	<u>1,499,754</u>	<u>1,189,270</u>
Total liabilities	<u>40,057,968</u>	<u>42,423,003</u>
 Equity		
Share capital	2,000,000	5,057,052
Capital surplus	7,861,133	8,518,326
Retained earnings	4,149,186	7,546,842
Other equity	<u>(442,764)</u>	<u>(1,416,663)</u>
Total equity	<u>13,567,555</u>	<u>19,705,557</u>
Total	<u>\$ 53,625,523</u>	<u>\$ 62,128,560</u>

Cathay Century Insurance Co., Ltd.

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

	For the Six Months Ended June 30	
	2023	2022
Operating revenue	\$ 12,362,319	\$ 11,698,749
Operating costs	(9,792,327)	(12,457,913)
Operating expenses	<u>(2,324,838)</u>	<u>(2,150,586)</u>
Operating income (loss)	245,154	(2,909,750)
Non-operating income and expenses	<u>(324)</u>	<u>(2,506)</u>
Profit (loss) before income tax	244,830	(2,912,256)
Income tax (expense) benefit	<u>(63,340)</u>	<u>623,107</u>
Net income (loss)	181,490	(2,289,149)
Other comprehensive income (loss)	<u>586,293</u>	<u>(1,851,239)</u>
Total comprehensive income (loss)	<u>\$ 767,783</u>	<u>\$ (4,140,388)</u>
Basic earnings (loss) per share	<u>\$0.91</u>	<u>\$(25.86)</u>

Cathay Insurance Co., Ltd. (Vietnam)

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
Assets	2023	2022
Cash and cash equivalents	\$ 333,352	\$ 306,544
Receivables	95,752	70,608
Financial assets at amortized cost	673,372	619,465
Reinsurance assets	523,384	300,888
Property and equipment	3,188	4,901
Right-of-use assets	3,873	10,437
Intangible assets	34,237	19,395
Other assets	<u>62,983</u>	<u>70,087</u>
Total	<u>\$ 1,730,141</u>	<u>\$ 1,402,325</u>
 Liabilities		
Payables	\$ 246,637	\$ 221,664
Insurance liabilities	721,623	478,129
Deferred tax liabilities	136	99
Lease liabilities	3,154	10,148
Other liabilities	<u>27,802</u>	<u>20,376</u>
Total liabilities	<u>999,352</u>	<u>730,416</u>
 Equity		
Capital	845,585	845,585
Retained earnings	16,241	(18,773)
Other equity	<u>(131,037)</u>	<u>(154,903)</u>
Total equity	<u>730,789</u>	<u>671,909</u>
Total	<u>\$ 1,730,141</u>	<u>\$ 1,402,325</u>

Cathay Insurance Co., Ltd. (Vietnam)

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

	For the Six Months Ended June 30	
	2023	2022
Operating revenue	\$ 253,916	\$ 212,168
Operating costs	(63,385)	(49,846)
Operating expenses	<u>(165,534)</u>	<u>(147,402)</u>
Operating income	24,997	14,920
Non-operating income and expenses	<u>1,069</u>	<u>10</u>
Profit before income tax	26,066	14,930
Income tax expense	<u>(6,113)</u>	<u>(3,518)</u>
Net income	19,953	11,412
Other comprehensive income	<u>10,030</u>	<u>33,434</u>
Total comprehensive income	<u>\$ 29,983</u>	<u>\$ 44,846</u>
Basic earnings per share	Note	Note

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

Cathay United Bank Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
Assets	2023	2022
Cash and cash equivalents	\$ 78,713,396	\$ 85,356,131
Due from the Central Bank and call loans to banks	431,946,516	236,854,684
Financial assets at fair value through profit or loss	324,881,690	233,558,167
Financial assets at fair value through other comprehensive income	398,170,414	336,170,139
Debt instruments at amortized cost	518,009,809	576,845,878
Notes and bonds purchased under resale agreements	15,999,007	29,044,965
Receivables	140,253,222	92,294,598
Loans	2,069,876,250	1,855,502,450
Investments accounted for using the equity method	26,002,298	26,415,615
Other financial assets	3,153,827	4,440,527
Property and equipment	23,142,317	22,955,245
Right-of-use assets	3,384,751	3,434,396
Investment property	2,246,091	2,199,192
Intangible assets	7,714,061	7,747,938
Deferred tax assets	4,205,641	3,558,207
Other assets	<u>32,901,009</u>	<u>32,536,456</u>
Total	<u>\$ 4,080,600,299</u>	<u>\$ 3,548,914,588</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 126,966,322	\$ 80,041,197
Financial liabilities at fair value through profit or loss	131,703,656	104,334,719
Notes and bonds under repurchase agreements	33,991,172	32,990,188
Payables	32,661,158	35,109,736
Current tax liabilities	336,475	78,471
Deposits and remittances	3,388,346,759	2,973,711,922
Financial debentures payable	27,100,000	43,063,726
Other financial liabilities	64,769,184	32,488,569
Provisions	3,263,068	3,558,646
Lease liabilities	3,418,824	3,465,427
Deferred tax liabilities	1,754,221	1,543,242
Other liabilities	<u>10,518,685</u>	<u>10,476,716</u>
Total liabilities	<u>3,824,829,524</u>	<u>3,320,862,559</u>
Equity		
Share capital	108,598,655	108,598,655
Capital surplus	38,869,080	38,687,276
Retained earnings	119,903,817	92,454,810
Other equity	<u>(11,600,777)</u>	<u>(11,688,712)</u>
Total equity	<u>255,770,775</u>	<u>228,052,029</u>
Total	<u>\$ 4,080,600,299</u>	<u>\$ 3,548,914,588</u>

Cathay United Bank Co., Ltd.

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

	For the Six Months Ended June 30	
	2023	2022
Interest income	\$ 47,388,212	\$ 24,921,403
Interest expense	<u>(23,397,763)</u>	<u>(4,748,701)</u>
Net interest income	23,990,449	20,172,702
Net income and gains other than interest income	<u>18,526,288</u>	<u>13,003,208</u>
Profit from operations	42,516,737	33,175,910
Provision for bad debt, commitments and guarantee reserve	(910,911)	(1,337,810)
Operating expenses	<u>(20,504,343)</u>	<u>(16,037,311)</u>
Profit before income tax	21,101,483	15,800,789
Income tax expense	<u>(3,692,000)</u>	<u>(2,571,000)</u>
Net income	17,409,483	13,229,789
Other comprehensive income (loss)	<u>2,672,248</u>	<u>(15,480,997)</u>
Total comprehensive income (loss)	<u>\$ 20,081,731</u>	<u>\$ (2,251,208)</u>
Basic earnings per share	<u>\$1.60</u>	<u>\$1.22</u>

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

	June 30	
Assets	2023	2022
Cash and cash equivalents	\$ 18,436,715	\$ 3,117,440
Due from the Central Bank and call loans to banks	5,259,792	5,479,944
Financial assets at fair value through profit or loss	5,005,578	1,955,436
Financial assets at fair value through other comprehensive income	9,262,913	10,926,000
Notes and bonds purchased under resale agreements	-	6,268,949
Receivables	776,217	487,777
Loans	41,568,433	40,683,755
Property and equipment	690,717	690,697
Intangible assets	33,964	33,255
Right-of-use assets	118,893	149,693
Deferred tax assets	199,558	8,939
Other assets	<u>104,367</u>	<u>76,828</u>
Total	<u>\$ 81,457,147</u>	<u>\$ 69,878,713</u>
 Liabilities		
Due to the Central Bank and banks	\$ 22,818,366	\$ 8,972,164
Financial liabilities at fair value through profit or loss	137,307	2,920
Payables	1,411,233	1,448,508
Current tax liabilities	58,322	110,340
Deposits and remittances	48,988,088	50,774,868
Provisions	4,239	9,868
Lease liabilities	101,443	123,987
Deferred tax liabilities	114,570	57,655
Other liabilities	<u>32,449</u>	<u>41,434</u>
Total liabilities	<u>73,666,017</u>	<u>61,541,744</u>
 Equity		
Capital	6,094,911	6,094,911
Retained earnings	957,015	1,852,729
Other equity	<u>739,204</u>	<u>389,329</u>
Total equity	<u>7,791,130</u>	<u>8,336,969</u>
Total	<u>\$ 81,457,147</u>	<u>\$ 69,878,713</u>

Indovina Bank Limited

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

	For the Six Months Ended June 30	
	2023	2022
Interest income	\$ 2,435,371	\$ 1,947,758
Interest expense	<u>(1,458,742)</u>	<u>(956,525)</u>
Net interest income	976,629	991,233
Net income and gains other than interest income	<u>379,190</u>	<u>101,586</u>
Profit from operations	1,355,819	1,092,819
Provision for bad debt, commitments and guarantee reserve	(650,847)	(144,302)
Operating expenses	<u>(337,635)</u>	<u>(354,210)</u>
Profit before income tax	367,337	594,307
Income tax expense	<u>(97,335)</u>	<u>(126,377)</u>
Net income	270,002	467,930
Other comprehensive income (loss)	<u>482,215</u>	<u>(47,129)</u>
Total comprehensive income	<u>\$ 752,217</u>	<u>\$ 420,801</u>
Basic earnings per share	Note	Note

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

Cathay United Bank (Cambodia) Corporation Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
Assets	2023	2022
Cash and cash equivalents	\$ 1,543,653	\$ 1,835,050
Due from the Central Bank and call loans to banks	2,512,290	1,892,679
Financial assets at fair value through other comprehensive income	797	761
Debt instruments at amortized cost	180,341	-
Receivables	168,850	113,261
Loans	15,210,288	10,706,917
Property and equipment	211,168	173,978
Intangible assets	36,062	23,168
Right-of-use assets	91,366	66,540
Deferred tax assets	14,065	9,468
Other assets	<u>95,584</u>	<u>74,962</u>
Total	<u>\$ 20,064,464</u>	<u>\$ 14,896,784</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 8,681,012	\$ 4,278,584
Payables	277,031	285,668
Current tax liabilities	24,925	19,766
Deposits and remittances	7,266,057	6,986,546
Provisions	1,557	1,871
Lease liabilities	98,161	72,205
Other liabilities	<u>6,585</u>	<u>10,147</u>
Total liabilities	<u>16,355,328</u>	<u>11,654,787</u>
Equity		
Share capital	3,020,769	3,020,769
Retained earnings	582,283	278,015
Other equity	<u>106,084</u>	<u>(56,787)</u>
Total equity	<u>3,709,136</u>	<u>3,241,997</u>
Total	<u>\$ 20,064,464</u>	<u>\$ 14,896,784</u>

Cathay United Bank (Cambodia) Corporation Limited

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

	For the Six Months Ended June 30	
	2023	2022
Interest income	\$ 640,404	\$ 390,322
Interest expense	<u>(290,027)</u>	<u>(95,385)</u>
Net interest income	350,377	294,937
Net income and gains other than interest income	<u>11,315</u>	<u>22,926</u>
Profit from operations	361,692	317,863
Recovery (provision) for bad debt, commitments and guarantee reserve	4,096	(14,113)
Operating expenses	<u>(257,426)</u>	<u>(210,728)</u>
Profit before income tax	108,362	93,022
Income tax expense	<u>(13,993)</u>	<u>(19,554)</u>
Net income	94,369	73,468
Other comprehensive income	<u>54,834</u>	<u>219,840</u>
Total comprehensive income	<u>\$ 149,203</u>	<u>\$ 293,308</u>
Basic earnings per share	<u>\$0.94</u>	<u>\$0.73</u>

Cathay United Bank (China) Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
Assets	2023	2022
Cash and cash equivalents	\$ 308,580	\$ 447,463
Due from the Central Bank and call loans to banks	6,621,702	19,583,298
Financial assets at fair value through profit or loss	9,883,625	2,107,597
Financial assets at fair value through other comprehensive income	25,322,741	13,046,784
Debt instruments at amortized cost	2,761,677	1,455,779
Receivables	36,279,780	11,113,816
Current tax assets	19,368	-
Loans	33,018,473	30,839,488
Property and equipment	191,210	223,763
Right-of-use assets	275,524	367,361
Intangible assets	139,173	122,585
Deferred tax assets	30,514	84,724
Other assets	<u>572,083</u>	<u>309,945</u>
Total	<u>\$ 115,424,450</u>	<u>\$ 79,702,603</u>
 Liabilities		
Deposits from the Central Bank and banks	\$ 9,851,561	\$ 10,698,079
Financial liabilities at fair value through profit or loss	7,512,522	1,610,589
Notes and bonds sold under repurchase agreements	7,280,425	2,619,822
Payables	37,383,933	11,312,649
Current tax liabilities	-	60,939
Deposits and remittances	34,008,006	32,918,593
Other financial liabilities	1,914,263	2,656,390
Provisions	14,844	12,691
Lease liabilities	301,114	394,071
Other liabilities	<u>811,680</u>	<u>628,747</u>
Total liabilities	<u>99,078,348</u>	<u>62,912,570</u>
 Equity		
Capital	14,377,562	14,377,562
Capital surplus	2,522,670	2,522,670
Retained earnings	1,196,557	929,088
Other equity	<u>(1,750,687)</u>	<u>(1,039,287)</u>
Total equity	<u>16,346,102</u>	<u>16,790,033</u>
Total	<u>\$ 115,424,450</u>	<u>\$ 79,702,603</u>

Cathay United Bank (China) Co., Ltd.

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

	For the Six Months Ended June 30	
	2023	2022
Interest income	\$ 1,127,449	\$ 1,023,334
Interest expense	<u>(631,221)</u>	<u>(574,615)</u>
Net interest income	496,228	448,719
Net income and gains other than interest income	<u>209,908</u>	<u>245,783</u>
Profit from operations	706,136	694,502
Recovery (provision) for bad debt, commitments and guarantee reserve	10,399	(20,757)
Operating expenses	<u>(504,232)</u>	<u>(454,176)</u>
Profit before income tax	212,303	219,569
Income tax expense	<u>(49,651)</u>	<u>(64,506)</u>
Net income	162,652	155,063
Other comprehensive (loss) income	<u>(622,491)</u>	<u>50,706</u>
Total comprehensive (loss) income	<u>\$ (459,839)</u>	<u>\$ 205,769</u>
Basic earnings per share	Note	Note

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

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

	June 30	
Assets	2023	2022
Current assets	\$ 64,325,384	\$ 35,205,491
Financial assets at fair value through other comprehensive income - non-current	367	356
Investments accounted for using the equity method	2,559,756	2,496,966
Property and equipment	265,672	278,227
Right-of-use assets	112,892	149,153
Intangible assets	58,477	53,715
Deferred tax assets	13,281	40,840
Other non-current assets	<u>651,007</u>	<u>600,249</u>
Total	<u>\$ 67,986,836</u>	<u>\$ 38,824,997</u>
 Liabilities		
Current liabilities	\$ 54,541,717	\$ 26,241,666
Lease liabilities - non-current	51,321	84,466
Deferred tax liabilities	2,132	-
Other non-current liabilities	<u>33,330</u>	<u>38,648</u>
Total liabilities	<u>54,628,500</u>	<u>26,364,780</u>
 Equity		
Share capital	7,700,000	7,700,000
Capital surplus	914,810	898,167
Retained earnings	3,767,842	2,976,784
Other equity	<u>975,684</u>	<u>885,266</u>
Total equity	<u>13,358,336</u>	<u>12,460,217</u>
Total	<u>\$ 67,986,836</u>	<u>\$ 38,824,997</u>

Cathay Securities Corporation

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

	For the Six Months Ended June 30	
	2023	2022
Revenues	\$ 3,160,629	\$ 2,775,644
Service fee expenses	(159,421)	(173,302)
Employee benefit expenses	(866,014)	(804,812)
Operating expenses	(1,002,400)	(845,933)
Share of profit (loss) of subsidiaries accounted for using the equity method	56,046	(52,145)
Non-operating income and expenses	<u>49,274</u>	<u>13,288</u>
Profit before income tax	1,238,114	912,740
Income tax expense	<u>(193,764)</u>	<u>(169,636)</u>
Net income	1,044,350	743,104
Other comprehensive income (loss)	<u>257,640</u>	<u>(187,857)</u>
Total comprehensive income	<u>\$ 1,301,990</u>	<u>\$ 555,247</u>
Basic earnings per share	<u>\$1.36</u>	<u>\$0.97</u>

Cathay Futures Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
Assets	2023	2022
Current assets	\$ 12,249,755	\$ 12,913,814
Financial assets at fair value through other comprehensive income - non-current	1,124,974	1,090,739
Property and equipment	65,547	67,493
Investment property	290,341	291,175
Right-of-use assets	7,463	14,584
Intangible assets	21,100	10,893
Deferred tax assets	252	252
Other non-current assets	<u>166,812</u>	<u>157,302</u>
Total	<u>\$ 13,926,244</u>	<u>\$ 14,546,252</u>
 Liabilities		
Current liabilities	\$ 11,781,839	\$ 12,509,590
Deferred tax liabilities	6,425	6,474
Other non-current liabilities	<u>3,893</u>	<u>9,416</u>
Total liabilities	<u>11,792,157</u>	<u>12,525,480</u>
 Equity		
Share capital	667,000	667,000
Capital surplus	2,455	680
Retained earnings	371,307	293,088
Other equity	<u>1,093,325</u>	<u>1,060,004</u>
Total equity	<u>2,134,087</u>	<u>2,020,772</u>
Total	<u>\$ 13,926,244</u>	<u>\$ 14,546,252</u>

Cathay Futures Co., Ltd.

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

	For the Six Months Ended June 30	
	2023	2022
Revenues	\$ 210,501	\$ 219,488
Operating expenses	<u>(247,283)</u>	<u>(231,350)</u>
Operating loss	(36,782)	(11,862)
Non-operating income and expenses	<u>142,371</u>	<u>53,726</u>
Profit before income tax	105,589	41,864
Income tax expense	<u>(17,243)</u>	<u>(4,185)</u>
Net income	88,346	37,679
Other comprehensive income (loss)	<u>124,600</u>	<u>(116,149)</u>
Total comprehensive income (loss)	<u>\$ 212,946</u>	<u>\$ (78,470)</u>
Basic earnings per share	<u>\$ 1.32</u>	<u>\$ 0.56</u>

Cathay Securities (Hong Kong) Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
Assets	2023	2022
Current assets	\$ 1,121,195	\$ 1,663,055
Investments accounted for using the equity method	(84,987)	(51,220)
Property and equipment	334	1,683
Right-of-use assets	13,023	24,797
Intangible assets	1,978	1,886
Other non-current assets	<u>28,995</u>	<u>62,115</u>
Total	<u>\$ 1,080,538</u>	<u>\$ 1,702,316</u>
Liabilities		
Current liabilities	\$ 654,587	\$ 1,214,260
Non-current liabilities	<u>83</u>	<u>11,673</u>
Total liabilities	<u>654,670</u>	<u>1,225,933</u>
Equity		
Capital	1,108,244	1,108,244
Retained earnings	(648,970)	(574,126)
Other equity	<u>(33,406)</u>	<u>(57,735)</u>
Total equity	<u>425,868</u>	<u>476,383</u>
Total	<u>\$ 1,080,538</u>	<u>\$ 1,702,316</u>

Cathay Securities (Hong Kong) Limited

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

	For the Six Months Ended June 30	
	2023	2022
Revenues	\$ 37,907	\$ 30,649
Service fee expenses	(1,322)	(1,565)
Employee benefit expenses	(22,956)	(23,605)
Operating expenses	(37,877)	(39,008)
Non-operating income and expenses	<u>(8,044)</u>	<u>(56,292)</u>
Net loss	(32,292)	(89,821)
Other comprehensive income	<u>3,455</u>	<u>32,969</u>
Total comprehensive loss	<u>\$ (28,837)</u>	<u>\$ (56,852)</u>
Basic earnings per share	Note	Note

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

Cathay Capital (Asia) Limited

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

	June 30	
Assets	2023	2022
Current assets	<u>\$ 273,599</u>	<u>\$ 705,936</u>
Total	<u>\$ 273,599</u>	<u>\$ 705,936</u>
Liabilities		
Current liabilities	<u>\$ 358,587</u>	<u>\$ 757,156</u>
Total liabilities	<u>358,587</u>	<u>757,156</u>
Equity		
Capital	3,875	3,875
Retained earnings	(85,752)	(53,433)
Other equity	<u>(3,111)</u>	<u>(1,662)</u>
Total equity	<u>(84,988)</u>	<u>(51,220)</u>
Total	<u>\$ 273,599</u>	<u>\$ 705,936</u>

Cathay Capital (Asia) Limited

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

	For the Six Months Ended June 30	
	2023	2022
Operating revenue (loss)	\$ 7,111	\$ (36,996)
Operating costs	(11,347)	(9,740)
Operating expenses	(5,595)	(9,577)
Non-operating income and expenses	<u>91</u>	<u>11</u>
Net loss	(9,740)	(56,302)
Other comprehensive loss	<u>(854)</u>	<u>(1,319)</u>
Total comprehensive loss	<u><u>\$ (10,594)</u></u>	<u><u>\$ (57,621)</u></u>
Basic earnings per share	Note	Note

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

Cathay Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
Assets	2023	2022
Current assets	\$ 4,585,735	\$ 3,120,298
Financial assets at fair value through other comprehensive income - non-current	14,732	12,760
Investments accounted for using the equity method	375,025	429,585
Property and equipment	79,736	41,941
Right-of-use assets	29,805	80,875
Intangible assets	47,917	21,530
Deferred tax assets	18,370	35,074
Guarantee deposits paid	379,565	322,057
Other non-current assets	<u>11,922</u>	<u>10,401</u>
Total	<u>\$ 5,542,807</u>	<u>\$ 4,074,521</u>
 Liabilities		
Current liabilities	\$ 2,155,023	\$ 722,209
Non-current liabilities	<u>95,002</u>	<u>203,305</u>
Total liabilities	<u>2,250,025</u>	<u>925,514</u>
 Equity		
Share capital	1,500,000	1,500,000
Capital surplus	23,169	16,453
Retained earnings	1,852,510	1,751,209
Other equity	<u>(82,897)</u>	<u>(118,655)</u>
Total equity	<u>3,292,782</u>	<u>3,149,007</u>
Total	<u>\$ 5,542,807</u>	<u>\$ 4,074,521</u>

Cathay Securities Investment Trust Co., Ltd.

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

	For the Six Months Ended June 30	
	2023	2022
Operating revenue	\$ 2,018,712	\$ 2,075,776
Operating expenses	<u>(1,025,635)</u>	<u>(1,014,678)</u>
Operating profit	993,077	1,061,098
Non-operating income and expenses	<u>36,650</u>	<u>(16,401)</u>
Profit before income tax	1,029,727	1,044,697
Income tax expense	<u>(201,698)</u>	<u>(213,806)</u>
Net income	828,029	830,891
Other comprehensive (loss) income	<u>(7,046)</u>	<u>8,533</u>
Total comprehensive income	<u>\$ 820,983</u>	<u>\$ 839,424</u>
Basic earnings per share	<u>\$5.52</u>	<u>\$5.54</u>

Cathay Private Equity Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
	2023	2022
Assets		
Current assets	\$ 95,039	\$ 84,357
Other non-current assets	<u>49,915</u>	<u>54,310</u>
Total	<u>\$ 144,954</u>	<u>\$ 138,667</u>
Liabilities		
Current liabilities	\$ 35,436	\$ 30,394
Other non-current liabilities	<u>544</u>	<u>1,623</u>
Total liabilities	<u>35,980</u>	<u>32,017</u>
Equity		
Share capital	150,000	150,000
Capital surplus	361	63
Retained earnings	<u>(41,387)</u>	<u>(43,413)</u>
Total equity	<u>108,974</u>	<u>106,650</u>
Total	<u>\$ 144,954</u>	<u>\$ 138,667</u>

Cathay Private Equity Co., Ltd.

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

	For the Six Months Ended June 30	
	2023	2022
Operating revenue	\$ 26,741	\$ 23,874
Operating expenses	<u>(25,409)</u>	<u>(21,017)</u>
Operating income	1,332	2,857
Non-operating income and expenses	<u>2,549</u>	<u>241</u>
Profit before income tax	3,881	3,098
Income tax expense	<u>(314)</u>	<u>(590)</u>
Net income	<u>3,567</u>	<u>2,508</u>
Total comprehensive income	<u>\$ 3,567</u>	<u>\$ 2,508</u>
Basic earnings per share	<u>\$0.24</u>	<u>\$0.17</u>

Cathay Venture Inc.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	June 30	
Assets	2023	2022
Current assets	\$ 646,508	\$ 925,485
Financial assets at fair value through profit or loss - non-current	5,245,186	4,880,415
Financial assets at fair value through other comprehensive income - non-current	513,820	-
Investments accounted for using the equity method	260,549	257,198
Property and equipment	3,137	3,773
Right-of-use assets	20,690	2,656
Deferred tax assets	89,530	47,602
Other non-current assets	<u>2,086</u>	<u>1,944</u>
Total	<u>\$ 6,781,506</u>	<u>\$ 6,119,073</u>
 Liabilities		
Current liabilities	\$ 161,482	\$ 21,925
Non-current liabilities	<u>16,080</u>	<u>8,809</u>
Total liabilities	<u>177,562</u>	<u>30,734</u>
 Equity		
Share capital	5,181,730	5,181,730
Capital surplus	576,952	576,667
Retained earnings	814,362	329,464
Other equity	<u>30,900</u>	<u>478</u>
Total equity	<u>6,603,944</u>	<u>6,088,339</u>
Total	<u>\$ 6,781,506</u>	<u>\$ 6,119,073</u>

Cathay Venture Inc.

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

	For the Six Months Ended June 30	
	2023	2022
Operating revenue	\$ 530,123	\$ 114,257
Operating costs	(20,190)	(22,917)
Operating expenses	(8,930)	(7,739)
Non-operating income and expenses	<u>(297)</u>	<u>782</u>
Profit before income tax	500,706	84,383
Income tax benefit (expense)	<u>24,333</u>	<u>(28,542)</u>
Net income	525,039	55,841
Other comprehensive income	<u>30,336</u>	<u>-</u>
Total comprehensive income	<u>\$ 555,375</u>	<u>\$ 55,841</u>
Basic earnings per share	<u>\$1.01</u>	<u>\$0.11</u>

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

For the six months ended June 30, 2023

Unit: %

	Return on Assets		Return on Equity		Net Income
	Before Tax	After Tax	Before Tax	After Tax	Ratio
The Group	0.31	0.27	5.80	4.96	20.33
The Company	3.89	4.01	4.82	4.98	99.72
Cathay Life	0.19	0.16	3.01	2.51	3.58
Cathay Century	0.43	0.32	1.86	1.38	1.47
Cathay United Bank	0.54	0.44	8.55	7.06	40.95
Cathay Securities	2.39	2.01	9.38	7.91	33.04

For the six months ended June 30, 2022

Unit: %

	Return on Assets		Return on Equity		Net Income
	Before Tax	After Tax	Before Tax	After Tax	Ratio
The Group	0.55	0.43	9.34	7.22	20.74
The Company	6.38	5.95	7.81	7.28	91.76
Cathay Life	0.62	0.51	9.32	7.72	11.95
Cathay Century	(5.23)	(4.11)	(17.05)	(13.41)	(19.57)
Cathay United Bank	0.46	0.38	6.66	5.58	39.88
Cathay Securities	1.91	1.55	7.16	5.83	26.77

Note: Net income ratio = Net income/Net revenue

33. BUSINESS OR TRADING ACTIVITIES WITHIN SUBSIDIARIES

a. Integration of business activities

In order to improve the Group's competitiveness and enhance its operation synergy, the Company integrates various services, such as banking, insurance, and securities, and builds up a full-functioning financial platform; with 700 operating location all over Taiwan and about 30 thousand professional salesperson, the Company provides comprehensive financial planning and one-stop shopping services to its clients.

b. Cross utilization of information

To provide diversified financial commodities and services to clients, the Company has referred to the Financial Holding Company Act, Personal Data Protection Act, Regulations for Co-selling Activities among Subsidiaries of Financial Holding Company, Self-discipline Standards for Financial Holding Company and its Subsidiaries and other related regulations issued by the FSC, stipulation of the Regulations for Co-selling Activities among Subsidiaries of Cathay Financial Holdings, contracts for Co-selling Activities among Subsidiaries of Cathay Financial Holdings, Non-disclosure Agreement of Business Information and Customers' Personal Data among Subsidiary of Cathay Financial Holdings, Joint Statement for Security Measures of Cathay Financial Holdings and its Subsidiaries, Operation Rules of Cathay Financial Holdings Marketing Planning Division for Monitoring Subsidiaries' Selling Activities, Guidelines of Cathay Financial Holdings' Data Storage Management, Cathay Financial Holdings and Subsidiary Data Sharing Management Policy and the adoption of management measures for data sharing among its subsidiaries by Cathay Financial Holdings. By providing customers exit mechanism, the Company strives to cross-utilize clients' personal data under a legal and safe environment and provide comprehensive and integrated financial commodities and services to clients.

c. Business facilities and locations

In order to achieve the target of providing comprehensive financial services through one-stop shopping, the Group kept on expanding the co-selling of products across subsidiaries to the extent allowed by laws and regulations.

- 1) Aside from the insurance agency business and life insurance product promotion, Cathay United Bank has engaged in co-selling activities for securities and property insurance businesses across all branches.
- 2) Cathay Life is engaged in co-selling activities for banking and property insurance businesses across all business locations.
- 3) Cathay Securities leased part of the branches of Cathay United Bank and Cathay Life to set up co-selling offices.

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

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

34. SEGMENT INFORMATION

a. General information on operating segments

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

- 1) **Banking operating segment:** The banking operating segment is engaged in permitted businesses of commercial banks provided by the Banking Act of the Republic of China, foreign exchange business, guarantee business, advisory service of foreign currency investments, trust business, offshore banking units and other financial business of investments from returning expatriates.
- 2) **Life insurance operating segments:** The life insurance operating segment is engaged in interest-sensitive sales of traditional insurance, investment-linked insurance and annuity insurance and providing financial planning services and policy loan services.
- 3) **Property insurance operating segment:** The property insurance operating segment is engaged in fire insurance, marine insurance, land and air insurance, liability insurance, financial guarantee insurance, reinsurance and other insurance.
- 4) **Securities operating segment:** The securities operating segment is engaged in brokerage, dealership, and underwriting business and is dedicated to capabilities of research, development and design to provide security financial services with a variety of new financial products.
- 5) **Other operating segment:** Such segment includes assets, liabilities, revenue and expenditures which cannot be directly attributable to or reasonably allocated to certain operating segments.

To determine allocation of resources and performance measure, the management monitors results of each operating segment. The accounting policies for each operating segment are the same as those stated in Note 4 the summary of significant accounting policies.

b. Information of reporting segment income was as follows:

For the three months ended June 30, 2023

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 13,238,054	\$ 47,798,921	\$ 157,039	\$ 131,262	\$ (337,049)	\$ 60,988,227
Net income and gains other than interest income	4,367,335	24,733,651	1,498,439	1,435,916	978,666	33,014,007
Profit from operations	17,605,389	72,532,572	1,655,478	1,567,178	641,617	94,002,234
(Provision) recovery for bad debt, commitments and guarantee reserve	(1,646,161)	39,664	-	(664)	-	(1,607,161)
Net changes in insurance liability reserve	-	(36,159,442)	718,456	-	-	(35,440,986)
Operating expenses	(11,019,790)	(9,529,118)	(1,004,682)	(804,068)	(3,170,267)	(25,527,925)
Profit (loss) from continuing operations before taxes	4,939,438	26,883,676	1,369,252	762,446	(2,528,650)	31,426,162
Income tax (expense) benefit	(1,926,598)	(3,963,261)	(257,009)	(100,079)	665,189	(5,581,758)
Net income (loss) from continuing operations	3,012,840	22,920,415	1,112,243	662,367	(1,863,461)	25,844,404

For the three months ended June 30, 2022

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 11,810,935	\$ 43,311,544	\$ 143,462	\$ 147,351	\$ (166,916)	\$ 55,246,376
Net income and gains other than interest income	3,696,894	41,785,455	863,455	1,073,663	3,053,540	50,473,007
Profit from operations	15,507,829	85,096,999	1,006,917	1,221,014	2,886,624	105,719,383
(Provision) recovery for bad debt, commitments and guarantee reserve	(1,220,654)	55,819	-	(711)	-	(1,165,546)
Net changes in insurance liability reserve	-	(56,013,882)	(3,779,020)	-	-	(59,792,902)
Operating expenses	(8,489,367)	(8,284,468)	(812,827)	(663,156)	(2,563,893)	(20,813,711)
Profit from continuing operations before taxes	5,797,808	20,854,468	(3,584,930)	557,147	322,731	23,947,224
Income tax (expense) benefit	(1,347,133)	(4,570,096)	744,127	(94,869)	(3,741,142)	(9,009,113)
Net income (loss) from continuing operations	4,450,675	16,284,372	(2,840,803)	462,278	(3,418,411)	14,938,111

For the six months ended June 30, 2023

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 26,187,151	\$ 94,450,341	\$ 312,002	\$ 230,255	\$ (678,256)	\$ 120,501,493
Net income and gains other than interest income	8,803,072	32,299,094	(6,471,537)	2,669,017	4,611,342	41,910,988
Profit (loss) from operations	34,990,223	126,749,435	(6,159,535)	2,899,272	3,933,086	162,412,481
(Provision) recovery for bad debt, commitments and guarantee reserve	(1,547,264)	287,049	-	(708)	-	(1,260,923)
Net changes in insurance liability reserve	-	(82,517,161)	8,856,986	-	-	(73,660,175)
Operating expenses	(21,008,160)	(18,113,851)	(1,917,909)	(1,527,492)	(6,260,385)	(48,827,797)
Profit (loss) from continuing operations before taxes	12,434,799	26,405,472	779,542	1,371,072	(2,327,299)	38,663,586
Income tax (expense) benefit	(3,858,155)	(2,070,123)	(69,364)	(193,786)	545,630	(5,645,798)
Net income (loss) from continuing operations	8,576,644	24,335,349	710,178	1,177,286	(1,781,669)	33,017,788

For the six months ended June 30, 2022

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 22,017,247	\$ 83,023,700	\$ 292,580	\$ 294,140	\$ (338,856)	\$ 105,288,811
Net income and gains other than interest income	6,168,059	114,629,499	3,281,118	2,211,977	6,216,801	132,507,454
Profit from operations	28,185,306	197,653,199	3,573,698	2,506,117	5,877,945	237,796,265
(Provision) recovery for bad debt, commitments and guarantee reserve	(1,516,982)	304,695	-	(824)	-	(1,213,111)
Net changes in insurance liability reserve	-	(126,620,445)	(4,193,090)	-	-	(130,813,535)
Operating expenses	(16,440,932)	(17,098,807)	(1,821,055)	(1,351,023)	(5,302,145)	(42,013,962)
Profit from continuing operations before taxes	10,227,392	54,238,642	(2,440,447)	1,154,270	575,800	63,755,657
Income tax (expense) benefit	(2,785,549)	(7,978,916)	619,519	(169,745)	(4,127,572)	(14,442,263)
Net income (loss) from continuing operations	7,441,843	46,259,726	(1,820,928)	984,525	(3,551,772)	49,313,394

Note: All intercompany transactions among the operating segments have been eliminated.

35. RISK MANAGEMENT FOR INSURANCE CONTRACTS AND FINANCIAL INSTRUMENTS

a. Cathay Life and its subsidiaries

1) Risk management objectives, policies, procedures and methods:

a) Objectives of risk management

Cathay Life's risk management policy aims to promote operational efficiency, ensure asset safety, increase shareholders' value, and comply with applicable domestic and overseas laws and regulations for the purpose of steady growth and sustainable management.

b) Framework, organizational structure and responsibilities of risk management.

i. The board of directors

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

ii. Risk management committee

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

iii. Chief risk officer

- i) The chief risk officer should maintain independence. Besides a position directly related to risk management and without conflict of interest, the chief risk officer should not hold a position in any profit center of Cathay Life.
- ii) The chief risk officer should be able to access any business information which may have an impact on risk overview of Cathay Life.
- iii) The chief risk officer should be in charge of overall risk management of Cathay Life.
- iv) The chief risk officer should participate in Cathay Life's important decision-making process and, as appropriate, provide opinions from a risk management perspective.

iv. Risk management department

- i) The department is responsible for operational affairs such as monitoring, measuring and evaluating daily risks, which should be performed independently to business units.
- ii) The department should perform the following functions with regard to different business activities:
 - Propose and execute the risk management policies set by the board of directors.
 - Propose the risk limits based on risk appetite.
 - Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.
 - Regularly present risk management reports.
 - Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.
 - Assist to execute stress testing.
 - Execute back testing if necessary.
 - Other risk management related issues.

v. Business units

- i) Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.
- ii) The duties of the risk management include the following:
 - Identify and measure risks and report risk exposures and potential impacts on time.
 - Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.
 - Assist to develop the risk model and ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.

- Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
- Assist to collect data related to operational risk.
- Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to mitigate such risks.
- Manager of a business unit should supervise the unit to submit risk management information regularly to the risk management department.

vi. Audit department

The department is responsible for the audit of each department's implementation status of risk management pursuant to the applicable laws and regulations and related rules and guidance of Cathay Life.

vii. Subsidiaries

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

c) Range and nature of risk assessment or risk reporting

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

i. Market risk

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

ii. Credit risk

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

iii. Country risk

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

iv. Liquidity risk

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

v. Operational risk

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

vi. Insurance risk

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

vii. Asset and liability matching risk

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

viii. Capital adequacy

Cathay Life regards the RBC ratio and net worth ratio as management indicators for capital adequacy. The RBC ratio is the total capital of Cathay Life divided by its risk-based capital, as regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies. The net worth ratio is Cathay Life's equity audited (or reviewed) by the auditors divided by the total assets, excluding the total assets recorded in separate accounts for investment-type insurance policies.

ix. Risk of information security and personal data management

The risk of information security and personal data management refers to the damage resulting from the confidentiality, completeness and availability of information assets, or damage caused by stealing, tampering, damaging, losing or leaking personal data. Cathay Life has a security and personal data management policy to reduce the impact of information security incidents and personal data damages.

x. Emerging risks

Emerging risks refer to risks that are not currently revealed but may arise as a result in the changes of the environment, usually due to changes in politics, regulations, markets or the natural environment. Cathay Life conducts emerging risk management operations by reference to authority organizations, benchmarking enterprise reports, regularly identifying and measuring emerging risks as well as assessing risk response and control mechanism when compiling annual risk maps, and reports the status of emerging risk to senior management every year, which is incorporated into the risk management business implementation report and delivered to the Risk Management Committee for deliberation.

xi. ESG and climate risks

ESG risks include environmental, social and corporate governance risks. Climate risk is part of the environmental risks of ESG risks and refers to the potential negative impact of climate change, including transformation risk (a wide range of risks resulting from the trend of a low-carbon economy, including policy, legal, technological and market change risks) and physical risk (the risk of financial losses due to immediate extreme weather events or long-term climate pattern change). Cathay Life has established related management measures as a response.

d) The process of assuming, measuring, monitoring and controlling risks and the underwriting policies to determine the proper risk classification and premium levels

i. The process of assuming, measuring, monitoring and controlling insurance risks

- i) Stipulate Cathay Life's insurance risk management standards including the definitions and range of risks, management structure, risk management indicators and other risk management measures.
- ii) Establish methods to evaluate insurance risks.
- iii) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and for developing insurance risk management strategies.

- iv) Regularly summarize the results of implementing risk management policies and report to the risk management committee and Cathay Financial Holdings Risk Management Division. When an exceptional insurance risk event occurs, the related departments should propose corresponding solutions to the risk management committee.
- ii. The underwriting policies to determine proper risk classification and premium levels
 - i) Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from the insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.
 - ii) Cathay Life has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards.
 - iii) Cathay Life has established a high-value insurance contract approval procedure to enhance risk management over large policies and avoid adverse selection and moral hazard.
- e) The scope of insurance risk assessment and management from a company-wide perspective
 - i. Insurance risk assessment covers the following risks:
 - i) Product design and pricing risk: The risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.
 - ii) Underwriting risk: Unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.
 - iii) Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.
 - iv) Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect Cathay Life's credit rating or solvency.
 - v) Claim risk: This risk arises from mishandling claims.
 - vi) Reserve-related risk: This risk occurs when Cathay Life does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.
 - ii. The scope of management of insurance risk
 - i) Develop a risk control framework of Cathay Life's insurance risk to empower related development to execute risk management.
 - ii) Establish Cathay Life's insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.
 - iii) Develop related response in consideration of Cathay Life's growth strategy and changes in the domestic and global economic and financial environments.

- iv) Determine methods to measure insurance risks.
 - v) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.
 - vi) Other insurance risk management issues.
- f) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

Cathay Life limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed considering Cathay Life's risk taking ability, risk profiling and legal issues factors to determine whether to retain or cede a policy. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, Cathay Life has established reinsurer selection standards.

- g) Asset/liability management
- i. Cathay Life established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks Cathay Life faces.
 - ii. Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of Cathay Life. Furthermore, the annual report is delivered to the risk management division of the Company.
 - iii. When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management division of Cathay Life and that of the Company.
- h) The procedures to manage, monitor and control a special event for which Cathay Life is committed to assuming additional liabilities or funding addition capital

Pursuant to the applicable laws and regulations, Cathay Life's RBC ratio and net worth ratio should be higher than a certain number. In order to enhance Cathay Life's capital management and to maintain a proper RBC ratio and the net worth ratio, Cathay Life has established a set of capital adequacy management standards as follows:

- i. Capital adequacy management
 - i) Regularly provide capital adequacy management reports and analysis to the finance department of the Company
 - ii) Regularly provide the analysis report to the risk management committee.
 - iii) Conduct simulation analysis to figure out the use of funding, the changes of the financial environment or the amendments to applicable laws and regulations affecting RBC ratio and the net worth ratio.
 - iv) Regularly review RBC ratio, net worth ratio and related control standards to ensure a solid capital adequacy management.

ii. Exception management process

When the RBC ratio or the net worth ratio exceeds the internal risk control criteria or other exceptions occur, Cathay Life is required to notify the risk management department, the finance department and the risk management department of Cathay Financial Holdings and submit the capital adequacy or the net worth ratio analysis report and actions.

i) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments

i. Cathay Life enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, single stock futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from Cathay Life's investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.

ii. Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. Cathay Life executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.

iii. Cathay Life assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.

j) The policies and procedures against the concentration of credit and investment risks

Considering the credit risk factors, Cathay Life has set up the measurement indicators for credit and investment positions by countries, industries and business groups. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, Cathay Life shall not grant loans or make investment in general. However, if Cathay Life has to undertake the business under certain circumstances, Cathay Life shall follow the internal regulations, including but not limited to "Guidelines for sovereign risk management", "Guidelines for securities investment risk limit" and "Guidelines for credit and investment risk management on conglomerate and other juristic person institute".

2) Information of insurance risk

a) Sensitivity of insurance risk - insurance contracts and financial instruments with discretionary participation features

i. Cathay Life

For the Six Months Ended June 30, 2023					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 1,769,452	Decrease (increase)	\$ 1,415,562
Expense	×1.05 (×0.95)	Decrease (increase)	1,457,798	Decrease (increase)	1,166,238
Surrender rate	×1.05 (×0.95)	Increase (decrease)	207,930	Increase (decrease)	166,344
Rate of return	+0.1%	Increase	3,565,919	Increase	2,852,736
Rate of return	-0.1%	Decrease	3,567,687	Decrease	2,854,150

For the Six Months Ended June 30, 2022					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 1,631,019	Decrease (increase)	\$ 1,304,815
Expense	×1.05 (×0.95)	Decrease (increase)	1,389,412	Decrease (increase)	1,111,530
Surrender rate	×1.05 (×0.95)	Increase (decrease)	111,810	Increase (decrease)	89,448
Rate of return	+0.1%	Increase	3,414,957	Increase	2,731,966
Rate of return	-0.1%	Decrease	3,416,646	Decrease	2,733,317

ii. Cathay Lujiazui Life

For the Six Months Ended June 30, 2023					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 82,755	Decrease (increase)	\$ 62,066
Expense	×1.05 (×0.95)	Decrease (increase)	53,225	Decrease (increase)	39,918
Surrender rate	×1.10 (×0.90)	Increase (decrease)	36,091	Increase (decrease)	27,068
Rate of return	+0.25%	Increase	237,179	Increase	177,884
Rate of return	-0.25%	Decrease	237,767	Decrease	178,325

For the Six Months Ended June 30, 2022					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 83,268	Decrease (increase)	\$ 62,451
Expense	×1.05 (×0.95)	Decrease (increase)	53,554	Decrease (increase)	40,166
Surrender rate	×1.10 (×0.90)	Increase (decrease)	36,315	Increase (decrease)	27,236
Rate of return	+0.25%	Increase	189,695	Increase	142,271
Rate of return	-0.25%	Decrease	190,164	Decrease	142,623

iii. Cathay Life (Vietnam)

For the Six Months Ended June 30, 2023					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 4,542	Decrease (increase)	\$ 3,634
Expense	×1.05 (×0.95)	Decrease (increase)	40,264	Decrease (increase)	32,211
Surrender rate	×1.05 (×0.95)	Increase (decrease)	18,497	Increase (decrease)	14,797
Rate of return	+0.1%	Increase	17,037	Increase	13,630
Rate of return	-0.1%	Decrease	17,046	Decrease	13,636

For the Six Months Ended June 30, 2022					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 3,486	Decrease (increase)	\$ 2,789
Expense	×1.05 (×0.95)	Decrease (increase)	36,797	Decrease (increase)	29,438
Surrender rate	×1.05 (×0.95)	Increase (decrease)	8,601	Increase (decrease)	6,881
Rate of return	+0.1%	Increase	16,226	Increase	12,981
Rate of return	-0.1%	Decrease	16,234	Decrease	12,987

- i) Changes in income before tax listed above referred to the effects of income before tax for the six months ended June 30, 2023 and 2022. The changes in equity of Cathay Life, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.
- ii) As an increase (decrease) of 0.1% in discount rates is applied to the liability adequacy test, the result of the test is still adequate for Cathay Life and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.
- iii) Sensitivity test
 - Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.

- Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.
- Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.
- Rate of return sensitivity test is executed by adjusting the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

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

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

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

b) Concentration of insurance risks

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

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

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

c) Claim development trend

i. Cathay Life

i) Direct business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2016Q3-2017Q2	16,043,483	19,907,456	20,260,968	20,348,766	20,387,112	20,412,507	20,432,874	-	-
2017Q3-2018Q2	18,546,219	22,889,406	23,332,963	23,448,000	23,528,569	23,576,585	23,599,069	22,484	22,529
2018Q3-2019Q2	20,264,841	25,132,462	25,605,267	25,727,678	25,803,165	25,848,561	25,872,721	69,556	69,695
2019Q3-2020Q2	21,105,057	26,299,873	26,814,752	26,949,735	27,028,807	27,076,732	27,101,849	152,114	152,419
2020Q3-2021Q2	20,935,249	25,491,039	25,994,581	26,112,407	26,180,404	26,223,200	26,248,848	254,267	254,775
2021Q3-2022Q2	20,415,832	25,587,369	26,059,656	26,174,941	26,241,067	26,282,914	26,309,384	722,015	723,459
2022Q3-2023Q2	23,208,867	28,644,539	29,167,694	29,295,164	29,367,959	29,414,129	29,443,725	6,234,858	6,247,328
Expected future payments								\$ 7,470,205	
Add: Assumed reserve for claims not yet filed								51,613	
Reserve for claims not yet filed								7,521,818	
Add: Unreported claims reserve for epidemic prevention insurance								1,662	
Add: Claims filed but not yet paid								5,089,433	
Loss reserve balance								\$ 12,612,913	

ii) Retained business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2016Q3-2017Q2	16,124,186	20,021,977	20,380,284	20,468,387	20,506,898	20,532,433	20,553,068	-	-
2017Q3-2018Q2	18,671,538	23,061,812	23,506,449	23,621,779	23,702,523	23,750,869	23,773,874	23,005	23,050
2018Q3-2019Q2	20,360,168	25,236,960	25,710,990	25,833,767	25,909,714	25,955,744	25,980,955	71,241	71,383
2019Q3-2020Q2	21,135,387	26,339,623	26,856,297	26,992,036	27,071,370	27,119,655	27,145,371	153,335	153,641
2020Q3-2021Q2	20,966,020	25,537,853	26,046,452	26,164,831	26,233,171	26,276,444	26,302,879	256,427	256,940
2021Q3-2022Q2	20,449,505	25,662,122	26,138,252	26,254,349	26,320,978	26,363,523	26,391,148	729,026	730,484
2022Q3-2023Q2	23,272,330	28,738,285	29,266,182	29,394,647	29,468,060	29,515,086	29,546,101	6,273,771	6,286,320
Expected future payments								\$ 7,521,818	
Add: Unreported claims reserve for epidemic prevention insurance								1,662	
Add: Claims filed but not yet paid								4,959,786	
Retained loss reserve balance								\$ 12,483,266	

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

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

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

ii. Cathay Lujiazui Life

i) Direct business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2016Q3-2017Q2	259,589	470,045	513,382	513,382	513,382	513,382	513,382	-
2017Q3-2018Q2	277,819	316,239	445,409	445,409	445,409	445,409	445,409	-
2018Q3-2019Q2	354,662	502,440	678,974	678,974	678,974	678,974	678,974	-
2019Q3-2020Q2	371,032	525,627	584,030	584,030	584,030	584,030	584,030	-
2020Q3-2021Q2	415,479	588,595	784,794	784,794	784,794	784,794	784,794	-
2021Q3-2022Q2	363,479	506,487	633,721	633,721	633,721	633,721	633,721	127,234
2022Q3-2023Q2	647,186	922,081	1,153,717	1,153,717	1,153,717	1,153,717	1,153,717	506,531
Expected future payments								\$ 633,765
Less: Expected claims filed but not yet paid								(1,029)
Reserve for claims not yet filed								632,736
Add: Claims filed but not yet paid								14,148
Loss reserve balance								<u>\$ 646,884</u>

ii) Retained business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2016Q3-2017Q2	273,227	438,721	465,929	471,314	471,314	471,314	471,314	-
2017Q3-2018Q2	327,725	352,609	427,102	427,102	427,102	427,102	427,102	-
2018Q3-2019Q2	391,427	722,337	1,017,374	1,017,374	1,017,374	1,017,374	1,017,374	-
2019Q3-2020Q2	383,379	543,124	610,251	610,251	610,251	610,251	610,251	-
2020Q3-2021Q2	432,294	583,597	729,497	731,055	731,055	731,055	731,055	1,558
2021Q3-2022Q2	382,019	494,746	609,002	610,303	610,303	610,303	610,303	115,557
2022Q3-2023Q2	662,661	948,613	1,167,684	1,170,179	1,170,179	1,170,179	1,170,179	507,518
Expected future payments								\$ 624,633
Less: Expected claims filed but not yet paid								(1,029)
Add: Claims filed but not yet paid								11,127
Retained loss reserve balance								<u>\$ 634,731</u>

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

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

iii. Cathay Life (Vietnam)

i) Direct business development trend

Accident Year	Development Year				
	1	2	3	4	5
2018Q3-2019Q2	107,084	135,920	136,333	136,333	136,333
2019Q3-2020Q2	165,248	210,729	210,833	210,833	210,833
2020Q3-2021Q2	408,632	450,774	450,780	450,841	450,841
2021Q3-2022Q2	627,522	737,021	737,532	737,632	737,632
2022Q3-2023Q2	975,029	1,143,214	1,144,006	1,144,161	1,144,161

ii) Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2018Q3-2019Q2	107,084	135,920	136,333	136,333	136,333
2019Q3-2020Q2	165,248	210,729	210,833	210,833	210,833
2020Q3-2021Q2	408,632	450,774	450,780	450,841	450,841
2021Q3-2022Q2	627,522	737,021	737,532	737,632	737,632
2022Q3-2023Q2	975,029	1,143,214	1,144,006	1,144,161	1,144,161

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in a specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in a specific accident year.

Cathay Life (Vietnam) provides loss reserve for claims filed but not paid and claims not yet filed. Reserve for claims not yet filed is estimated by multiplying the loss ratio of earned premiums by loss ratio based upon the past loss experiences instead of loss triangle method, which was approved by local authorities in Vietnam; therefore, provision for loss reserve is not determined by the above table. Estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments.

3) Credit risk, liquidity risk, and market risk for insurance contracts

a) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, Cathay Life chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with Cathay Life's Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of Cathay Life's reinsurers are above a certain level, complying with Cathay Life's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to Cathay Life's total assets; therefore, no significant credit risk exists.

b) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance payments and expenses of valid insurance contracts in the future deducting total premium on the balance sheet date. The actual future payment amounts may differ due to the difference between the result and expected amount.

Unit: In 100 Millions of NTD

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	Within 1 Year	1 to 5 Years	Over 5 Years
June 30, 2023	\$ 527	\$ 4,763	\$ 188,804
December 31, 2022	329	4,805	182,307
June 30, 2022	524	4,592	180,130

Note: Separate account products were not included.

c) Market risk

Cathay Life measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for Cathay Life's valid insurance contracts are considered minor to profit or loss or equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of Cathay Life. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

b. Cathay Century and its subsidiaries

1) Risk management objectives, policies, procedures and methods:

a) Framework, organizational structure and responsibilities

i. Board of directors

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

- ii) The board of directors should establish an appropriate risk management system and culture, ratify the appropriate risk management policy and allocate resources in the most effective manner.
- iii) The board of directors should consider the effect of the aggregated risks from Cathay Century's overall perspective; the board of directors should also follow the legal capital requirement and the relevant financial or business operating regulations that affect capital allocation.

ii. Risk management department

i) Risk management committee

- The committee should propose the risk management policies, framework, and organization functions and establish quantitative and qualitative management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly, and making necessary suggestions for improvement.
- The committee should execute the risk management policies set by the board of directors and review development, build-up and performance of the overall management mechanisms regularly.
- The committee should assist and monitor the risk management activities performed by each department.
- The committee should assist in deliberating related procedures for formulating risk limits.
- The committee should arrange the risk category, risk limit allocation and risk taking method according to changes in the environment.
- The committee should enhance cross-department interaction and communication.

ii) Chief risk officer

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

- The chief risk officer should be in charge of the overall risk management.
- The chief risk officer should participate in the important decision making process and provide appropriate suggestions from a risk management perspective.
- The chief risk officer should be a member of the risk management committee.

iii) Risk management department

Cathay Century and its subsidiaries established a risk management department, which is responsible for monitoring, measuring and evaluating major risks, and the department is independent from the business units.

Responsibilities of the risk management department are as follows:

- Propose and execute the risk management policies set by the board of directors.
- Propose the risk limits based on risk appetite.
- Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.
- Regularly present risk management reports.
- Regularly review the risk limits and its use of each business unit.
- Assist to execute stress testing and back testing if necessary.
- Other risk management related issues.

iii. Business unit

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

- Manage and report daily risk of the business unit and take necessary responsive actions.
- Supervise regular submission of risk management information to the risk management department.

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

- Identify and measure risks and report risk exposures.
- Evaluate the impacts (quantitative or qualitative) when risks occur and deliver the risk information in a timely and accurate manner.
- Regularly review the risks and their limits to ensure the effective execution of risk limits within business unit.
- Monitor risk exposures and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions of the business units.
- Assist to develop the risk model and ensure that the risk measurement, application of model, and the parameter settings are reasonable and consistent.
- Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
- Assist to collect data related to operational risk.

iv. Audit department

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

b) Risk reporting and the scope and nature of risk assessment for the property insurance business

i. Risk management reports

- i) Each business unit should regularly deliver risk information to the risk management department, and report the excess of risk limits and responding measures when the risk exposure exceeds the limit.
- ii) The risk management department summarizes the risk information provided by each department, tracks the uses of major risk limit, submits a monthly risk management report to the chairman, and submits quarterly reports to the risk management committee and the board of directors.

ii. The scope and nature of risk assessment

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

c) 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.

In Cathay Century and its subsidiaries, risk management department is responsible for monitoring and integrating insurance risks as a whole, and setting up risk indicators, risk limit, and 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.

d) The scope of insurance risk assessment and management from a company-wide perspective

Insurance risk management of Cathay Century and its subsidiaries covers product design and pricing, underwriting, reinsurance, catastrophe, claim, and reserves. Proper management mechanisms are set up and executed thoroughly.

e) Methods to limit insurance risk exposure and avoid inappropriate concentration risk

When Cathay Century and its subsidiaries implements business, the underwriter evaluates the quality of the business based on the underwriting criteria of each insurance to decide whether to undertake the business to properly hedge and control the risk and reduce the exposure.

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

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

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

Insurance Type	For the Year Ended December 31	
	2023	2022
Fire insurance	\$ 1,200,000	\$ 1,200,000
Marine insurance	1,200,000	1,200,000
Engineering insurance	1,200,000	1,200,000
Miscellaneous insurance/liability insurance	1,200,000	1,200,000
Healthy and accident insurance	1,200,000	1,200,000
Automobile insurance	50,000	50,000
Liability insurance	250,000	250,000

f) Asset-liability management

i. Asset-liability coordinated with risk identification and measurement

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

ii. Asset-liability coordinated with risk response

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

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

Cathay Century and its subsidiaries have established a set of capital adequacy management standards, including RBC management indicators for regular review, under which RBC is calculated each quarter and RBC management report is prepared every half year as implementation of RBC management.

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

2) Liability on policyholders' claims filed and losses not yet filed

Claims and payments recoverable for policyholders' claims filed and paid

Insurance Type	Claims Filed and Paid		
	June 30, 2023	December 31, 2022	June 30, 2022
Fire insurance	\$ 161,523	\$ 63,991	\$ 196,658
Marine insurance	42,559	13,770	42,309
Land and air insurance	56,596	43,477	42,149
Liability insurance	34,651	162,195	56,946
Guarantee insurance	45	268	132
Other property insurance	39,597	20,619	101,182
Accident insurance	20,563	24,291	12,354
Health insurance	14,135	146,651	1,011,466
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>192,660</u>	<u>202,982</u>	<u>195,888</u>
	562,329	678,244	1,659,084
Less: Loss allowance	<u>(5,624)</u>	<u>(6,782)</u>	<u>(16,591)</u>
Net amount	<u>\$ 556,705</u>	<u>\$ 671,462</u>	<u>\$ 1,642,493</u>

3) Receivables and payables of insurance contracts

a) Receivables

Insurance Type	Premiums Receivable		
	June 30, 2023	December 31, 2022	June 30, 2022
Fire insurance	\$ 1,496,432	\$ 759,964	\$ 1,573,293
Marine insurance	501,598	333,658	482,104
Land and air insurance	213,124	151,422	168,934
Liability insurance	319,220	387,820	318,893
Guarantee insurance	40,565	36,401	60,236
Other property insurance	327,823	203,528	304,084
Accident insurance	125,416	137,203	144,585
Health insurance	3,689	2,554	7,923
Policy-oriented residential earthquake insurance	30,113	34,303	32,139
Compulsory automobile liability insurance	<u>14,570</u>	<u>16,865</u>	<u>14,452</u>
	3,072,550	2,063,718	3,106,643
Less: Loss allowance	<u>(48,611)</u>	<u>(66,707)</u>	<u>(44,221)</u>
Net amount	<u>\$ 3,023,939</u>	<u>\$ 1,997,011</u>	<u>\$ 3,062,422</u>

Aging analysis of premiums receivable:

	June 30, 2023	December 31, 2022	June 30, 2022
Up to 90 days	\$ 2,630,223	\$ 1,416,701	\$ 2,444,749
Over 90 days	<u>442,327</u>	<u>647,017</u>	<u>661,894</u>
	<u>\$ 3,072,550</u>	<u>\$ 2,063,718</u>	<u>\$ 3,106,643</u>

The overdue amounts as of June 30, 2023, December 31, 2022 and June 30, 2022 in the above premiums receivable were \$442,327 thousand, \$647,017 thousand and \$661,894 thousand, respectively, and loss allowance of \$21,405 thousand, \$51,915 thousand and \$18,765 thousand were provided, respectively.

b) Accounts payables

	June 30, 2023		
Insurance Type	Commission Payable	Others	Total
Fire insurance	\$ 43,369	\$ 16,594	\$ 59,963
Marine insurance	17,086	16,786	33,872
Land and air insurance	236,873	127,929	364,802
Liability insurance	29,493	35,225	64,718
Guarantee insurance	5,623	1,456	7,079
Other property insurance	12,152	10,868	23,020
Accident insurance	12,027	49,060	61,087
Health insurance	1,328	3,734	5,062
Policy-oriented residential earthquake insurance	366	3,427	3,793
Compulsory automobile liability insurance	<u>18,929</u>	<u>-</u>	<u>18,929</u>
	<u>\$ 377,246</u>	<u>\$ 265,079</u>	<u>\$ 642,325</u>

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

Insurance Type	June 30, 2022		
	Commission Payable	Others	Total
Fire insurance	\$ 38,748	\$ 16,367	\$ 55,115
Marine insurance	22,891	19,371	42,262
Land and air insurance	171,769	113,155	284,924
Liability insurance	28,704	30,429	59,133
Guarantee insurance	5,196	1,636	6,832
Other property insurance	9,674	9,699	19,373
Accident insurance	10,842	32,675	43,517
Health insurance	2,364	2,150	4,514
Policy-oriented residential earthquake insurance	304	3,366	3,670
Compulsory automobile liability insurance	<u>19,216</u>	<u>-</u>	<u>19,216</u>
	<u>\$ 309,708</u>	<u>\$ 228,848</u>	<u>\$ 538,556</u>

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

	June 30, 2023	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 137,584	\$ 344,690
Marsh	1,083,100	613,931
Central Re	53,236	267,628
RKH	1,031	209,615
Hannover Re Shanghai	221,705	66,893
Munich Re	110,604	249,008
Others (individually below 5%)	<u>919,193</u>	<u>1,904,672</u>
	2,526,453	3,656,437
Less: Loss allowance	<u>(43,060)</u>	<u>-</u>
Net amount	<u>\$ 2,483,393</u>	<u>\$ 3,656,437</u>

	December 31, 2022	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Central Re	\$ 44,525	\$ 248,652
Hannover Re 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%)	<u>538,477</u>	<u>1,217,615</u>
	2,022,535	2,084,169
Less: Loss allowance	<u>(24,515)</u>	<u>-</u>
Net amount	<u>\$ 1,998,020</u>	<u>\$ 2,084,169</u>

	June 30, 2022	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 141,927	\$ 325,745
Marsh	146,702	516,744
Wills	145,246	132,469
Central Re	76,648	175,750
RKH	993	196,439
Others (individually below 5%)	<u>975,255</u>	<u>1,859,048</u>
	1,486,771	3,206,195
Less: Loss allowance	<u>(35,446)</u>	<u>-</u>
Net amount	<u>\$ 1,451,325</u>	<u>\$ 3,206,195</u>

The overdue amounts as of June 30, 2023, December 31, 2022 and June 30, 2022 in the above due from reinsurers and ceding companies were \$438,540 thousand, \$13,877 thousand and \$70,982 thousand, respectively, and loss allowances of \$21,927 thousand, \$4,163 thousand and \$21,295 thousand were provided, respectively.

Due from and due to the reinsurers and ceding companies cannot be offset, except for those meeting requirements in Article 42 of IAS 32.

4) Reserve required for specific assets

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

Under Article 5 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, a special reserve held by an insurer should be deposited in a financial institution in the form of time deposits:

- a) Government bonds but not exchangeable government bonds;
- b) 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 Cathay Century’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 Cathay Century’s operating status.

If the balance of the Cathay Century'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:

- a) Treasury bills
- b) Negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution
- c) Government bonds under repurchase agreements

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 Cathay Century due to the operation of CAL Insurance, and 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 Cathay Century to a level they deem appropriate on the basis of the Cathay Century's operating status.

If the total amount of unearned premium reserve and loss reserve of Cathay Century 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 Cathay Century 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 another 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) Cathay Century 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.

5) Acquisition cost of insurance contracts

For the Three Months Ended June 30, 2023					
Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 62,245	\$ 1,634	\$ 15,073	\$ 10,694	\$ 89,646
Marine insurance	25,214	15	767	860	26,856
Land and air insurance	378,303	-	45	158,085	536,433
Liability insurance	67,031	4	93	12,765	79,893
Guarantee insurance	4,716	(4)	(85)	280	4,907
Other property insurance	34,752	124	4,298	2,263	41,437
Accident insurance	121,450	7	108	47,962	169,527
Health insurance	11,824	-	-	3,070	14,894
Policy-oriented residential earthquake insurance	2,779	26	-	3,449	6,254
Compulsory automobile liability insurance	-	78,448	-	-	78,448
	<u>\$ 708,314</u>	<u>\$ 80,254</u>	<u>\$ 20,299</u>	<u>\$ 239,428</u>	<u>\$ 1,048,295</u>
For the Three Months Ended June 30, 2022					
Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 68,086	\$ 2,772	\$ 24,999	\$ 10,486	\$ 106,343
Marine insurance	27,581	129	705	692	29,107
Land and air insurance	321,067	53	2,578	140,906	464,604
Liability insurance	52,659	44	228	10,572	63,503
Guarantee insurance	4,695	32	663	242	5,632
Other property insurance	49,967	347	4,084	1,954	56,352
Accident insurance	85,084	16	(835)	28,337	112,602
Health insurance	71,195	176	702	1,491	73,564
Policy-oriented residential earthquake insurance	2,984	39	-	3,439	6,462
Compulsory automobile liability insurance	-	77,101	-	-	77,101
	<u>\$ 683,318</u>	<u>\$ 80,709</u>	<u>\$ 33,124</u>	<u>\$ 198,119</u>	<u>\$ 995,270</u>

For the Six Months Ended June 30, 2023					
Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 111,362	\$ 3,664	\$ 38,554	\$ 20,337	\$ 173,917
Marine insurance	48,879	147	1,146	1,811	51,983
Land and air insurance	757,555	-	68	320,877	1,078,500
Liability insurance	133,959	9	158	26,392	160,518
Guarantee insurance	7,019	(3)	43	418	7,477
Other property insurance	69,461	381	8,222	4,147	82,211
Accident insurance	226,370	15	120	90,422	316,927
Health insurance	20,889	-	-	5,062	25,951
Policy-oriented residential earthquake insurance	5,806	42	-	6,682	12,530
Compulsory automobile liability insurance	-	155,424	-	-	155,424
	<u>\$ 1,381,300</u>	<u>\$ 159,679</u>	<u>\$ 48,311</u>	<u>\$ 476,148</u>	<u>\$ 2,065,438</u>
For the Six Months Ended June 30, 2022					
Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 105,784	\$ 3,986	\$ 43,520	\$ 19,836	\$ 173,126
Marine insurance	49,799	165	939	1,376	52,279
Land and air insurance	643,962	53	3,364	275,908	923,287
Liability insurance	114,302	68	(361)	22,286	136,295
Guarantee insurance	6,308	125	2,166	399	8,998
Other property insurance	81,737	550	8,690	3,449	94,426
Accident insurance	167,952	59	(858)	54,981	222,134
Health insurance	90,635	52	206	2,191	93,084
Policy-oriented residential earthquake insurance	5,819	73	-	6,544	12,436
Compulsory automobile liability insurance	-	152,063	-	-	152,063
	<u>\$ 1,266,298</u>	<u>\$ 157,194</u>	<u>\$ 57,666</u>	<u>\$ 386,970</u>	<u>\$ 1,868,128</u>

Acquisition costs of insurance contracts were not deferred.

6) Profit and loss analysis of the insurance business

Direct underwriting business

For the Three Months Ended June 30, 2023						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 1,769,887	\$ 649,127	\$ 74,573	\$ 320,589	\$ (204,359)	\$ 929,957
Marine insurance	397,338	56,568	26,089	89,635	40,828	184,218
Land and air insurance	3,394,258	102,391	536,389	1,923,651	34,041	797,786
Liability insurance	584,071	(25,769)	79,800	145,454	268,132	116,454
Guarantee insurance	41,779	7,509	4,993	334	2,179	26,764
Other property insurance	561,475	132,475	37,140	293,367	397,051	(298,558)
Accident insurance	1,006,494	8,506	169,418	334,862	(11,960)	505,668
Health insurance	69,981	(25,887)	14,894	741,351	(942,941)	282,564
Policy-oriented residential earthquake insurance	117,603	138	6,252	(23)	-	111,236
Compulsory automobile liability insurance	723,798	5,454	78,448	522,358	10,862	106,676
	<u>\$ 8,666,684</u>	<u>\$ 910,512</u>	<u>\$ 1,027,996</u>	<u>\$ 4,371,578</u>	<u>\$ (406,167)</u>	<u>\$ 2,762,765</u>
For the Three Months Ended June 30, 2022						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 1,556,267	\$ 563,290	\$ 81,344	\$ 529,465	\$ 492,813	\$ (110,645)
Marine insurance	349,838	98,137	28,402	86,333	98,313	38,653
Land and air insurance	2,942,039	21,198	462,026	1,575,932	(50,806)	933,689
Liability insurance	433,206	(66,850)	63,275	201,828	37,396	197,557
Guarantee insurance	41,508	12,270	4,969	1,576	2,501	20,192
Other property insurance	570,876	111,562	52,267	399,538	1,366,868	(1,359,359)
Accident insurance	758,545	(28,993)	113,439	220,272	7,796	446,031
Health insurance	404,337	129,290	72,862	1,778,962	3,970,019	(5,546,796)
Policy-oriented residential earthquake insurance	119,830	5,343	6,461	-	(5)	108,031
Compulsory automobile liability insurance	707,106	1,780	77,101	574,542	4,776	48,907
	<u>\$ 7,883,552</u>	<u>\$ 847,027</u>	<u>\$ 962,146</u>	<u>\$ 5,368,448</u>	<u>\$ 5,929,671</u>	<u>\$ (5,223,740)</u>

For the Six Months Ended June 30, 2023						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 2,654,266	\$ 414,559	\$ 135,363	\$ 765,593	\$ (406,946)	\$ 1,745,697
Marine insurance	710,056	88,735	50,837	168,936	85,054	316,494
Land and air insurance	6,760,999	311,813	1,078,433	3,539,022	298,059	1,533,672
Liability insurance	1,183,066	9,937	160,359	489,938	209,124	313,708
Guarantee insurance	69,875	6,995	7,435	1,543	535	53,367
Other property insurance	1,022,096	131,871	73,989	1,057,034	119,071	(359,869)
Accident insurance	1,913,771	60,584	316,806	676,968	(938)	860,351
Health insurance	121,993	(118,453)	25,951	10,207,106	(8,520,466)	(1,472,145)
Policy-oriented residential earthquake insurance	232,410	(2,114)	12,530	-	-	221,994
Compulsory automobile liability insurance	<u>1,429,395</u>	<u>12,840</u>	<u>155,424</u>	<u>1,052,578</u>	<u>24,835</u>	<u>183,718</u>
	<u>\$ 16,097,927</u>	<u>\$ 916,767</u>	<u>\$ 2,017,127</u>	<u>\$ 17,958,718</u>	<u>\$ (8,191,672)</u>	<u>\$ 3,396,987</u>
For the Six Months Ended June 30, 2022						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 2,424,390	\$ 445,422	\$ 129,606	\$ 860,651	\$ 461,299	\$ 527,412
Marine insurance	560,637	71,777	51,341	306,750	167,173	(36,404)
Land and air insurance	5,862,496	129,499	919,923	2,997,677	203,468	1,611,929
Liability insurance	968,105	(3,818)	136,656	402,324	76,596	356,347
Guarantee insurance	59,958	4,319	6,832	(7,203)	516	55,494
Other property insurance	962,888	209,046	85,734	444,338	1,417,656	(1,193,886)
Accident insurance	1,524,710	(6,169)	222,993	518,999	11,367	777,520
Health insurance	513,483	(22,617)	92,878	1,843,542	4,004,487	(5,404,807)
Policy-oriented residential earthquake insurance	231,150	3,300	12,436	-	-	215,414
Compulsory automobile liability insurance	<u>1,391,381</u>	<u>5,107</u>	<u>152,063</u>	<u>981,764</u>	<u>21,909</u>	<u>230,538</u>
	<u>\$ 14,499,198</u>	<u>\$ 835,866</u>	<u>\$ 1,810,462</u>	<u>\$ 8,348,842</u>	<u>\$ 6,364,471</u>	<u>\$ (2,860,443)</u>

Reinsurance inward business

For the Three Months Ended June 30, 2023						
Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 33,365	\$ (31,518)	\$ 15,073	\$ 124,339	\$ (7,218)	\$ (67,311)
Marine insurance	6,081	(1,891)	767	5,189	(2,526)	4,542
Land and air insurance	258	(1,113)	45	10,525	(8,249)	(950)
Liability insurance	753	(127)	93	211	(68)	644
Guarantee insurance	714	(404)	(85)	1,567	(244)	(120)
Other property insurance	17,202	1,357	4,298	15,320	(3,402)	(371)
Accident insurance	2,840	(33)	108	1,045	(82)	1,802
Health insurance	-	(1)	-	-	(402)	403
Policy-oriented residential earthquake insurance	14,453	550	-	-	-	13,903
Compulsory automobile liability insurance	<u>185,841</u>	<u>1,358</u>	<u>-</u>	<u>176,170</u>	<u>7,301</u>	<u>1,012</u>
	<u>\$ 261,507</u>	<u>\$ (31,822)</u>	<u>\$ 20,299</u>	<u>\$ 334,366</u>	<u>\$ (14,890)</u>	<u>\$ (46,446)</u>
For the Three Months Ended June 30, 2022						
Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 157,803	\$ 6,357	\$ 24,999	\$ 155,884	\$ (78,312)	\$ 48,875
Marine insurance	17,992	7,363	705	32,781	11,834	(34,691)
Land and air insurance	7,392	5,198	2,578	18,463	12,762	(31,609)
Liability insurance	2,186	860	227	223	344	532
Guarantee insurance	2,055	473	663	2,318	892	(2,291)
Other property insurance	18,109	(4,338)	4,084	16,755	(10,289)	11,897
Accident insurance	(970)	(1,150)	(834)	1,642	(292)	(336)
Health insurance	7,024	3,254	702	1,873	(2,217)	3,412
Policy-oriented residential earthquake insurance	15,963	671	-	-	-	15,292
Compulsory automobile liability insurance	<u>184,141</u>	<u>4,426</u>	<u>-</u>	<u>163,664</u>	<u>5,119</u>	<u>10,932</u>
	<u>\$ 411,695</u>	<u>\$ 23,114</u>	<u>\$ 33,124</u>	<u>\$ 393,603</u>	<u>\$ (60,159)</u>	<u>\$ 22,013</u>

For the Six Months Ended June 30, 2023						
Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 124,454	\$ (67,467)	\$ 38,554	\$ 268,864	\$ (66,459)	\$ (49,038)
Marine insurance	14,140	(745)	1,146	18,146	(10,661)	6,254
Land and air insurance	355	(2,280)	68	13,629	(15,530)	4,468
Liability insurance	2,478	397	158	(60)	(124)	2,107
Guarantee insurance	4,011	1,983	43	1,593	371	21
Other property insurance	35,552	2,522	8,222	25,279	(5,671)	5,200
Accident insurance	5,549	(357)	120	1,051	(91)	4,826
Health insurance	-	(851)	-	-	(833)	1,684
Policy-oriented residential earthquake insurance	31,539	2,974	-	-	-	28,565
Compulsory automobile liability insurance	<u>377,256</u>	<u>1,179</u>	<u>-</u>	<u>354,349</u>	<u>(4,467)</u>	<u>26,195</u>
	<u>\$ 595,334</u>	<u>\$ (62,645)</u>	<u>\$ 48,311</u>	<u>\$ 682,851</u>	<u>\$ (103,465)</u>	<u>\$ 30,282</u>

For the Six Months Ended June 30, 2022						
Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 247,804	\$ (61,831)	\$ 43,520	\$ 193,335	\$ 55,366	\$ 17,414
Marine insurance	19,914	1,248	939	34,943	11,447	(28,663)
Land and air insurance	8,360	(4,093)	3,364	21,450	904	(13,265)
Liability insurance	1,348	(1,102)	(361)	179	290	2,342
Guarantee insurance	6,313	(1,385)	2,166	8,825	(3,796)	503
Other property insurance	34,444	(8,801)	8,690	30,128	(26,120)	30,547
Accident insurance	1,187	(3,602)	(858)	2,272	(705)	4,080
Health insurance	2,064	1,563	206	4,279	(1,799)	(2,185)
Policy-oriented residential earthquake insurance	32,954	3,240	-	-	-	29,714
Compulsory automobile liability insurance	<u>378,027</u>	<u>8,284</u>	<u>-</u>	<u>355,640</u>	<u>36,041</u>	<u>(21,938)</u>
	<u>\$ 732,415</u>	<u>\$ (66,479)</u>	<u>\$ 57,666</u>	<u>\$ 651,051</u>	<u>\$ 71,628</u>	<u>\$ 18,549</u>

Ceded reinsurance business

For the Three Months Ended June 30, 2023						
Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	(Profit) Loss
Fire insurance	\$ 1,439,578	\$ 671,754	\$ 70,094	\$ 199,954	\$ (148,649)	\$ 646,425
Marine insurance	305,383	47,427	30,226	48,699	11,696	167,335
Land and air insurance	243,147	79,443	64,704	56,599	5,627	36,774
Liability insurance	139,470	(55,722)	30,545	13,587	143,644	7,416
Guarantee insurance	37,080	4,772	5,856	43	2,295	24,114
Other property insurance	454,570	133,768	67,810	245,925	394,547	(387,480)
Accident insurance	58,347	(19,061)	15,656	27,843	(4,044)	37,953
Health insurance	(1)	(10,702)	-	13,823	(103,334)	100,212
Policy-oriented residential earthquake insurance	117,603	137	-	(23)	-	117,489
Compulsory automobile liability insurance	304,899	3,273	-	308,485	6,654	(13,513)
	<u>\$ 3,100,076</u>	<u>\$ 855,089</u>	<u>\$ 284,891</u>	<u>\$ 914,935</u>	<u>\$ 308,436</u>	<u>\$ 736,725</u>

For the Three Months Ended June 30, 2022						
Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	(Profit) Loss
Fire insurance	\$ 1,257,230	\$ 585,967	\$ 61,750	\$ 219,358	\$ 592,878	\$ (202,723)
Marine insurance	272,458	72,001	26,027	53,282	74,498	46,650
Land and air insurance	130,588	18,524	26,510	48,987	(7,153)	43,720
Liability insurance	88,211	(61,155)	25,186	67,226	(7,528)	64,482
Guarantee insurance	29,026	12,338	5,511	974	1,502	8,701
Other property insurance	397,601	38,522	47,956	105,948	264,442	(59,267)
Accident insurance	77,338	7,144	18,963	17,838	3,615	29,778
Health insurance	82,475	(2,717)	31,049	1,011,494	816,608	(1,773,959)
Policy-oriented residential earthquake insurance	119,830	5,343	-	-	-	114,487
Compulsory automobile liability insurance	297,041	1,067	-	340,585	3,774	(48,385)
	<u>\$ 2,751,798</u>	<u>\$ 677,034</u>	<u>\$ 242,952</u>	<u>\$ 1,865,692</u>	<u>\$ 1,742,636</u>	<u>\$ (1,776,516)</u>

For the Six Months Ended June 30, 2023						
Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	(Profit) Loss
Fire insurance	\$ 2,078,070	\$ 563,412	\$ 96,285	\$ 483,993	\$ (338,401)	\$ 1,272,781
Marine insurance	542,471	83,137	49,811	87,261	61,626	260,636
Land and air insurance	491,554	178,671	138,520	133,116	(20,222)	61,469
Liability insurance	311,728	(69,734)	66,773	154,794	99,618	60,277
Guarantee insurance	67,157	13,569	9,624	161	2,074	41,729
Other property insurance	871,410	167,536	123,651	375,587	511,458	(306,822)
Accident insurance	138,638	(3,953)	33,483	65,309	(7,722)	51,521
Health insurance	(25)	(33,840)	(13)	93,918	(972,905)	912,815
Policy-oriented residential earthquake insurance	232,410	(2,114)	-	-	-	234,524
Compulsory automobile liability insurance	599,854	7,704	-	615,947	8,735	(32,532)
	<u>\$ 5,333,267</u>	<u>\$ 904,388</u>	<u>\$ 518,134</u>	<u>\$ 2,010,086</u>	<u>\$ (655,739)</u>	<u>\$ 2,556,398</u>
For the Six Months Ended June 30, 2022						
Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	(Profit) Loss
Fire insurance	\$ 1,802,570	\$ 558,049	\$ 120,795	\$ 381,183	\$ 591,090	\$ 151,453
Marine insurance	455,586	76,429	44,091	226,853	120,661	(12,448)
Land and air insurance	224,934	3,956	53,447	84,224	35,541	47,766
Liability insurance	240,281	(49,796)	59,840	119,488	(24,614)	135,363
Guarantee insurance	34,844	616	6,646	(2,717)	1,030	29,269
Other property insurance	694,144	107,374	91,435	123,107	325,436	46,792
Accident insurance	178,101	67,530	39,343	39,698	5,124	26,406
Health insurance	99,277	(118,289)	37,334	1,031,688	830,608	(1,682,064)
Policy-oriented residential earthquake insurance	231,150	3,300	-	-	-	227,850
Compulsory automobile liability insurance	582,590	3,063	-	578,240	8,020	(6,733)
	<u>\$ 4,543,477</u>	<u>\$ 652,232</u>	<u>\$ 452,931</u>	<u>\$ 2,581,764</u>	<u>\$ 1,892,896</u>	<u>\$ (1,036,346)</u>

7) Sensitivity to insurance risk

a) Cathay Century

For the six months ended June 30, 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	\$ 2,468,206	49.20%	\$ (123,410)	\$ (49,217)
Marine insurance	705,806	68.32%	(35,290)	(13,719)
Land and air insurance	6,637,571	59.93%	(331,879)	(322,369)
Liability insurance	1,181,327	48.72%	(59,066)	(41,572)
Guarantee insurance	69,875	18.53%	(3,494)	(1,747)
Other property insurance	1,019,665	47.04%	(50,983)	(28,280)
Accident insurance	1,885,983	44.36%	(94,299)	(86,658)
Health insurance	121,993	37.26%	(6,100)	(4,577)
Policy-oriented residential earthquake insurance	232,410	4.07%	(11,621)	(9,296)
Compulsory automobile liability insurance	<u>1,429,395</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 15,752,231</u>		<u>\$ (716,142)</u>	<u>\$ (557,435)</u>

For the six months ended June 30, 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	\$ 2,257,240	38.19%	\$ (112,862)	\$ (46,497)
Marine insurance	556,845	50.52%	(27,842)	(11,770)
Land and air insurance	5,743,838	61.01%	(287,192)	(280,496)
Liability insurance	966,228	50.36%	(48,311)	(32,694)
Guarantee insurance	59,958	28.48%	(2,998)	(16)
Other property insurance	960,806	47.36%	(48,040)	(15,292)
Accident insurance	1,504,158	44.43%	(75,208)	(71,354)
Health insurance	513,483	35.14%	(25,674)	(18,307)
Policy-oriented residential earthquake insurance	231,150	4.10%	(11,558)	(5,779)
Compulsory automobile liability insurance	<u>1,391,381</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 14,185,087</u>		<u>\$ (639,685)</u>	<u>\$ (482,205)</u>

Note: The expected loss rate is calculated based on the simple average loss rate of the past five years. Health insurance excludes the impact of 2022 epidemic prevention insurance.

The above table shows that with 5% increase in the expected loss rate of every insurance contract of Cathay Century, profit or loss may be impacted to an extent; however, the impact has been mitigated through the arrangement of reinsurance to achieve the effect of risk diversification.

b) Cathay Insurance (Vietnam)

For the six months ended June 30, 2023

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Change in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 123,428	15.52%	\$ (6,171)	\$ (6,153)
Flood insurance	4,249	12.09%	(212)	(78)
Fire insurance	186,060	38.16%	(9,303)	(455)
Engineering insurance	2,380	26.44%	(119)	(18)
Accident insurance	27,789	35.17%	(1,389)	(1,381)
Liability insurance	<u>1,790</u>	1.30%	<u>(89)</u>	<u>(47)</u>
	<u>\$ 345,696</u>		<u>\$ (17,283)</u>	<u>\$ (8,132)</u>

For the six months ended June 30, 2022

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Change in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 118,658	16.85%	\$ (5,933)	\$ (5,904)
Flood insurance	3,792	19.80%	(190)	(68)
Fire insurance	167,150	40.48%	(8,357)	(672)
Engineering insurance	2,082	53.45%	(102)	(19)
Accident insurance	20,552	36.42%	(1,028)	(1,018)
Liability insurance	<u>1,877</u>	8.27%	<u>(96)</u>	<u>(38)</u>
	<u>\$ 314,111</u>		<u>\$ (15,706)</u>	<u>\$ (7,719)</u>

Note: Expected loss rate is calculated based on the weighted average loss rate of the past five years.

The above table shows that with 5% increase in the expected loss rate of every insurance contract of Cathay Insurance Co., Ltd. (Vietnam), profit or loss may be impacted to an extent; however, the impact has been mitigated through the arrangement of reinsurance to achieve the effect of risk diversification.

8) Risk concentration

a) Cathay Century

i. Situations that may cause concentration of insurance risk:

i) Single insurance contract or several related contracts

As of June 30, 2023, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meeting.

ii) Exposure to unanticipated changes in trend

As of June 30, 2023, the loss rates of the pandemic policy were relatively high but decreased compared to March 31, 2023. There are no other unexpected changes in exposure.

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

“The Regulations for Assisting in Filing Lawsuit Cases of Cathay Century Insurance” were set up to safeguard the rights of Cathay Century and the insured and to monitor the process of insurance claims. In addition, each unit has appointed a director for compliance matters to minimize possible legal risk. As of June 30, 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 Century 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 June 30, 2023, measures have been taken to deal with the impact of COVID-19 or interest rate raise 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, Cathay Century 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

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

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

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

Insurance Type	For the Three Months Ended June 30, 2023				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 1,630,716	\$ 32,654	\$ 1,306,160	\$ 357,210	6.23
Marine insurance	394,696	4,486	302,158	97,024	1.69
Land and air insurance	3,322,347	-	243,124	3,079,223	53.71
Liability insurance	583,476	536	139,167	444,845	7.76
Guarantee insurance	41,779	714	37,080	5,413	0.09
Other property insurance	559,785	16,086	452,611	123,260	2.15
Accident insurance	993,115	2,568	58,347	937,336	16.35
Health insurance	69,981	-	(1)	69,982	1.22
Policy-oriented residential earthquake insurance	117,603	14,453	117,603	14,453	0.25
Compulsory automobile liability insurance	723,798	185,841	304,899	604,740	10.55
Total	\$ 8,437,296	\$ 257,338	\$ 2,961,148	\$ 5,733,486	100.00

Insurance Type	For the Three Months Ended June 30, 2022				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 1,419,245	\$ 156,047	\$ 1,133,430	\$ 441,862	8.12
Marine insurance	347,369	17,821	270,815	94,375	1.73
Land and air insurance	2,873,190	7,384	130,600	2,749,974	50.50
Liability insurance	432,366	2,100	87,974	346,492	6.36
Guarantee insurance	41,508	2,055	29,026	14,537	0.27
Other property insurance	569,172	17,243	396,762	189,653	3.48
Accident insurance	747,757	(970)	77,338	669,449	12.30
Health insurance	404,337	7,024	82,475	328,886	6.04
Policy-oriented residential earthquake insurance	119,830	15,963	119,830	15,963	0.29
Compulsory automobile liability insurance	707,106	184,141	297,041	594,206	10.91
Total	\$ 7,661,880	\$ 408,808	\$ 2,625,291	\$ 5,445,397	100.00

Insurance Type	For the Six Months Ended June 30, 2023				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 2,468,206	\$ 115,949	\$ 1,896,632	\$ 687,523	6.15
Marine insurance	705,806	12,351	538,001	180,156	1.61
Land and air insurance	6,637,571	-	491,508	6,146,063	54.92
Liability insurance	1,181,327	1,925	310,356	872,896	7.80
Guarantee insurance	69,875	4,011	67,157	6,729	0.06
Other property insurance	1,019,665	32,458	867,180	184,943	1.65
Accident insurance	1,885,983	5,277	138,638	1,752,622	15.66
Health insurance	121,993	-	(25)	122,018	1.09
Policy-oriented residential earthquake insurance	232,410	31,539	232,410	31,539	0.28
Compulsory automobile liability insurance	1,429,395	377,256	599,854	1,206,797	10.78
Total	\$ 15,752,231	\$ 580,766	\$ 5,141,711	\$ 11,191,286	100.00

Insurance Type	For the Six Months Ended June 30, 2022				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 2,257,240	\$ 255,703	\$ 1,662,327	\$ 850,616	8.08
Marine insurance	556,845	19,601	452,983	123,463	1.17
Land and air insurance	5,743,838	7,920	224,902	5,526,856	52.51
Liability insurance	966,228	1,192	239,515	727,905	6.92
Guarantee insurance	59,958	6,313	34,844	31,427	0.30
Other property insurance	960,806	32,511	692,146	301,171	2.86
Accident insurance	1,504,158	1,187	178,101	1,327,244	12.61
Health insurance	513,483	2,064	99,277	416,270	3.96
Policy-oriented residential earthquake insurance	231,150	32,954	231,150	32,954	0.31
Compulsory automobile liability insurance	1,391,381	378,027	582,590	1,186,818	11.28
Total	\$ 14,185,087	\$ 737,472	\$ 4,397,835	\$ 10,524,724	100.00

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

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

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

b) Cathay Insurance (Vietnam)

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

i) Single insurance contract or several related contracts

As of June 30, 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 changes in trend

As of June 30, 2023, the premium revenues of comprehensive travel insurance of Cathay Insurance (Vietnam) have increased year-on-year, resulting from the increased demand for travel since Vietnam has returned to pre-pandemic normalcy. Cathay Insurance (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 (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 June 30, 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 (Vietnam) established the Points for Handling Major Events of Cathay Insurance (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 Cathay Insurance (Vietnam) and to maintain financial stability. As of June 30, 2023, there is no interaction among risks resulting from a catastrophe.

- v) Concentration of geographical regions and operating segments

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

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

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

Insurance Type	For the Three Months Ended June 30, 2023				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 71,911	\$ 258	\$ 23	\$ 72,146	76.24
Flood insurance	2,642	1,595	3,225	1,012	1.07
Fire insurance	139,171	8,901	141,608	6,464	6.83
Engineering insurance	1,690	1,116	1,959	847	0.89
Accident insurance	13,379	272	-	13,651	14.43
Liability insurance	595	217	303	509	0.54
Total	\$ 229,388	\$ 12,359	\$ 147,118	\$ 94,629	100.00

Insurance Type	For the Three Months Ended June 30, 2022				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 68,849	\$ 8	\$ (12)	\$ 68,869	70.24
Flood insurance	2,469	171	1,643	997	1.02
Fire insurance	137,022	7,187	129,231	14,978	15.28
Engineering insurance	1,704	866	839	1,731	1.77
Accident insurance	10,788	-	-	10,788	10.99
Liability insurance	840	86	237	689	0.70
Total	\$ 221,672	\$ 8,318	\$ 131,938	\$ 98,052	100.00

Insurance Type	For the Six Months Ended June 30, 2023				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 123,428	\$ 355	\$ 46	\$ 123,737	73.34
Flood insurance	4,250	1,789	4,470	1,569	0.93
Fire insurance	186,060	17,277	190,210	13,127	7.78
Engineering insurance	2,431	3,094	4,230	1,295	0.77
Accident insurance	27,788	272	-	28,060	16.63
Liability insurance	1,739	553	1,372	920	0.55
Total	\$ 345,696	\$ 23,340	\$ 200,328	\$ 168,708	100.00

Insurance Type	For the Six Months Ended June 30, 2022				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 118,658	\$ 440	\$ 32	\$ 119,066	72.86
Flood insurance	3,792	313	2,603	1,502	0.92
Fire insurance	167,150	11,563	159,705	19,008	11.63
Engineering insurance	2,082	1,933	1,998	2,017	1.23
Accident insurance	20,552	-	-	20,552	12.58
Liability insurance	1,877	156	766	1,267	0.78
Total	\$ 314,111	\$ 14,405	\$ 165,104	\$ 163,412	100.00

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

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

9) Development trends of claims

a) Cathay Century

June 30, 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	\$ 7,770,844	
After the first year	-	8,025,062	8,574,948	10,063,196	11,023,615	10,637,168	44,295,720	-	
After the second year	-	7,965,701	8,479,083	9,915,122	11,009,236	10,540,097	-	-	
After the third year	-	8,000,179	8,447,631	9,900,713	10,954,244	-	-	-	
After the fourth year	-	7,977,104	8,413,409	9,972,216	-	-	-	-	
After the fifth year	-	7,993,176	8,417,490	-	-	-	-	-	
After the sixth year	-	7,992,814	-	-	-	-	-	-	
Final estimated claim payments	-	7,992,814	8,417,490	9,972,216	10,954,244	10,540,097	44,295,720	7,770,844	
Accumulated claims disbursed	-	7,944,303	8,371,206	9,752,233	10,082,281	9,168,787	39,917,251	3,616,836	
	313,393	48,511	46,284	219,983	871,963	1,371,310	4,378,469	4,154,008	\$ 11,403,921
Adjustment	-	-	-	-	-	-	-	234,723	234,723
Amount recognized in balance sheet	\$ 313,393	\$ 48,511	\$ 46,284	\$ 219,983	\$ 871,963	\$ 1,371,310	\$ 4,378,469	\$ 4,388,731	\$ 11,638,644

December 31, 2022

Accident Year	≤ 2015	2016	2017	2018	2019	2020	2021	2022	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	\$ 10,259,775	\$ 43,545,821	
After the first year	-	11,455,620	8,025,062	8,574,948	10,063,196	11,023,615	10,637,168	-	
After the second year	-	10,970,548	7,965,701	8,479,083	9,915,122	11,009,236	-	-	
After the third year	-	11,133,431	8,000,179	8,447,631	9,900,713	-	-	-	
After the fourth year	-	11,177,663	7,977,104	8,413,409	-	-	-	-	
After the fifth year	-	11,102,224	7,993,176	-	-	-	-	-	
After the sixth year	-	11,106,898	-	-	-	-	-	-	
Final estimated claim payments	-	11,106,898	7,993,176	8,413,409	9,900,713	11,009,236	10,637,168	43,545,821	
Accumulated claims disbursed	-	11,077,996	7,938,428	8,361,416	9,573,719	9,589,714	8,670,464	27,852,950	
	236,539	28,902	54,748	51,993	326,994	1,419,522	1,966,704	15,692,871	\$ 19,778,273
Adjustment	-	-	-	-	-	-	-	174,073	174,073
Amount recognized in balance sheet	\$ 236,539	\$ 28,902	\$ 54,748	\$ 51,993	\$ 326,994	\$ 1,419,522	\$ 1,966,704	\$ 15,866,944	\$ 19,952,346

June 30, 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	\$ 13,292,811	
After the first year	-	11,455,620	8,025,062	8,574,948	10,063,196	11,023,615	10,382,222	-	
After the second year	-	10,970,548	7,965,701	8,479,083	9,915,122	10,949,835	-	-	
After the third year	-	11,133,431	8,000,179	8,447,631	9,847,475	-	-	-	
After the fourth year	-	11,177,663	7,977,104	8,432,007	-	-	-	-	
After the fifth year	-	11,102,224	7,984,873	-	-	-	-	-	
After the sixth year	-	11,101,408	-	-	-	-	-	-	
Final estimated claim payments	-	11,101,408	7,984,873	8,432,007	9,847,475	10,949,835	10,382,222	13,292,811	
Accumulated claims disbursed	-	11,063,643	7,917,721	8,350,847	9,453,826	9,169,306	8,016,167	4,004,166	
	471,421	37,765	67,152	81,160	393,649	1,780,529	2,366,055	9,288,645	\$ 14,486,376
Adjustment	-	-	-	-	-	-	-	318,059	318,059
Amount recognized in balance sheet	\$ 471,421	\$ 37,765	\$ 67,152	\$ 81,160	\$ 393,649	\$ 1,780,529	\$ 2,366,055	\$ 9,606,704	\$ 14,804,435

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 \$1,649,279 thousand and \$1,602,461 thousand as of June 30, 2023, \$1,624,445 thousand and \$1,705,926 thousand as of December 31, 2022, \$1,658,656 thousand and \$1,651,685 thousand as of June 30, 2022.

b) Cathay Insurance (Vietnam)

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

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 1,829,746,033	\$ 1,675,024,629	\$ 1,702,830,104
Financial assets at FVTOCI	973,682,497	929,052,914	1,728,060,166
Financial assets for hedging	4,424	29,891	32,786
Financial assets at amortized cost			
Cash and cash equivalents	401,196,388	412,013,900	226,789,570
Due from the Central Bank and call loans to banks	434,934,844	266,322,216	256,252,523
Debt instruments at amortized cost	4,606,218,958	4,510,776,595	3,468,874,827
Notes and bonds purchased under resale agreements	33,839,637	38,076,491	47,677,194
Discounts and loans, net	2,579,113,477	2,495,516,810	2,405,862,717
Receivables, net	285,335,971	217,153,186	218,205,893
Other financial assets, net	723,057,254	669,832,659	659,172,052
Guarantee deposits paid	61,821,026	76,325,669	91,716,807
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	205,548,009	182,999,244	201,800,499
Financial liabilities for hedging	5,425,783	3,716,091	1,929,739
Financial liabilities at amortized cost			
Deposits from the Central Bank and banks	153,112,495	97,309,239	90,799,739
Notes and bonds sold under repurchase agreements	47,569,817	34,723,428	38,626,244
Commercial paper payable, net	64,446,512	73,880,000	60,999,761
Payables	114,947,266	73,787,470	127,916,024
Deposits and remittances	3,420,192,336	3,185,436,089	2,994,944,560
Bonds payable	141,100,000	132,147,398	138,063,726
Other borrowings	12,908,519	12,763,713	679,975
Other financial liabilities	785,719,239	720,648,395	689,235,891
Lease liabilities	19,806,827	19,240,853	18,649,387
Guarantee deposits received	9,085,728	12,004,348	9,593,592

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

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

- 1) The carrying amount of cash and cash equivalents, accounts receivable, other borrowings and accounts payable approximates their fair value due to their short maturities.

- 2) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- 3) Fair values of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of liquidity, P/E ratio of similar entities and Price-Book ratio of similar entities).
- 4) Fair value of debt instruments without market quotations is determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk information).
- 5) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using the interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).
- 6) The Group evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Group will not default, the Group determines its credit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Group calculates its debit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the Group. The Group decides the estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Group sets estimated loss given default at 60% by considering the experiences of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded on the Taipei Exchange.

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

1) Fair value hierarchy

Items	June 30, 2023				December 31, 2022				June 30, 2022			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>												
Assets												
Financial assets at FVTPL												
Stocks	\$ 422,955,122	\$ 415,664,048	\$ 943,309	\$ 6,347,765	\$ 416,247,404	\$ 408,945,237	\$ 568,290	\$ 6,733,877	\$ 463,390,603	\$ 446,015,671	\$ 11,267,811	\$ 6,107,121
Bonds	401,298,727	18,903,884	376,864,035	5,530,808	339,757,260	43,181,978	293,931,134	2,644,148	355,548,718	20,831,307	331,692,236	3,025,175
Others	900,442,640	538,994,894	166,881,513	194,566,233	815,745,994	497,446,455	115,564,993	202,734,546	806,405,393	471,263,559	132,634,910	202,506,924
Financial assets at FVTOCI												
Stocks	155,367,236	143,743,096	-	11,624,140	116,432,806	105,173,539	-	11,259,267	203,008,676	191,229,294	-	11,779,382
Bonds (Note)	666,963,036	168,659,802	498,303,234	-	579,711,806	107,142,057	472,569,749	-	1,424,869,894	142,185,975	1,282,683,919	-
Others	165,512,686	-	165,512,686	-	246,261,699	-	246,261,699	-	112,072,771	-	112,072,771	-
Liabilities												
Financial liabilities at FVTPL												
Financial liabilities designated as at FVTPL	40,134,653	-	40,134,653	-	39,076,751	-	39,076,751	-	40,342,514	-	40,342,514	-
Held for trading	460,781	460,781	-	-	972,190	972,190	-	-	3,535,294	3,535,294	-	-
<u>Derivative instruments</u>												
Assets												
Financial assets at FVTPL	105,049,544	565,891	99,130,724	5,352,929	103,273,971	399,573	97,915,434	4,958,964	77,485,390	680,707	71,834,613	4,970,070
Financial assets for hedging	4,424	-	4,424	-	29,891	-	29,891	-	32,786	-	32,786	-
Liabilities												
Financial liabilities at FVTPL	164,952,575	678,690	158,921,732	5,352,153	142,950,303	236,563	137,754,776	4,958,964	157,922,691	376,282	152,576,339	4,970,070
Financial liabilities for hedging	5,425,783	-	5,425,783	-	3,716,091	-	3,716,091	-	1,929,739	-	1,929,739	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the six months ended June 30, 2023 and 2022, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value.

2) Reconciliation for movements in Level 3 fair value measurements

	For the Six Months Ended June 30, 2023		
	Financial Assets		Financial Liabilities
	At FVTPL	At FVTOCI	At FVTPL
Beginning balance	\$ 217,071,535	\$ 11,259,267	\$ 4,958,964
Recognized in profit or loss			
Gain on financial assets and liabilities at FVTPL	6,344,903	-	416,956
Gain on reclassification using the overlay approach	111,309	-	-
Recognized in other comprehensive income			
Exchange differences on translation of the financial statements of foreign operations	80,739	(101,563)	-
Other comprehensive loss reclassified using the overlay approach	(111,309)	-	-
Gain on financial assets at FVTOCI	-	466,436	-
Acquisitions or issuances	18,753,679	-	-
Disposals or settlements	(29,857,933)	-	(23,767)
Transfers in of Level 3	-	-	-
Transfers out of Level 3	(595,188)	-	-
Ending balance	<u>\$ 211,797,735</u>	<u>\$ 11,624,140</u>	<u>\$ 5,352,153</u>
	For the Six Months Ended June 30, 2022		
	Financial Assets		Financial Liabilities
	At FVTPL	At FVTOCI	At FVTPL
Beginning balance	\$ 199,370,737	\$ 13,283,131	\$ 4,365,620
Recognized in profit or loss			
Gain on financial assets and liabilities at FVTPL	24,728,396	-	1,332,527
Loss on reclassification using the overlay approach	(10,326,202)	-	-
Recognized in other comprehensive income			
Exchange differences on translation of the financial statements of foreign operations	163,201	79,538	-
Other comprehensive income reclassified using the overlay approach	10,326,202	-	-
Loss on financial assets at FVTOCI	-	(1,687,481)	-
Acquisitions or issuances	23,106,642	134,031	38,694
Disposals or settlements	(30,261,122)	(29,837)	(766,771)
Transfers in of Level 3	280,635	-	-
Transfers out of Level 3	(779,199)	-	-
Ending balance	<u>\$ 216,609,290</u>	<u>\$ 11,779,382</u>	<u>\$ 4,970,070</u>

Regarding the above amounts recognized in profit or loss for the six months ended June 30, 2023 and 2022, unrealized gains of \$81,086 thousand and unrealized gains of \$1,204,223 thousand were related to financial assets held at the end of the period, respectively.

Regarding the above amounts recognized in profit or loss for the six months ended June 30, 2023 and 2022, unrealized losses of \$441,039 thousand and unrealized losses of \$559,788 thousand were related to financial liabilities held at the end of the period, respectively.

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

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

Cathay Life and its subsidiaries

June 30, 2023				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	12%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	14%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(72%)-3103%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	56%-140%	The higher the dividend payout ratio, the higher the fair value estimates
December 31, 2022				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	3%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	10%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(113%)-281%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	57%-140%	The higher the dividend payout ratio, the higher the fair value estimates

June 30, 2022				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	16%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(113%)-281%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	58%-140%	The higher the dividend payout ratio, the higher the fair value estimates

Cathay United Bank and its subsidiaries

June 30, 2023				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	10%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Residual income approach	Cost of equity rate	15%-20%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

December 31, 2022				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Residual income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

June 30, 2022				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Residual income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

Cathay Securities and its subsidiaries

June 30, 2023					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

December 31, 2022					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

June 30, 2022					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

4) Valuation process for Level 3 fair value measurements.

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

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

Except for the accounts whose carrying amounts approximate their fair values, including cash and cash equivalents, due from the Central Bank and call loans to banks, notes and bonds purchased under resale agreements, receivables, discounts and loans, partial other financial assets, guarantee deposits paid, deposits from the Central Bank and banks, due to the Central Bank and banks, notes and bonds sold under repurchase agreements, commercial paper payable, bonds payable, other borrowings, payables, deposits and remittances, lease liabilities and guarantee deposits received, the fair values of the financial instruments which are not measured at fair value are listed in the following table:

June 30, 2023

		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 4,621,091,655	\$ 56,304,401	\$ 3,774,545,941	\$ 445,835	\$ 3,831,296,177

December 31, 2022

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

June 30, 2022

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 3,483,685,900	\$ 28,598,574	\$ 3,044,324,955	\$ 576,598	\$ 3,073,500,127

Note: Including those serving as refundable deposits.

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

e. Hedge accounting disclosures

Cathay Life and its subsidiaries

1) Cash flow hedges

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

a) Hedging instruments

June 30, 2023					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 4,424	\$ -	Financial assets for hedging	\$ (8,877)
IRS	-	-	-	Financial liabilities for hedging	(9,649)
December 31, 2022					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 19,193	\$ -	Financial assets for hedging	\$ (31,937)
IRS	729,315	10,698	-	Financial assets for hedging	24,519
June 30, 2022					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,817,465	\$ 32,786	\$ -	Financial assets for hedging	\$ (19,754)

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

		Period Till Maturity				
		1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>June 30, 2023</u>						
IRS						
Nominal principal	\$	-	\$ -	\$ 4,000,000	\$ -	\$ -
Average fixed rate		-	-	1.7%	-	-

Period Till Maturity					
			3 Months -		
	1 Month	1-3 Months	1 Year	1-5 Years	Over 5 Years

December 31, 2022

IRS

Nominal principal	\$	-	\$	-	\$ 1,729,315	\$ 3,000,000	\$	-
Average fixed rate		-		-	1.7%-2.5%	1.7%		-

Period Till Maturity					
			3 Months -		
	1 Month	1-3 Months	1 Year	1-5 Years	Over 5 Years

June 30, 2022

IRS

Nominal principal	\$	-	\$	-	\$ 817,465	\$ 4,000,000	\$	-
Average fixed rate		-		-	2.5%	1.7%-2.5%		-

c) Hedged items

For the Six Months Ended June 30, 2023								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ 8,877	\$ 4,424	N/A	\$ (8,877)	\$ -	\$ -	\$ (5,892)	Net other noninterest gain (loss)
Payables	9,649	-	N/A	(9,649)	-	-	-	Net other noninterest gain (loss)
Discontinued hedge - bond investments	N/A	N/A	-	N/A	N/A	N/A	-	Net other noninterest gain (loss)

For the Six Months Ended June 30, 2022								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ 40,573	\$ 27,286	N/A	\$ (40,573)	\$ -	\$ -	\$ (22,448)	Net other noninterest gain (loss)
Payables	(20,819)	5,500	N/A	20,819	-	-	-	Net other noninterest (loss) gain
Discontinued hedge - bond investments	N/A	N/A	(248)	N/A	N/A	N/A	4	Net other noninterest (loss) gain

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

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ 18,799	\$ 51,118
Gross amount recognized in other comprehensive income		
Changes in the value of the hedging instrument recognized in other comprehensive income	(18,526)	(19,772)
Amount reclassified from the cash flow hedge reserve to profit or loss	(5,892)	(22,444)
Tax effects	<u>3,230</u>	<u>11,757</u>
Ending balance	<u>\$ (2,389)</u>	<u>\$ 20,659</u>

2) Fair value hedges

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

a) Hedging instruments

June 30, 2023					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
Forward	\$ 49,153,550	\$ -	\$ 5,425,783	Financial liabilities for hedging	\$ (768,600)
December 31, 2022					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
Forward	\$ 49,153,550	\$ -	\$ 3,716,091	Financial liabilities for hedging	\$ (4,208,300)
June 30, 2022					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
Forward	\$ 37,881,650	\$ -	\$ 1,929,739	Financial liabilities for hedging	\$ (2,505,400)

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

		Period Till Maturity				
		1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>June 30, 2023</u>						
Forward						
Nominal principal	\$	-	\$ 10,756,850	\$ 24,437,400	\$ 13,959,300	\$ -
Exchange rate (USD/TWD)		-	26.8921	27.1527	27.9502	-
		Period Till Maturity				
		1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2022</u>						
Forward						
Nominal principal	\$	-	\$ -	\$ -	\$ 49,153,550	\$ -
Exchange rate (USD/TWD)		-	-	-	27.2701	-
		Period Till Maturity				
		1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>June 30, 2022</u>						
Forward						
Nominal principal	\$	-	\$ -	\$ -	\$ 37,881,650	\$ -
Exchange rate (USD/TWD)		-	-	-	27.0214	-

c) Hedged items

For the Six Months Ended June 30, 2023								
	Book Value of Hedged Item		Cumulative Adjustment for Change in Fair Value of Hedged Item Included in the Book Value of the Hedged Item		Line Item in Statement of Financial Position that Includes Hedged Items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes The Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Overseas bonds	\$ 49,153,550	\$ -	\$ 768,600	\$ -	Financial assets at amortized cost	\$ 768,600	\$ -	\$ -
For the Six Months Ended June 30, 2022								
	Book Value of Hedged Item		Cumulative Adjustment for Change in Fair Value of Hedged Item Included in the Book Value of the Hedged Item		Line Item in Statement of Financial Position that Includes Hedged Items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes The Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Overseas bonds	\$ 37,881,650	\$ -	\$ 2,505,400	\$ -	Financial assets at amortized cost	\$ 2,505,400	\$ -	\$ -

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

	For the Six Months Ended June 30	
	2023	2022
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 931,466	\$ 284,733
Gross amount recognized in other comprehensive income		
Changes in the value of the hedging instrument		
recognized in other comprehensive (loss) income	(941,092)	367,857
Amount reclassified to profit or loss	454,375	74,182
Tax effects	<u>97,343</u>	<u>(88,408)</u>
Ending balance	<u>\$ 542,092</u>	<u>\$ 638,364</u>

- f. Offsetting of financial assets and financial liabilities

Cathay Life and its subsidiaries

Cathay Life and its subsidiaries engage in derivative financial instruments that do not meet the offsetting criteria of standards, but enters into master netting arrangements or other similar agreements with counterparties. Financial instruments subject to master netting arrangements or other similar agreements could be settled at net amount as agreed by both parties of the transaction, or the financial instrument should be settled at gross amount otherwise. However, if one of both parties of the transaction defaults, the other party could choose to settle the transaction at net amount.

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

June 30, 2023

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 4,379,427	\$ -	\$ 4,379,427	\$ 4,070,609	\$ 415,284	\$ (106,466)

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Pledged	
Derivative financial instruments	\$ 74,340,814	\$ -	\$ 74,340,814	\$ 4,070,609	\$ 19,959,769	\$ 50,310,436

December 31, 2022

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

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

June 30, 2022

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 5,265,266	\$ -	\$ 5,265,266	\$ 5,252,345	\$ -	\$ 12,921

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Pledged	
Derivative financial instruments	\$ 96,437,484	\$ -	\$ 96,437,484	\$ 5,252,345	\$ 48,538,470	\$ 42,646,669

Cathay United Bank and its subsidiaries

Cathay United Bank and its subsidiaries engages in financial instrument transactions that are offset in accordance with IAS 32, section 42, and the financial assets and financial liabilities that are relevant to such transactions are presented in the balance sheets at net amounts.

Cathay United Bank and its subsidiaries is also engaged in financial instrument transactions that are not offset in accordance with the regulations, but entered into enforceable master netting arrangements or other similar agreements with counterparties, for example: Global master repurchase agreements, global securities lending agreements, or other similar agreements. Financial instruments subject to enforceable master netting arrangement or other similar agreements could be settled at net amount as chosen by the counterparties, or the financial instruments could be settled at gross amount if not. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities was disclosed as follows:

June 30, 2023

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized	Gross Amount Offset in the	Amount Presented in	Amount Not Offset in the		Net Amount (e)=(c)-(d)
	Financial Assets (a)	Balance Sheet (b)	the Balance Sheet (c)= (a)-(b)	Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 103,951,088	\$ -	\$ 103,951,088	\$ 99,218,832	\$ 4,732,256	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 99,218,832	\$ -	\$ 99,218,832	\$ 99,218,832	\$ -	\$ -
Repurchase bonds	41,271,598	-	41,271,598	40,381,302	890,296	-

December 31, 2022

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

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

June 30, 2022

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 74,194,968	\$ -	\$ 74,194,968	\$ 65,605,713	\$ 5,541,521	\$ 3,047,734

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 65,605,713	\$ -	\$ 65,605,713	\$ 65,605,713	\$ -	\$ -
Repurchase bonds	35,610,010	-	35,610,010	31,711,414	3,898,596	-

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

Cathay Securities and its subsidiaries

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

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

June 30, 2023

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets	Net Financial Liabilities	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
		Recognized on the Balance Sheet	Recognized on the Balance Sheet	Financial Instruments (Note)	Cash Collateral Pledged	
Repurchase bonds	\$ 6,298,219	\$ -	\$ 6,298,219	\$ 6,505,751	\$ -	\$ (207,532)

December 31, 2022

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

June 30, 2022

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets	Net Financial Liabilities	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
		Recognized on the Balance Sheet	Recognized on the Balance Sheet	Financial Instruments (Note)	Cash Collateral Pledged	
Repurchase bonds	\$ 3,016,234	\$ -	\$ 3,016,234	\$ 3,273,730	\$ -	\$ (257,496)

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

g. Reclassification information

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

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

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

h. Transfers of financial assets

Financial assets transferred that have not been fully removed

Cathay United Bank and its subsidiaries

In the daily operations of Cathay United Bank and its subsidiaries, transferred financial assets that do not meet the criteria for full removal are mostly debt securities used as counterparty collateral for repurchase agreements or equity securities lent out as part of securities lending agreement. The cash flows of these transactions have been transferred and reflects the liability where Cathay United Bank is obligated to repurchase the transferred financial assets according to a fixed price in future periods. With respect to such transactions, Cathay United Bank and its subsidiaries will not be able to use, sell or pledge such transferred financial assets during the effective period. However, Cathay United Bank and its subsidiaries still exposed to interest rate risk and credit risk, hence they are not derecognized.

The following table analyses financial assets and financial liabilities that have not been fully removed:

June 30, 2023					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase agreements	\$ 38,785,507	\$ 39,136,398	\$ 38,785,507	\$ 39,136,398	\$ (350,891)
Debt instruments at amortized cost					
Repurchase agreements	2,263,863	2,135,200	2,245,255	2,135,200	110,055

December 31, 2022					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase agreements	\$ 18,473,749	\$ 18,969,910	\$ 18,473,749	\$ 18,969,910	\$ (496,161)
Debt instruments at amortized cost					
Repurchase agreements	15,297,777	11,761,896	13,290,096	11,761,896	1,528,200

June 30, 2022					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase agreements	\$ 24,079,538	\$ 23,423,859	\$ 24,079,538	\$ 23,423,859	\$ 655,679
Debt instruments at amortized cost					
Repurchase agreements	13,818,054	12,186,151	13,058,038	12,186,151	871,887

Cathay Securities and its subsidiaries

Transferred financial assets that are part of Cathay Securities and its subsidiaries' daily operations that do not meet the criteria for full derecognition are mostly made up of notes and bonds sold under repurchase agreements. The cash flows of these transactions have been transferred, and reflects the liability where Cathay Securities and its subsidiaries are obligated to buy back the transferred financial assets according to fixed prices in future periods. With respect to such transactions, Cathay Securities and its subsidiaries will not be able to use, sell or pledge the said transferred financial assets during the effective period. However, Cathay Securities and its subsidiaries are still exposed to interest rate risk and credit risk, hence the assets are not fully derecognized.

The following table analyses Cathay Securities and its subsidiaries' financial assets and financial liabilities that have not been fully derecognized:

June 30, 2023

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 6,505,751	\$ 6,298,219	\$ 6,505,751	\$ 6,298,219	\$ 207,532

December 31, 2022

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

June 30, 2022

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
<u>Financial assets at FVTPL</u>					
Repurchase bonds	\$ 300,431	\$ 266,032	\$ 300,431	\$ 266,032	\$ 34,399

Financial assets at FVTOCI

Repurchase bonds	2,973,299	2,750,202	2,973,299	2,750,202	223,097
------------------	-----------	-----------	-----------	-----------	---------

i. Financial risk management objectives and policies

Cathay Life and its subsidiaries

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

1) Market risk analysis

a) Sources of market risk

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

Cathay Life and its subsidiaries continuously utilize market risk management instruments such as Value at Risk ("VaR") and stress testing to completely and effectively measure, monitor, and manage market risk.

i. Value at Risk

VaR is the maximum loss on the investment portfolio due to changes in market risk factors over a given period and at a specified confidence level. Currently, Cathay Life and its subsidiaries adopt the one-week VaR at 95% and 99% confidence levels to measure market risk.

ii. Stress testing

In addition to the VaR model, Cathay Life and its subsidiaries carry out regular stress testing to measure the potential risk in the case of extreme and abnormal events.

Cathay Life and its subsidiaries perform stress testing on positions regularly by applying the simple sensitivity test and scenario analysis. Such tests cover the losses on positions which resulted from changes in specific risk factors in various kinds of historical scenarios.

i) Simple sensitivity test

The simple sensitivity test is to measure the changes in the value of the investment portfolio caused by changes in specific risk factors.

ii) Scenario analysis

The scenario analysis is to measure the changes in the total value of the investment positions caused by hypothetical stress events, including the following scenarios:

- Historical scenario

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

- Hypothetical scenario

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

The risk management department regularly performs stress testing with historical and hypothetical scenarios to serve as a basis for risk analysis, early warning for risk and business management.

Table of Stress Testing

Risk Factor	Variable (+/-)	For the Six Months Ended June 30	
		2023	2022
Equity risk (stock price index)	-10%	\$ (71,627,608)	\$ (80,673,266)
Interest rate risk (yield curve)	+100bps	(115,578,283)	(215,274,741)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(16,149,882)	(15,390,196)

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

Note 2: Effects of hedging were considered.

Note 3: Provision or reversal of reserves for foreign exchange fluctuations was not considered in the change in profit or loss due to foreign currency risk.

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

Note 5: Data of subsidiaries was not disclosed, as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

iii. Sensitivity analysis

Summary of Sensitivity Analysis

Risk Factor	Variable (+/-)	For the Six Months Ended June 30, 2023	
		Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 9,318,557	\$ 4,828,071
	Appreciation of CNY/USD by 1%	9,265	339,997
	Appreciation of HKD/USD by 1%	11,577	239,911
	Appreciation of EUR/USD by 1%	119,332	193,275
	Appreciation of GBP/USD by 1%	(1,672)	201,307
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	(70)	(1,068,879)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(1,372)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(7,355)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,083)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(64,682)
	Increase in equity price by 1%	81,195	7,081,566

For the Six Months Ended June 30, 2022			
Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 6,547,269	\$ 5,645,140
	Appreciation of CNY/USD by 1%	455,428	301,447
	Appreciation of HKD/USD by 1%	5,351	269,992
	Appreciation of EUR/USD by 1%	39,993	335,730
	Appreciation of GBP/USD by 1%	35,746	259,085
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	-	(2,190,818)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(7,588)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(3,647)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,265)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(86,165)
Equity price risk	Increase in equity price by 1%	204,187	7,860,012

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

Note 2: Effects of hedging were considered.

Note 3: Provision or reversal of reserves for foreign exchange fluctuations was not considered in the change in profit or loss due to foreign currency risk.

Note 4: Change in equity was excluded from the impact on the change in profit or loss.

Note 5: Data of subsidiaries was not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

Note 6: Since the fourth quarter of the major investments in New Taiwan dollar bond-linked ETFs are foreign bonds, Cathay Life adjusted the sensitivity disclosure of interest rates and its disclosure for comparable periods accordingly.

iv. Effect of interest rate benchmark reform

In order to implement the benchmark reform of interbank offered rates, several countries are currently carrying out interest rate benchmark reform plans to implement new risk-free interest rates to replace LIBORs, such as USD London Interbank Offered Rate (USD LIBOR) and GBP London Interbank Offered Rate (GBP LIBOR). In March 2021, UK's Financial Conduct Authority announced the extension of the tenors of the overnight, one-month, three-month, six-month and 12-month USD LIBOR until June 30, 2023, in order for existing LIBOR contracts to naturally expire. Other interest rate benchmarks will expire on the original termination date of December 31, 2021, and it is recommended that relevant measures be taken as soon as possible to reduce the risks arising from the interest rate benchmark reform.

As a response to the cessation of USD LIBOR, Secured Overnight Financing Rate (SOFR) is expected to replace USD LIBOR in the future, but there are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. To transit existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Risks arising from interest rate benchmark reform relate to interest rate basis, hedge accounting and related operation risk as follows:

i) Interest rate basis risk

Risk arising from the transition relate principally to the potential impact of interest rate basis risks. If the bilateral negotiations with the Cathay Life and its subsidiaries’ counterparties are not successfully concluded before the cessation of USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

ii) Hedge accounting

If a hedged financial instrument and the related hedging derivative instrument are transited to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

iii) Operation risk

If the update and adjustments for related accounting and tax system, valuation of financial instrument, and information systems as well as the testing for operational effectiveness of the systems are not finished on schedule before the cessation of USD LIBOR, operating risk may occur.

In light of the abovementioned risks, Cathay Life and its subsidiaries completed a transition plan for interest rate benchmark reform toward the required adjustment and updates for risk management policies, internal process, information system, valuation model of financial instrument, and related accounting and tax system. Cathay Life and its subsidiaries have identified all required updates for information systems and internal process, and all of these updates were finished. In addition, according to the requirements of the authority, the progress for the cessation of USD LIBOR has to report to the board of the directors semi-annually.

As of June 30, 2023, Cathay Life and its subsidiaries' financial instruments affected by the interest rate benchmark reform, which include bonds and loans (the Cathay Life and its subsidiaries' main exposure is to the USD LIBOR), are summarized in the table below (excluding the positions that would naturally expire):

	Carrying Amount	
	USD LIBOR	Other Interest Rates Benchmarks
<u>Financial assets</u>		
Bonds	\$ 275,808,306	\$ -
Loans	595,457	-

2) Credit risk

a) Sources of credit risk

When engaged in financial transactions, Cathay Life is exposed to credit risks, including issuer credit risk, counterparty credit risk and credit risk of underlying assets:

- Issuer credit risk is the risk that Cathay Life may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations on agreed conditions due to default, bankruptcy or liquidation.
- Counterparty credit risk is the risk that Cathay Life may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
- Credit risk of underlying assets is the risk that Cathay Life may suffer losses due to deterioration of the credit quality, increase of credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Concentration risk

- Regional distribution of maximum risk exposure for Cathay Life's financial assets:

June 30, 2023

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 228,145,612	\$ 17,035,481	\$ 161,518	\$ 70,706,053	\$ 12,900,000	\$ 328,948,664
Financial assets at FVTPL	50,531,771	8,933,128	95,746,062	86,857,248	11,096,674	253,164,883
Financial assets at FVTOCI	12,536,867	22,461,184	43,231,082	217,038,796	110,314,197	405,582,126
Financial assets for hedging	2,268	-	-	2,156	-	4,424
Financial assets at amortized cost	121,364,785	236,929,278	618,466,502	2,059,533,399	1,031,230,859	4,067,524,823
	<u>\$ 412,581,303</u>	<u>\$ 285,359,071</u>	<u>\$ 757,605,164</u>	<u>\$ 2,434,137,652</u>	<u>\$ 1,165,541,730</u>	<u>\$ 5,055,224,920</u>
Proportion	8.2%	5.6%	15.0%	48.1%	23.1%	100%

December 31, 2022

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

June 30, 2022

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 74,269,802	\$ 978,018	\$ 162,622	\$ 64,523,961	\$ -	\$ 139,934,403
Financial assets at FVTPL	43,963,908	12,186,587	102,275,828	87,686,722	21,652,018	267,765,063
Financial assets at FVTOCI	32,930,020	49,245,741	145,313,166	550,098,019	408,182,778	1,185,769,724
Financial assets for hedging	12,921	-	-	14,365	-	27,286
Financial assets at amortized cost	129,027,984	191,200,961	472,259,887	1,450,267,086	632,609,126	2,875,365,044
	<u>\$ 280,204,635</u>	<u>\$ 253,611,307</u>	<u>\$ 720,011,503</u>	<u>\$ 2,152,590,153</u>	<u>\$ 1,062,443,922</u>	<u>\$ 4,468,861,520</u>
Proportion	6.3%	5.7%	16.1%	48.1%	23.8%	100%

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

June 30, 2023

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 162,960,877	\$ 37,776,936	\$ 50,735,108	\$ 882,426	\$ 252,355,347
Non-accrual receivables	<u>509,458</u>	<u>13,973</u>	<u>20,272</u>	<u>1,398,677</u>	<u>1,942,380</u>
	<u>\$ 163,470,335</u>	<u>\$ 37,790,909</u>	<u>\$ 50,755,380</u>	<u>\$ 2,281,103</u>	<u>\$ 254,297,727</u>
Proportion	64.3%	14.9%	19.9%	0.9%	100%

December 31, 2022

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

June 30, 2022

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 196,406,105	\$ 43,237,709	\$ 58,171,742	\$ 1,450,035	\$ 299,265,591
Non-accrual receivables	<u>597,308</u>	<u>26,255</u>	<u>38,313</u>	<u>1,580,480</u>	<u>2,242,356</u>
	<u>\$ 197,003,413</u>	<u>\$ 43,263,964</u>	<u>\$ 58,210,055</u>	<u>\$ 3,030,515</u>	<u>\$ 301,507,947</u>
Proportion	65.3%	14.4%	19.3%	1.0%	100%

c) Categories for credit risk quality

Cathay Life classified credit risk into low credit risk, medium credit risk, high credit risk and credit impaired. The definitions of each category are as follows:

- Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment obligations will be kept and maintained.

- ii. Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.
 - iii. High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform financial commitment depends on the favorability of its business environment and financial conditions.
 - iv. Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and Cathay Life evaluates the potential losses and determines it as impaired.
- d) Determination on the credit risk that has increased significantly since initial recognition
- i. Cathay Life assesses whether there is a significant increase in credit risk of a financial instrument applicable for impairment requirements under IFRS 9 since initial recognition at each reporting date. To make this assessment, Cathay Life considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.
 - ii. If the credit risk of a financial instrument is determined to be low at the reporting date, it indicates that the credit risk of the financial instrument has not increased significantly since initial recognition.
- e) The definition of default and credit-impaired financial assets

Cathay Life's definition of default on financial assets is the same as that of a credit-impaired financial asset. If one or more of the following criteria are met, a financial asset is considered defaulted and credit-impaired:

- i. Quantitative factor: When the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit impaired.
- ii. Qualitative factor: Evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:
 - i) The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.
 - ii) The issuers or borrowers fail to pay interest or principal according to the issue terms and conditions.
 - iii) The collateral of the borrowers had been provisionally seized or enforced.
 - iv) The borrowers claim for a change of credit conditions due to financial difficulties.
- iii. The abovementioned definitions of default on a financial asset and a credit-impaired financial asset are applicable to all financial assets held by Cathay Life, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

f) Measurement of expected credit loss

i. The methodology and assumptions applied

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

Expected credit losses in the next 12 months and for the duration of the instrument is calculated separately for the two periods using probability of default (“PD”) of issuers, guarantee agencies or borrowers multiplied by loss given default (“LGD”) and exposure at default (“EAD”), in consideration of time value of money.

PD is the rate that a default occurs on issuers, guarantee agencies or borrowers. LGD is the loss rate that resulted from a default of issuers, guarantee agencies or borrowers. Loss given default used by Cathay Life in impairment assessment is based on information regularly issued by Moody’s. Probability of default is based on information regularly issued by Taiwan Ratings Corp. and Moody’s and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of financial assets.

ii. Forward-looking information considerations

Cathay Life takes forward-looking information into consideration while measuring expected credit losses of financial assets.

g) Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i. Financial assets of Cathay Life

	June 30, 2023					
	Stage 1		Stage 2		Stage 3	
	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 FVTOCI	\$ 394,332,829	\$ -	\$ -	\$ -	\$ -	\$ 394,332,829
Financial assets at amortized cost	4,043,794,277	-	-	-	(1,616,412)	4,042,177,865
Non-investment grade						
Debt instruments at FVTOCI	7,153,346	165,230	3,930,721	-	-	11,249,297
Financial assets at amortized cost	6,771,623	1,513,003	19,034,784	-	(1,972,452)	25,346,958
December 31, 2022						
	Stage 1		Stage 2		Stage 3	
	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 FVTOCI	\$ 334,627,073	\$ -	\$ -	\$ -	\$ -	\$ 334,627,073
Financial assets at amortized cost	3,947,124,047	-	-	-	(1,466,690)	3,945,657,357
Non-investment grade						
Debt instruments at FVTOCI	6,389,795	186,515	3,714,631	-	-	10,290,941
Financial assets at amortized cost	12,233,358	2,330,571	18,792,809	-	(1,997,323)	31,359,415

June 30, 2022						
	Stage 1		Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Investment grade						
Debt instruments at FVTOCI	\$ 1,170,532,356	\$ -	\$ -	\$ -	\$ -	\$ 1,170,532,356
Financial assets at amortized cost	2,849,163,747	-	-	-	(899,190)	2,848,264,557
Non-investment grade						
Debt instruments at FVTOCI	13,008,451	57,392	2,171,525	-	-	15,237,368
Financial assets at amortized cost	9,837,166	810,627	18,209,951	-	(1,757,257)	27,100,487

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

ii. Secured loans and non-accrual receivables of Cathay Life

June 30, 2023							
	Stage 1		Stage 3		Loss Allowance	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets			
Secured loans and non-accrual receivables	\$ 248,066,911	\$ 928,030	\$ 5,302,786	\$ -	\$ (1,429,609)	\$ (2,686,695)	\$ 250,181,423
December 31, 2022							
	Stage 1		Stage 3		Loss Allowance	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets			
Secured loans and non-accrual receivables	\$ 277,691,739	\$ 1,306,065	\$ 5,604,580	\$ -	\$ (1,200,475)	\$ (3,147,892)	\$ 280,254,017
June 30, 2022							
	Stage 1		Stage 3		Loss Allowance	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets			
Secured loans and non-accrual receivables	\$ 293,666,903	\$ 1,793,575	\$ 6,047,469	\$ -	\$ (993,911)	\$ (3,731,049)	\$ 296,782,987

h) Reconciliation for loss allowance is summarized below:

i. Debt instruments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2023	\$ 144,268	\$ 33,000	\$ 917,054	\$ -	\$ 1,094,322
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	-	-	-	-	-
Transferred to credit-impaired financial assets	-	-	-	-	-
New financial assets originated or purchased	17,841	-	-	-	17,841
Financial assets that have been derecognized during the period	(17,165)	(2,455)	-	-	(19,620)
Changes in models/risk parameters	21,973	(2,692)	8,096	-	27,377
Foreign exchange and other movements	<u>2,409</u>	<u>95</u>	<u>1,558</u>	<u>-</u>	<u>4,062</u>
June 30, 2023	<u>\$ 169,326</u>	<u>\$ 27,948</u>	<u>\$ 926,708</u>	<u>\$ -</u>	<u>\$ 1,123,982</u>
	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2022	\$ 345,894	\$ -	\$ -	\$ -	\$ 345,894
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(113)	113	-	-	-
Transferred to credit-impaired financial assets	(2,270)	-	2,270	-	-
New financial assets originated or purchased	125,802	-	95	-	125,897
Financial assets that have been derecognized during the period	(65,483)	(2,734)	-	-	(68,217)
Changes in models/risk parameters	110,993	3,805	832,488	-	947,286
Foreign exchange and other movements	<u>30,839</u>	<u>1,376</u>	<u>72,563</u>	<u>-</u>	<u>104,778</u>
June 30, 2022	<u>\$ 545,662</u>	<u>\$ 2,560</u>	<u>\$ 907,416</u>	<u>\$ -</u>	<u>\$ 1,455,638</u>

ii. Financial assets at amortized cost

	12-month Expected Credit Losses	Collectively Assessed	Lifetime Expected Credit Losses		Total of Impairment Charged in Accordance with IFRS 9
			Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2023	\$ 1,489,750	\$ 215,409	\$ 1,758,854	\$ -	\$ 3,464,013
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(48)	48	-	-	-
Transferred to 12-month expected credit losses	75,463	(75,463)	-	-	-
New financial assets originated or purchased	42,235	-	-	-	42,235
Financial assets that have been derecognized during the period	(38,975)	(45)	-	-	(39,020)
Changes in models/risk parameters	48,337	3,357	23,433	-	75,127
Foreign exchange and other movements	20,116	1,937	24,456	-	46,509
June 30, 2023	<u>\$ 1,636,878</u>	<u>\$ 145,243</u>	<u>\$ 1,806,743</u>	<u>\$ -</u>	<u>\$ 3,588,864</u>
	12-month Expected Credit Losses	Collectively Assessed	Lifetime Expected Credit Losses		Total of Impairment Charged in Accordance with IFRS 9
			Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2022	\$ 627,027	\$ 117,199	\$ -	\$ -	\$ 744,226
Changes due to financial instruments recognized as at January 1					
Transferred to credit-impaired financial assets	(4,064)	-	4,064	-	-
Transferred to 12-month expected credit losses	24,139	(24,139)	-	-	-
New financial assets originated or purchased	49,819	-	49	-	49,868
Financial assets that have been derecognized during the period	(54,193)	(71,281)	-	-	(125,474)
Changes in models/risk parameters	215,918	37,268	1,505,170	-	1,758,356
Foreign exchange and other movements	52,804	5,174	171,493	-	229,471
June 30, 2022	<u>\$ 911,450</u>	<u>\$ 64,221</u>	<u>\$ 1,680,776</u>	<u>\$ -</u>	<u>\$ 2,656,447</u>

For debt instruments at FVTOCI and financial assets measured at amortized cost in foreign bonds, Cathay Life transferred the 12-month expected credit losses to lifetime expected credit losses when assessing the loss allowance as the Russian-Ukrainian War broke out in February 2022, international economic sanctions were imposed on Russia and its credit ratings were largely downgraded, which was evaluated as a credit-impairment event.

iii. Secured loans and non-accrual receivables

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2023	\$ 125,823	\$ 5,008	\$ 1,069,644	\$ -	\$ 1,200,475	\$ 3,147,892	\$ 4,348,367
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(20)	20	-	-	-	-	-
Transferred to credit-impaired financial assets	(77)	(5)	82	-	-	-	-
Transferred to 12-month expected credit losses	124	(124)	-	-	-	-	-
New financial assets originated or purchased	1,349	-	2,321	-	3,670	-	3,670
Financial assets that have been derecognized during the period	(9,177)	(935)	(53,390)	-	(63,502)	-	(63,502)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(461,197)	(461,197)
Changes in models/risk parameters	91,481	(50)	197,535	-	288,966	-	288,966
June 30, 2023	<u>\$ 209,503</u>	<u>\$ 3,914</u>	<u>\$ 1,216,192</u>	<u>\$ -</u>	<u>\$ 1,429,609</u>	<u>\$ 2,686,695</u>	<u>\$ 4,116,304</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2022	\$ 27,181	\$ 3,679	\$ 694,683	\$ -	\$ 725,543	\$ 4,423,948	\$ 5,149,491
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(3)	3	-	-	-	-	-
Transferred to credit-impaired financial assets	(12)	(3)	15	-	-	-	-
Transferred to 12-month expected credit losses	71,569	(15)	(71,554)	-	-	-	-
New financial assets originated or purchased	2,566	-	4,847	-	7,413	-	7,413
Financial assets that have been derecognized during the period	(3,023)	(5)	(11,900)	-	(14,928)	-	(14,928)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(692,899)	(692,899)
Changes in models/risk parameters	(38,531)	3,383	311,031	-	275,883	-	275,883
June 30, 2022	<u>\$ 59,747</u>	<u>\$ 7,042</u>	<u>\$ 927,122</u>	<u>\$ -</u>	<u>\$ 993,911</u>	<u>\$ 3,731,049</u>	<u>\$ 4,724,960</u>

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

i) Exposure to credit risk and loss allowance of receivables

Measurement of loss allowance of Cathay Life's receivables which are in the scope of the impairment requirements under IFRS 9 are based upon the lifetime expected credit losses under the simplified approach. Loss allowance measured by a provision matrix under simplified approach is as follows:

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>June 30, 2023</u>					
Gross carrying amount (Note)	\$ 40,014,120	\$ 73,660	\$ 310	\$ -	\$ 40,088,090
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,473	31	-	1,504

Note: Notes receivable of \$89,451 thousand and other receivables of \$39,998,639 thousand were included.

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

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

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>June 30, 2022</u>					
Gross carrying amount (Note)	\$ 45,004,413	\$ 58,649	\$ 310	\$ 13	\$ 45,063,385
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,173	31	7	1,211

Note: Notes receivable of \$89,497 thousand and other receivables of \$44,973,888 thousand were included.

The movements of loss allowance were as follows:

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ 1,292	\$ 1,031
Provision for the current period	<u>212</u>	<u>180</u>
Ending balance	<u>\$ 1,504</u>	<u>\$ 1,211</u>

3) Liquidity risk analysis

a) Sources of liquidity risk

Liquidity risks of financial instruments are comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Cathay Life is not capable of performing matured commitment because it fails to realize assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when Cathay Life sells or offsets its positions during a market disorder or a lack of sufficient market depth.

b) Liquidity risk management

Cathay Life assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, Cathay Life manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions symmetrically.

Cathay Life uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situations. Also, for abnormal and urgent financing needs, management of Cathay Life makes an emergency operating procedure to deal with significant liquidity risks.

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

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

	June 30, 2023				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 22,897,738	\$ 552,744	\$ 272,450	\$ 255,607	\$ -
Other financial liabilities	747,800	1,004,263	1,088,214	3,566,730	1,543,433
Bonds payable (Note 1)	569,589	1,293,120	2,715,000	5,730,000	80,300,000
Lease liabilities (Note 2)	398,283	352,768	725,435	2,579,694	33,540,751
<u>Derivative financial liabilities</u>					
SWAP	47,319,529	26,292,913	-	-	-
Forward	16,327,315	2,971,050	1,902,500	-	-
CCS	8,349,641	1,075,934	-	-	-
	December 31, 2022				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 21,112,481	\$ 773,900	\$ 257,959	\$ 194,121	\$ -
Other financial liabilities	684,274	508,721	3,111,951	2,130,410	1,086,821
Bonds payable (Note 1)	559,620	1,194,411	2,715,000	6,885,000	80,600,000
Lease liabilities (Note 2)	365,854	603,735	693,767	2,362,748	34,174,095
<u>Derivative financial liabilities</u>					
SWAP	40,838,254	5,746,330	-	-	-
Forward	22,292,640	4,562,550	3,104,900	-	-
CCS	1,644,997	5,797,653	845,644	-	-
	June 30, 2022				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 17,565,512	\$ 1,237,131	\$ 224,744	\$ 78,350	\$ -
Bonds payable (Note 1)	569,589	1,293,120	2,715,000	8,145,000	80,600,000
Lease liabilities (Note 2)	393,892	469,630	702,456	2,061,393	33,906,154
<u>Derivative financial liabilities</u>					
SWAP	52,745,394	8,793,811	-	-	-
Forward	28,806,655	12,525,940	3,734,750	-	-
CCS	310,678	868,496	3,249,917	-	-

Note 1: For the bonds payable without maturity dates, the contractual cash flows were calculated on the basis of 10 years starting from the issuance date.

Note 2: For lease liabilities, the remaining periods used to calculate the contractual cash flows were from 1 to 70 years.

Cathay United Bank and its subsidiaries

Cathay United Bank's risk control and hedging strategy follows the requirements of the customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, Cathay United Bank adopts different risk management methods to identify its risks and Cathay United Bank follows the spirit and regulation of the "Basel Accord" to keep strengthening its assets and the practices of capital management to maintain the best capital adequacy ratio.

Cathay United Bank has set up its risk management committee, whose responsibilities are as follows:

- 1) To amend the risk management policies, risk appetite or risk tolerance and report the above issues to the board of directors for approval.
- 2) To manage and decide the strategy about Cathay United Bank's credit risk, market risk and operational risk.
- 3) To report the significant risk management issues, such as credit ratings, market assessment and risk indicators.
- 4) To analyze the issues that Cathay United Bank's business unit brought up for discussion.
- 5) Other issues.

Cathay United Bank organized a risk management group to monitor, lead, develop, and establish the integral risk management framework.

1) Credit risk

Credit risk represents the risk of loss that Cathay United Bank would incur if counterparty fails to perform its contractual obligations. Sources of credit risk cover both on and off balance sheet accounts.

a) Credit risk policy and implementation

i. Cathay United Bank, Indovina Bank and CUBCN Bank

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management Division and its subdivisions assist in reviewing and monitoring risk tolerance ability and risk control procedures; and establish credit approval processes, credit limit management, credit rating information, collateral information, periodic reviews and remedial management systems. The subdivisions include the Market Risk Management Division, Risk Management Division, Consumer Finance Credit Risk Management Division, Corporate Credit Risk Management Division, and International Credit Risk Management Division. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts are the executive unit of credit risk control. The credit quality of the Cathay United Bank and its subsidiaries is strictly controlled in advance. After the loan is approved, lending portfolios are reviewed according to Cathay United Bank and Indovina Bank's loan review regulations and deficiencies are tracked to strengthen post-event risk management.

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

ii. CUBC Bank

The approval unit of CUBC Bank's credit risk policies is the board of directors, and the policies are then implemented by the CUBC Bank's credit risk management department. These credit risk policies form the basic principles for all credit risk situations faced by CUBC Bank and also serve as the basis for the development of CUBC Bank's various businesses in Cambodia.

When CUBC Bank provides loans, the approval unit is decided based on credit amount. The loan committee is the top lending authority within CUBC Bank, and is composed of CUBC Bank's senior management. It is in charge of approval of all credit in excess of CUBC Bank's lending authorities. Certain customers are required to provide appropriate collateral for the related loans, and CUBC Bank retains the legal right to foreclose or liquidate the collateral, which effectively reduces Cathay United Bank's credit risk. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

b) Judgment of significant increase in credit risk after initial recognition

i. Cathay United Bank

Cathay United Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, Cathay United Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Information on the overdue status of contract

When the contract payment is overdue for 30 days to 90 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Auditors' opinion - adverse opinion.
- Auditors' opinion - disclaimer of opinion.
- The stock was placed in full-cash delivery stock.
- Other changes in the internal or external information on judging the credit quality changes.

Cathay United Bank established Stage 1 and Stage 2 for debt instruments based on bonds ratings. Bonds rated above investment grades are classified as low credit risks. Credit risks are deemed to have significantly increased if credit ratings decreased over specific level after initial recognition date.

ii. CUBCN Bank

CUBCN Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, CUBCN Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Information on the overdue status of contract

When the contract payment is overdue for 30 days to 90 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

- Any financial instruments are classified as special mention.
- Other changes in the internal or external information on judging the credit quality changes.

iii. Indovina Bank

Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if credit risk has increased significantly since initial recognition:

i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Low credit risk criteria

An exposure rated below Moody's investment grade (i.e., the credit rating is lower than the credit rating Baa3 of Moody's, an international credit rating agency) at the reporting date would be classified as a significant increase in credit risk since initial recognition.

- Information on the overdue status of a contract

When the contract payment is overdue for 30 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

- Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Other changes in the internal or external information on judging the credit quality.

iv. CUBC Bank

CUBC Bank assesses if the credit risk of financial assets at each reporting date has increased significantly since initial recognition based on the following indicators:

i) Information on the overdue status of a contract

When the contract payment is overdue for more than 15 days for short-term loans or more than 30 days for long-term loans at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Loan classification from National Bank of Cambodia

A loan contract with special mention position at the reporting date would be classified as a loan with significant increase in credit risk since initial recognition.

iii) Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

c) Default and credit impairment of financial asset

i. Cathay United Bank

Cathay United Bank's criteria for determining that a financial asset is in default is the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, Cathay United Bank determines the financial assets to be subject to default and credit impairment.

i) Quantitative indicator

- Changes in credit rating

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

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment. Debt instruments that do not pay principal and interest according to issuance or transaction condition are determined to be credit impaired.

ii) Qualitative indicator

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

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- Other internal or external information on judging the deterioration in credit quality.

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

ii. CUBCN Bank

CUBCN Bank's criteria for determining that a financial asset is in default are the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, CUBCN Bank determines the financial assets to be subject to default and credit impairment.

i) Quantitative indicator

- Changes in credit rating

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

- Information on the overdue status of a contract

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

ii) Qualitative indicator

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

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

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

iii. Indovina Bank

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

i) Quantitative indicator

- Changes in credit rating

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

- Information on the overdue status of a contract

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

ii) Qualitative indicator

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- The debtor has filed for bankruptcy or may apply for bankruptcy or reorganization.

- Principal or interest could not be paid as scheduled during the settlement period.
- Other internal or external information on judging the deterioration in credit quality.

iv. CUBC Bank

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

i) Information on the overdue status of a contract

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

ii) Loan classification from National Bank of Cambodia

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

iii) Internal credit assessment indicators

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

d) Measurement of expected credit loss

i. Cathay United Bank

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

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

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

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

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

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

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

- i) The EAD is measured at the amortized cost of a financial asset plus its interest receivable.
- ii) The PD is based on the information regularly published by Moody's, and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information (e.g., gross domestic product and economic growth rate, etc.).
- iii) The LGD is selected according to the type of debt instrument based on the information regularly published by Moody's.

ii. CUBCN Bank

For the purpose of assessing the expected credit losses, CUBCN Bank grouped the credit assets by business segments and forward-looking models:

- i) Financial assets are classified into the following categories according to their assessment methods and business segments:

Credit Category	Definition
Loan activities and interbank borrowing business	Grouped by product category and internal/external credit rating
Bills forfaiting business	Grouped by product category and internal/external credit rating
Off-balance sheet credit business	Grouped by product category and internal/external credit rating
Bond business and interbank deposit business	Grouped by product category and internal/external credit rating
Due from banks, call loan to banks business, and reverse repurchase	Grouped by product category and internal/external credit rating
Other receivables	Grouped by product category and internal/external credit rating

- ii) Financial assets are classified into non-retail on the basis of forward-looking model requirements.

The expected credit losses of financial instruments are measured on a case-by-case basis as follows:

- For financial instruments in Stage 1, the allowance for losses is measured by the 12-month expected credit losses.
- For financial instruments in Stage 2, the allowance for losses is measured by the lifetime expected credit losses.

- For financial instruments in Stage 3, if the single account loan balance exceeds a certain amount, the discounted cash flow method can be used for individual assessment; if not using individual assessment, the allowance for losses is measured by the lifetime expected credit losses, and the PD is 100%.
- iii) The expected credit loss parameters of financial instruments are calculated according to the following principles respectively:
- The PD is based on the information regularly published by Moody's and based on the historical data, calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information.
 - The LGD is based on LGD regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission as a reference for the evaluation.
 - The EAD is measured at current exposure method. Besides, off-balance sheet credit business also converts using credit conversion factor regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.

iii. Indovina Bank

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

Category	Description
Loan portfolio	Grouped by counterparty type and enterprise size
Bond portfolio	Grouped by product category, external credit rating and payment ranks
Cash equivalents, due from and call loans to banks	Grouped by counterparty type

i) Loan portfolio

The segmentation of Indovina Bank's loan portfolio is based on its risk characteristics, such as product class, counterparty type and enterprise size. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default (PD) and loss given default (LGD) were built using the Bank's historical delinquent information and recovery data and calibrated with selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

ii) Bond portfolio

The segmentation of Indovina Bank's bond portfolio is based on its product class, external rating and payment rank. The measurement of expected credit loss is based on three main parameters: Probability of default, loss given default and exposure at default. The probability of default and loss given default were built using external information with sufficient historical default data and recovery rates and calibrated with selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

iii) Cash equivalents, deposits and interbank lending

The segmentation of Indovina Bank's cash equivalents due from and call loans to banks is based on its counterparty type. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default is calculated using Sovereign PD. The loss given default is determined by the foundation approach in Basel II. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

iv. CUBC Bank

CUBC Bank has grouped its exposures on the basis of shared credit risk characteristic including product category and counterparty type as follows:

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

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

e) Write-off policy

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

The indicators for reasonably expected to be unrecoverable include:

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

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

f) Consideration of forward-looking information

Cathay United Bank

Cathay United Bank uses historical data to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression model to estimate the impairment parameter after the prospective adjustment. The significant economic factors and their impact on PD differ depending on the type of financial instruments.

The significant economic factors identified by Cathay United Bank on June 30, 2023 are as follows:

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

CUBCN Bank

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

The relevant economic factors identified by CUBCN Bank on June 30, 2023 include, but are not limited to, gross domestic product (GDP) published by the National Bureau of Statistics of China and other government authorities, consumer price index (CPI), producer price index (PPI) and supply of currency, etc.

Indovina Bank

Based on the qualitative and quantitative analysis of historical data, Indovina Bank identifies the local and global economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression models, interpolation adjustment, and historical scenario analysis to estimate the impairment parameter after the prospective adjustment. The selected economic factors and their effects on PDs varied from different types of portfolios.

The macroeconomic factors selected by Indovina Bank for the forward-looking adjustments on June 30, 2023 are as follows:

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

CUBC Bank

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

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments on June 30, 2023 are as follows:

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

The valuation techniques or significant assumptions used by the Cathay United Bank and its subsidiaries for assessing the expected credit losses have no significant change for the six months ended June 30, 2023.

g) Credit risk management policy

The category of credit asset and the grade of credit quality are described as follows:

i. Category of credit asset

The credit risk of Cathay United Bank is classified into five categories. Normal credit assets are classified as "Category One." The remaining unsound credit assets are evaluated based on the status of the loan collateral and the length of time overdue. Assets that require special mention are classified as "Category Two," assets that are substandard are classified as "Category Three," assets that are doubtful are classified as "Category Four," and assets for which there is loss are classified as "Category Five". For managing the default credits, Cathay United Bank established the regulations governing the procedures to deal with non-performing loans, non-accrual loans and bad debts.

ii. Grade of credit quality

Cathay United Bank sets the grade of credit quality based on the characteristics and scale of business (such as establishing the internal rating model of credit risk, setting the credit rating table or relevant rules to classify credit quality) to proceed with risk management.

In order to measure the credit risk of the clients, Cathay United Bank develops the rating model of business credit by employing statistical methods and the professional judgment of the experts as well as considering the clients' relevant information. The model is reviewed periodically to verify if the calculated results conform to the reality and make necessary revision to the parameters to optimize the results.

With respect to consumer credit assets such as mortgages, credit cards, and small-amount credit loans, Cathay United Bank also evaluates default risk of clients by using the credit rating scores developed by Cathay United Bank and the external due diligence services.

To ensure the reasonableness of the estimated values of the credit rating system's design, process, and relevant risk factors, Cathay United Bank regularly executes the relevant verification and tests the model according to the actual default so that the calculated results will be close to actual default.

Cathay United Bank evaluates the counterparties' credit quality before transactions are made and refers to the domestic and foreign credit rating agencies, when rendering different lines of credit based on the credit quality.

iii. Hedge of credit risk and easing policy

i) Collateral

Cathay United Bank adopts a series of policies to lower the credit risk, and one of the frequently-used methods is requesting borrowers to provide collateral. To ensure the creditor's rights, Cathay United Bank sets the scope of collateral and the procedures for appraising, managing, and disposing of the collateral. In addition, a credit contract stipulates the bases for credit claims, preservation of collateral, and offset provisions when a credit loss event occurs; Cathay United Bank may reduce the limit, cut down the payback period, or deem all debts as due. Also, Cathay United Bank may use the deposits that the borrowers saved in Cathay United Bank to offset the liabilities to lower the credit risk.

Other non-credit business collateral depends on the characteristics of the financial instruments. Only asset - based securities and other similar financial instruments are secured by an asset pool of financial instruments.

ii) Limit of credit risk and control of credit risk concentration

To avoid the excessive risk concentration, Cathay United Bank limits the credit amounts of single counterparties and groups; Cathay United Bank also sets the investment guide and regulation of risk control of equity investment to restrict the investment limits of single person (company) or related company (group). Furthermore, Cathay United Bank establishes relevant regulations to control the concentration risk of assets, and sets the credit limits by industry, group, country, and stock types to monitor the credit concentration risk.

iii) Net settlement agreement

Cathay United Bank usually settles by the gross balance, but signs contract with some counterparties to settle by net balance. If a default happens, Cathay United Bank will terminate all transactions with the counterparty and settle by net balance in order to lower the credit risk.

iv. Maximum exposure to credit risk

Without taking into account the collateral or other credit enhancement instruments, the maximum credit risk exposures of on-balance-sheet financial assets equals their carrying amounts. The maximum credit risk exposures of off-balance-sheet items (without considering the collateral or other credit enhancement instruments) are as follows:

i) Cathay United Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	June 30, 2023	December 31, 2022	June 30, 2022
Irrevocable loan commitments	\$ 170,861,636	\$ 167,371,093	\$ 165,551,438
Credit card commitments	847,420,487	805,391,737	791,497,125
Unused commercial letters of credit	6,994,914	6,869,348	7,409,351
Guarantees on duties and contracts	19,807,574	19,613,957	18,348,169

ii) Indovina Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	June 30, 2023	December 31, 2022	June 30, 2022
Financial guarantee contracts	\$ 1,147,130	\$ 1,308,628	\$ 1,143,278
Unused commercial letters of credit	967,600	387,030	903,235

iii) CUBC Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	June 30, 2023	December 31, 2022	June 30, 2022
Financial guarantee contracts	\$ 6,569	\$ 19,684	\$ 22,038
Credit card commitments	355,281	330,599	291,294
Irrevocable loan commitments	242,961	268,441	367,260

iv) CUBCN Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	June 30, 2023	December 31, 2022	June 30, 2022
Financial guarantee contracts	\$ 368,355	\$ 289,824	\$ 240,228
Unused commercial letters of credit	524,153	573,635	647,439
Irrevocable loan commitments	273,257	262,406	1,001,992

To reduce the risk from any businesses, Cathay United Bank conducts an overall assessment and takes appropriate risk reduction measures before undertaking the business, such as obtaining collateral and guarantors. For obtaining of collateral, Cathay United Bank has set Guidelines Governing Collateral to ensure that collateral meets the specific criteria and has the effect of reducing the business risk.

The management deems Cathay United Bank and its subsidiaries are able to control and minimize the credit risk exposures in off-balance-sheet items as Cathay United Bank and its subsidiaries use stricter rating procedures when extending credits and conduct reviews regularly.

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

June 30, 2023

	Discounts and Loans				
	Stage 1	Stage 2	Stage 3	Differences of	Total
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Impairment Loss under Regulations	
Total carrying amount	\$ 2,121,333,564	\$ 56,564,283	\$ 19,310,529	\$ -	\$ 2,197,208,376
Less: Allowance for impairment	(3,461,175)	(2,657,536)	(7,598,049)	-	(13,716,760)
Less: Differences of impairment loss under regulations	-	-	-	(23,818,173)	(23,818,173)
	<u>\$ 2,117,872,389</u>	<u>\$ 53,906,747</u>	<u>\$ 11,712,480</u>	<u>\$ (23,818,173)</u>	<u>\$ 2,159,673,443</u>

	Receivable				
	Stage 1	Stage 2	Stage 3	Differences of	Total
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Impairment Loss under Regulations	
Total carrying amount	\$ 140,493,506	\$ 1,462,318	\$ 2,096,116	\$ -	\$ 144,051,940
Less: Allowance for impairment	(532,923)	(416,955)	(1,668,825)	-	(2,618,703)
Less: Differences of impairment loss under regulations	-	-	-	(57,605)	(57,605)
	<u>\$ 139,960,583</u>	<u>\$ 1,045,363</u>	<u>\$ 427,291</u>	<u>\$ (57,605)</u>	<u>\$ 141,375,632</u>

December 31, 2022

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

	Receivable				
	Stage 1	Stage 2	Stage 3	Differences of	Total
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Impairment Loss under Regulations	
Total carrying amount	\$ 118,271,889	\$ 1,880,551	\$ 2,003,379	\$ -	\$ 122,155,819
Less: Allowance for impairment	(506,839)	(360,011)	(1,591,166)	-	(2,458,016)
Less: Differences of impairment loss under regulations	-	-	-	(58,994)	(58,994)
	<u>\$ 117,765,050</u>	<u>\$ 1,520,540</u>	<u>\$ 412,213</u>	<u>\$ (58,994)</u>	<u>\$ 119,638,809</u>

June 30, 2022

	Discounts and Loans				
	Stage 1	Stage 2	Stage 3	Differences of	Total
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Impairment Loss under Regulations	
Total carrying amount	\$ 1,889,546,424	\$ 67,613,830	\$ 12,526,620	\$ -	\$ 1,969,686,874
Less: Allowance for impairment	(2,954,055)	(2,131,420)	(5,093,363)	-	(10,178,838)
Less: Differences of impairment loss under regulations	-	-	-	(21,775,426)	(21,775,426)
	<u>\$ 1,886,592,369</u>	<u>\$ 65,482,410</u>	<u>\$ 7,433,257</u>	<u>\$ (21,775,426)</u>	<u>\$ 1,937,732,610</u>

	Receivable				
	Stage 1	Stage 2	Stage 3	Differences of	Total
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Impairment Loss under Regulations	
Total carrying amount	\$ 91,636,415	\$ 1,473,854	\$ 2,117,611	\$ -	\$ 95,227,880
Less: Allowance for impairment	(450,212)	(331,981)	(1,673,921)	-	(2,456,114)
Less: Differences of impairment loss under regulations	-	-	-	(26,049)	(26,049)
	<u>\$ 91,186,203</u>	<u>\$ 1,141,873</u>	<u>\$ 443,690</u>	<u>\$ (26,049)</u>	<u>\$ 92,745,717</u>

v. Credit concentration risk of Cathay United Bank and its subsidiaries

When the counterparties are obviously the same party, or there are several counterparties but engaging in similar business activities and sharing similar economic characteristics, and vulnerable to the same economic impacts or other changes, the credit concentration risk is apparent.

Credit concentration risk of Cathay United Bank and its subsidiaries derives from the assets, liabilities and off-balance-sheet items, and arises from performing obligations or engaging in transactions of cross-line portfolio with risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. Cathay United Bank and its subsidiaries does not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty relative to Cathay United Bank and its subsidiaries' total bills discounts and loans, including overdue loans, guarantees, bills purchased, and acceptances receivable is not significant. Credit concentration risk of Cathay United Bank and its subsidiaries according to industry and geographic region is listed below:

Industry Type	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
Manufacturing	\$ 206,994,302	9.32	\$ 180,834,137	8.60	\$ 171,491,071	8.61
Financial institutions and insurance	105,224,427	4.74	88,601,202	4.21	92,054,446	4.62
Leasing and real estate	219,483,713	9.88	206,214,278	9.80	194,219,001	9.75
Individuals	1,382,884,948	62.27	1,326,538,540	63.07	1,236,982,168	62.13
Others	306,041,469	13.79	301,179,305	14.32	296,349,168	14.89
Total	<u>\$ 2,220,628,859</u>	<u>100.00</u>	<u>\$ 2,103,367,462</u>	<u>100.00</u>	<u>\$ 1,991,095,854</u>	<u>100.00</u>

Geographic Region	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 1,929,135,552	86.87	\$ 1,824,223,790	86.73	\$ 1,719,357,097	86.35
Asia	236,721,106	10.66	225,080,654	10.70	217,336,115	10.92
America	38,562,332	1.74	39,009,043	1.85	39,223,016	1.97
Others	16,209,869	0.73	15,053,975	0.72	15,179,626	0.76
Total	<u>\$ 2,220,628,859</u>	<u>100.00</u>	<u>\$ 2,103,367,462</u>	<u>100.00</u>	<u>\$ 1,991,095,854</u>	<u>100.00</u>

2) Liquidity risk

a) Source and definition of liquidity risk

Liquidity risk means the possible losses arising from the failure of Cathay United Bank to obtain funds at a reasonable price within a reasonable time to cover the increase in assets or repay matured liabilities.

b) Liquidity risk management strategy and principles

The principle of liquidity risk management strategy of Cathay United Bank and its subsidiaries are to stabilize the liquidity of funds. The first priority of the source of funds is diversification and stability, and Cathay United Bank and its subsidiaries adopt the conservative principle to estimate the funds. The use of funds should take into account both safety and profitability, and pay attention to diversifying liquidity risks. Cathay United Bank and its subsidiaries have set up an Asset and Liability Management Committee, which is responsible for planning and monitoring liquidity risk management strategy and controlling liquidity risk with risk limits from different measuring dimensions and early warning indicators. When the liquidity has or expects significant changes, relevant authorities and responsible units jointly analyze the reasons and discuss solutions to deal with the impact of emergent events on liquidity risk. If necessary, the Asset and Liability Management Committee may be convened to discuss solutions.

c) Financial assets held to manage liquidity risk and maturity analysis of non-derivative financial liabilities.

i. Financial assets held to manage liquidity risk

Cathay United Bank and its subsidiaries holds highly marketable and diverse financial assets to meet payment obligations; assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets held to manage liquidity risk include cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at FVTPL, financial assets at FVTOCI, investments in debt instruments at amortized cost, discounts and loans, and securities purchased under resell agreements.

ii. Maturity analysis of non-derivative financial liabilities of Cathay United Bank.

The table below shows the analysis of the cash outflow of non-derivative financial liabilities on the number of days remaining from the balance sheet date until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

	June 30, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 50,943,546	\$ 38,724,080	\$ 37,844,675	\$ 48,051	\$ 127,560,352
Non-derivative financial liabilities at FVTPL	1,048,004	300,245	-	40,164,150	41,512,399
Notes and bonds sold under repurchase agreements	17,659,392	2,226,057	-	14,388,832	34,274,281
Payables	17,254,986	2,245,420	5,478,544	570,425	25,549,375
Deposits and remittances	503,226,806	1,572,869,247	1,169,449,939	148,313,379	3,393,859,371
Financial debentures payable	-	-	14,480,864	12,700,000	27,180,864
Lease liabilities	133,989	639,035	577,101	2,106,303	3,456,428
Other capital outflow at maturity	21,364,153	36,341,074	7,019,509	685,616	65,410,352

	December 31, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 26,294,815	\$ 24,698,838	\$ 29,836,399	\$ 33,136	\$ 80,863,188
Non-derivative financial liabilities at FVTPL	93,455	-	516,815	39,613,320	40,223,590
Notes and bonds sold under repurchase agreements	19,238,256	8,399,398	-	-	27,637,654
Payables	23,033,030	3,674,958	58,834	496,028	27,262,850
Deposits and remittances	509,020,050	1,238,894,551	1,259,165,792	149,088,303	3,156,168,696
Financial debentures payable	-	10,493,264	-	27,100,000	37,593,264
Lease liabilities	129,360	547,937	675,597	1,783,493	3,136,387
Other capital outflow at maturity	20,809,680	27,951,203	4,986,616	534,345	54,281,844

	June 30, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 27,542,383	\$ 27,494,037	\$ 24,937,824	\$ 244,944	\$ 80,219,188
Non-derivative financial liabilities at FVTPL	-	1,287,235	-	38,346,540	39,633,775
Notes and bonds sold under repurchase agreements	25,451,352	7,582,609	-	-	33,033,961
Payables	27,020,393	2,017,963	3,635,145	342,535	33,016,036
Deposits and remittances	497,647,642	1,209,148,738	1,105,580,782	162,926,374	2,975,303,536
Financial debentures payable	-	6,147,622	10,012,440	27,100,001	43,260,063
Lease liabilities	126,402	595,778	618,741	2,156,187	3,497,108
Other capital outflow at maturity	9,579,859	15,984,984	5,722,736	1,284,975	32,572,554

Additional information about the maturity analysis of lease liabilities:

	June 30, 2023	December 31, 2022	June 30, 2022
Less than 1 year	\$ 1,350,125	\$ 1,352,894	\$ 1,340,921
1-5 years	1,710,803	1,537,290	1,886,813
5-10 years	<u>395,500</u>	<u>246,203</u>	<u>269,374</u>
	<u>\$ 3,456,428</u>	<u>\$ 3,136,387</u>	<u>\$ 3,497,108</u>

iii. Maturity analysis of derivative financial liabilities

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

- i) Foreign exchange derivative instruments: Foreign exchange options, non-delivery forwards;
- ii) Interest rate derivative instruments: Swaptions, net settled interest rate swaps and other interest rate agreements.

The table below shows the net settled derivative financial instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. The analysis of contractual maturity dates illustrates all derivative financial instruments listed on the consolidated balance sheet. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheet. Maturity analysis of net settled derivative financial liabilities was as follows:

	June 30, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 425,215	\$ 21,784	\$ 22,195	\$ 86	\$ 469,280
Interest rate derivative instruments	22,973	784,719	2,512,204	27,075,338	30,395,234
	<u>\$ 448,188</u>	<u>\$ 806,503</u>	<u>\$ 2,534,399</u>	<u>\$ 27,075,424</u>	<u>\$ 30,864,514</u>
	December 31, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 141,905	\$ 10,164	\$ 6,939	\$ 145	\$ 159,153
Interest rate derivative instruments	123,831	1,014,294	656,157	28,009,413	29,803,695
	<u>\$ 265,736</u>	<u>\$ 1,024,458</u>	<u>\$ 663,096</u>	<u>\$ 28,009,558</u>	<u>\$ 29,962,848</u>
	June 30, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 9,345	\$ 13,751	\$ 8,433	\$ 42	\$ 31,571
Interest rate derivative instruments	<u>221,843</u>	<u>1,269,193</u>	<u>1,015,286</u>	<u>19,802,791</u>	<u>22,309,113</u>
	<u>\$ 231,188</u>	<u>\$ 1,282,944</u>	<u>\$ 1,023,719</u>	<u>\$ 19,802,833</u>	<u>\$ 22,340,684</u>

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

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

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

	June 30, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (5,112,161)	\$ (10,272,209)	\$ (2,551,744)	\$ (438,831)	\$ (18,374,945)
Cash inflow	6,676	12,497	4,953	-	24,126
Interest rate derivative instruments					
Cash outflow	(892,834)	(381,480)	(246,082)	(303,375)	(1,823,771)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(6,004,995)	(10,653,689)	(2,797,826)	(742,206)	(20,198,716)
Cash inflow subtotal	6,676	12,497	4,953	-	24,126
Net cash flow	<u>\$ (5,998,319)</u>	<u>\$ (10,641,192)</u>	<u>\$ (2,792,873)</u>	<u>\$ (742,206)</u>	<u>\$ (20,174,590)</u>
	December 31, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (8,726,496)	\$ (12,860,888)	\$ (1,873,183)	\$ (748,879)	\$ (24,209,446)
Cash inflow	1,799	17,705	2,131	-	21,635
Interest rate derivative instruments					
Cash outflow	(262,286)	(468,125)	(1,062,239)	(351,193)	(2,143,843)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(8,988,782)	(13,329,013)	(2,935,422)	(1,100,072)	(26,353,289)
Cash inflow subtotal	1,799	17,705	2,131	-	21,635
Net cash flow	<u>\$ (8,986,983)</u>	<u>\$ (13,311,308)</u>	<u>\$ (2,933,291)</u>	<u>\$ (1,100,072)</u>	<u>\$ (26,331,654)</u>
	June 30, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (5,527,906)	\$ (12,395,479)	\$ (6,452,981)	\$ (947,456)	\$ (25,323,822)
Cash inflow	11,336	8,286	7,388	-	27,010
Interest rate derivative instruments					
Cash outflow	(26,084)	(290,760)	(424,662)	(853,628)	(1,595,134)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(5,553,990)	(12,686,239)	(6,877,643)	(1,801,084)	(26,918,956)
Cash inflow subtotal	11,336	8,286	7,388	-	27,010
Net cash flow	<u>\$ (5,542,654)</u>	<u>\$ (12,677,953)</u>	<u>\$ (6,870,255)</u>	<u>\$ (1,801,084)</u>	<u>\$ (26,891,946)</u>

iv. Maturity analysis of off-balance sheet items

- i) Irrevocable commitments: Include Cathay United Bank's irrevocable loan commitments and credit card commitments.
- ii) Financial guarantee contracts: Cathay United Bank acts as a guarantor or an issuer of standby letter of credit.

Maturity analysis of off-balance sheet items is shown as follows:

	June 30, 2023			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 139,850,298	\$ 24,060,052	\$ 6,951,286	\$ 170,861,636
Credit card commitments	30,744,636	207,219,692	609,456,159	847,420,487
Financial guarantee contracts	21,134,294	5,626,877	41,317	26,802,488

	December 31, 2022			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 134,435,530	\$ 23,859,560	\$ 9,076,003	\$ 167,371,093
Credit card commitments	50,692,716	205,458,267	549,240,754	805,391,737
Financial guarantee contracts	21,216,584	5,225,513	41,208	26,483,305

	June 30, 2022			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 134,159,544	\$ 22,749,704	\$ 8,642,190	\$ 165,551,438
Credit card commitments	23,610,377	206,128,773	561,757,975	791,497,125
Financial guarantee contracts	19,849,511	5,880,681	27,328	25,757,520

3) Market risk

a) Source and definition of market risk

Market risk is the potential gain or loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and equity securities.

Cathay United Bank organized market risk management department and the committee of assets and liabilities management. The department and the committee periodically examine Cathay United Bank's structure of assets and liabilities; plan the pricing principle of deposit and loan and financing, and uses medium and long term funding schemes. While executing the market risk management, the market risk management department periodically provides the related information of management and reports to the authorized managers of Cathay United Bank for the management system, such as evaluating position, risk limit management, calculation of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

b) Market risk management strategy and process

Market risk management process

i. Identification and measurement

The operations department and risk management department of Cathay United Bank identify the market risk factors of risk exposure position, and measure the market risk. Market risk factors are the components that could have an impact on the value of financial instruments, such as interest rates, foreign exchange rates, equity securities price, etc., including position, gain and loss, stress testing, sensitivity (DV01, Delta, Vega, Gamma) and Value at Risk (VaR), etc., are used to measure the extent of investment portfolio loss that is influenced by market risk factors.

ii. Monitoring and reporting

The risk management department periodically reports the execution of market risk management targets, position and gain/loss control, sensitivity analysis, stress testing, and VaR of equity securities to the board of directors and helps the board of directors to fully understand the status of market risk management. Cathay United Bank also establishes a clear reporting process. Each transaction has requirements about limitations and stop-loss points. Once the transaction reaches its stop-loss limitation, corresponding measures will be implemented immediately. In special circumstances, the transaction department should document the response plan, report it to executive management for approval and report it to the board of directors regularly.

c) Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investments for the purpose of trading or the hedge on the trading book. Portfolio is held for trading for the purpose of earning profit from the bid-ask spread. Any positions aside from the above trading book will be in the banking book.

i. Strategy

In order to control market risk effectively and ensure flexibility in operating the transaction strategy, Cathay United Bank carries out various assessment and control procedures. The portfolio of trading book has the risk limit for each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

ii. Policy and procedure

Cathay United Bank sets the “Rules of Market Risk Management” as the important regulation that should be complied with when holding the trading portfolio.

iii. Valuation policy

If the financial instruments of trading book have market values, they should be evaluated at least once each day based on information from independent source and easily accessible sources. If the financial instruments are evaluated by a model, a mathematical model should be used prudently, and the assumptions and parameters of the valuation model should be regularly reviewed and examined.

iv. Method of measurement

- i) The assumptions and calculation method are described in the VaR section.
- ii) Cathay United Bank executes the stress testing monthly based on the following scenarios: The fluctuation of interest rate at 150bp, changes in domestic and foreign equity securities price at 15% and 20% respectively, foreign exchange rate at 5%, and reports to the risk management committee regularly.

d) Interest risk management of trading book

i. Definition of interest risk

Interest risk is the risk that the trading portfolios suffer losses or the fair value changes due to fluctuations in interest rates. The main instruments include the securities and derivatives that are related to interest rates.

ii. Interest risk management procedure of trading book

Cathay United Bank prudently chooses its investment target by studying the credibility and financial position of the securities issuers, and the sovereign risk and the trend of interest rates of the country. According to the operating strategy and the circumstances of the market, Cathay United Bank sets the transaction limit and stop-loss limit (including the limits of dealing room, traders, and investment, etc.) of the trading book that are reported to the executive management or the board of directors for approval.

iii. Method of measurement

- i) The assumptions and calculation method are described in the VaR section.
- ii) Cathay United Bank measures the investment portfolio's interest risk exposure with DV01 monthly.

e) Interest risk management of the banking book

The interest risk of banking book means that adverse changes in interest rates affect the value and cash flow of the banking book position, resulting in current or potential risks to Cathay United Bank's capital and earnings.

i. Strategy

Based on the principle of prudent operation and conservation, the first priority is on the diversification and stability of assets and liabilities, and then on safety and profitability, and Cathay United Bank and its subsidiaries should pay attention to risk diversification.

ii. Management procedure

Cathay United Bank and its subsidiaries have established interest risk indicators of banking book to control the banking book interest risk. If the indicators are abnormal, the possible offset treatment should be evaluated and reported to the Asset and Liability Management Committee to review the asset and liability structure and pricing principles, so as to reduce or control the adverse impact on earnings or net worth.

iii. Method of measurement

Measurement methods of banking book interest risk include repricing gap analysis, earnings viewpoint (ΔNII) analysis, and economic value viewpoint (ΔEVE) analysis. Cathay United Bank and its subsidiaries adopt appropriate measurement methods to manage banking book interest risk in accordance with local regulatory requirements or internal management needs.

f) Foreign exchange risk management

i. Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchange at different times. Cathay United Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option, etc. Cathay United Bank's foreign exchange transactions are implemented daily to offset clients' positions. Thus, Cathay United Bank is not exposed to significant foreign exchange risk.

ii. Policy, procedure and measurement method of foreign exchange risk management

In order to control foreign exchange risk, Cathay United Bank sets the limits of transaction and stop-loss limits for the dealing room and traders. Meanwhile, Cathay United Bank also sets the maximum annual loss limit to control the loss within the tolerable extent. Foreign exchange risk is controlled based on VaR. The assumption and calculation of VaR are described in the VaR section.

For foreign exchange risk, Cathay United Bank sets the scenario at 5% fluctuation of foreign exchange rates of major currencies to execute the stress testing quarterly, and reports to the risk management committee.

g) Risk management of equity securities price

i. Definition of risk of equity securities price

The market risk of equity securities held by Cathay United Bank includes the individual risk from the fluctuation of individual equity securities' market price and general market risk from the fluctuation of the overall price trend.

ii. Purpose of risk management of equity securities price

The purpose is to avoid the massive fluctuation of equity securities price that worsens Cathay United Bank's financial situation or earnings, as well as to raise the operating efficiency of capital and strengthen the business operation.

iii. Procedure of risk management of equity securities price

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

iv. Measurement method

The risk of equity securities price in trading book is mainly controlled by VaR.

h) Value-at-risk of the trading books

Value-at-risk (VaR) is Cathay United Bank's tool to control market risk. VaR is a statistical measure that assesses potential losses of financial instruments caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence. Cathay United Bank applies historical simulation with a statistical confidence of 99%. The following form indicates the VaR which is the estimation of potential amount of loss within one day. The statistical confidence of 99% represents the possible fluctuations that would be included in assumed adverse market changes. Based on the assumption, the VaR may exceed the amounts listed in 1 of 100 days due to the price changes in the market. The overall VaR in the market may be less than the aggregate VaR of individual market risk factors.

June 30, 2023				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 330,633	\$ 534,266	\$ 246,099	\$ 534,266
Foreign exchange	158,182	262,458	99,901	262,458
Equity securities price	120,707	262,298	61,215	218,808

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

June 30, 2022				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 212,008	\$ 292,247	\$ 148,778	\$ 270,680
Foreign exchange	115,337	209,293	65,675	209,293
Equity securities price	209,827	365,415	91,597	262,298

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

i) Market risk stress testing

The stress testing is used to measure the maximum loss of risk asset portfolio under the worst-case scenario. Cathay United Bank takes into consideration various types of risk factors for holding positions during market risk stress testing and the results will be reported to the executive management regularly.

Stress Testing				
Market/Product	Scenarios	June 30, 2023	December 31, 2022	June 30, 2022
Stock market	Domestic stock exchanges +15%	\$ 1,739,117	\$ 524,137	\$ 1,493,367
	Domestic stock exchanges -15%	(1,739,117)	(524,137)	(1,493,367)
	Overseas stock exchanges +20%	657,342	39,238	228,610
	Overseas exchanges -20%	(657,342)	(39,238)	(228,610)
Interest rate/bond market	Major interest rate +150bp	(3,181,237)	(2,596,593)	(3,358,203)
	Major interest rate -150bp	682,898	1,408,178	2,148,342
Foreign exchange market	Major currencies +5%	442,157	277,947	557,498
	Major currencies -5 %	(442,157)	(277,947)	(557,498)

Note: The information of stress testing is defined by market risk management.

j) Market risk sensitivity analysis

i. Interest rate risk

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivative portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting the portfolio. Cathay United Bank’s interest rate-sensitive portfolios include government bonds, corporate bonds, interest rate swaps, forward rate agreements and interest rate collars.

ii. Foreign exchange risk

Foreign exchange rate factor sensitivities (“FX delta”) represent the change of the foreign exchange portfolios (i.e., forward exchange transactions and currency swaps) caused by the underlying currency exchange rate fluctuation.

iii. Equity securities price risk

Equity securities price factor sensitivities (“Equity delta”) represent the change of the equity securities price portfolio caused by a parallel unit shift of 1% in the underlying stock prices fluctuation. Cathay United Bank’s equity portfolios include stocks and equity index options.

Risk Factors	Changes (+/-)	June 30, 2023	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency+ 1%	\$ 88,431	\$ -
	Exchange rate of each currency - 1%	(88,431)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift+1bp	(21,208)	-
	Yield curves parallel shift-1bp	4,553	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	17,731	131,078
	Equity securities price -1%	(17,731)	(131,078)

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

Risk Factors	Changes (+/-)	June 30, 2022	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency+ 1%	\$ 111,500	\$ -
	Exchange rate of each currency - 1%	(111,500)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift+1bp	(22,388)	-
	Yield curves parallel shift-1bp	14,322	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	301	110,687
	Equity securities price -1%	(301)	(110,687)

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

k) Effect of interest rate benchmark reform

Cathay United Bank is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. Therefore, when existing contracts and agreements that reference USD LIBOR transfer to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with Cathay United Bank’s counterparties are not successfully concluded before the cessation of USD LIBOR, the case will bring significant uncertainties to the future interest rate basis applied to financial instruments, and give rise to additional interest rate risk that was not anticipated when the contracts were entered into. If a hedged financial instrument and the related hedging derivative instruments are transited to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

Cathay United Bank established a USD LIBOR transition project plan to handle risk management policy changes, internal process adjustments, IT system updates and valuation model adjustments, as well as to manage any related tax and accounting issues in accordance with interest rate benchmark reform. As of June 30, 2023, changes in IT systems and internal processes have been identified and the conversion for most LIBOR derivative and non-derivative financial assets and financial liabilities were completed.

Cathay United Bank

The following table contains details of non-derivative financial instruments held by Cathay United Bank as of June 30, 2023 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets at FVTOCI	
Financial assets linked to USD LIBOR	<u>\$ 18,591,538</u>

Cathay Century and its subsidiaries

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

1) Market risk analysis

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

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

a) Value at Risk

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

b) Stress testing

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

Cathay Century and its subsidiaries conduct stress testing regularly on positions by simple sensitivity analysis test and scenario analysis. Such tests cover the losses on positions resulting from changes of various risk factors in various historical scenarios.

i. Simple sensitivity test

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

ii. Scenario analysis

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

i) Historical scenario

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

ii) Hypothetical scenario

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

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

Table of Stress Testing

Risk Factors	Changes (+/-)	June 30, 2023	December 31, 2022	June 30, 2022
Equity price risk (index)	-10%	\$ (785,327)	\$ (682,146)	\$ (871,175)
Interest rate risk (yield curve)	+20bps	(154,011)	(152,371)	(153,837)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(133,095)	(137,826)	(134,690)

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

Note 3: Information of subsidiaries is not disclosed due to immaterial effects to the consolidated financial statements.

- Foreign currency risk

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

- Price risk

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

- Sensitivity analysis

For the Six Months Ended June 30, 2023			
Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 29,844	\$ 4,909
	CNY appreciates 1%	676	-
	HKD appreciates 1%	924	552
	EUR appreciates 1%	482	114
	VND appreciates 1%	-	7,308
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,671)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(25)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(2,053)	(856)
	Equity securities price sensitivity	-	78,533
For the Year Ended December 31, 2022			
Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 30,462	\$ 4,978
	CNY appreciates 1%	667	-
	HKD appreciates 1%	912	545
	EUR appreciates 1%	492	117
	VND appreciates 1%	-	7,008
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,511)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(28)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(2,128)	(897)
Equity securities price sensitivity	Increases 1% in equity price	-	68,215

For the Six Months Ended June 30, 2022

Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 26,760	\$ 7,283
	CNY appreciates 1%	678	-
	HKD appreciates 1%	1,127	3,324
	EUR appreciates 1%	64	469
	VND appreciates 1%	-	6,719
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,472)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(32)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(2,201)	(944)
Equity securities price sensitivity	Increases 1% in equity price	-	87,117

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

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

Note 4: Information of subsidiaries is not disclosed due to immaterial effects to the consolidated financial statements.

2) Credit risk

a) Cathay Century and its subsidiaries' credit risk exposure of financial transactions include issuer credit risk, counterparty credit risk and credit risk of underlying assets.

- i. Issuer's credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
- iii. Credit risk of the underlying assets is the risk that Cathay Century and its subsidiaries may suffer losses due to deterioration of the credit quality, increase in credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Credit concentration risk analysis

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

June 30, 2023

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 9,466,290	\$ -	\$ -	\$ -	\$ 333,352	\$ 9,799,642
Financial assets at FVTPL	264,106	-	-	-	-	264,106
Financial assets at FVTOCI	685,967	-	-	-	-	685,967
Financial assets at amortized cost	3,077,751	-	963,600	4,053,084	1,820,130	9,914,565
Total	\$ 13,494,114	\$ -	\$ 963,600	\$ 4,053,084	\$ 2,153,482	\$ 20,664,280
Proportion	65.30%	-	4.67%	19.61%	10.42%	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%

June 30, 2022

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 20,135,119	\$ -	\$ -	\$ -	\$ 306,544	\$ 20,441,663
Financial assets at FVTPL	266,017	-	-	-	-	266,017
Financial assets at FVTOCI	694,203	-	-	-	-	694,203
Financial assets at amortized cost	2,669,092	-	1,389,016	3,349,224	1,719,993	9,127,325
Total	\$ 23,764,431	\$ -	\$ 1,389,016	\$ 3,349,224	\$ 2,026,537	\$ 30,529,208
Proportion	77.84%	-	4.55%	10.97%	6.64%	100.00%

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

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

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

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

- i. Quantitative factor: When contractual payments are more than 90 days past due, a default occurs and a financial asset is credit-impaired.
- ii. Qualitative factors: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
 - i) The issuers and borrowers have entered bankruptcy or are probable to enter bankruptcy or financial reorganization.
 - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
 - iii) The collaterals of the borrowers are seized provisionally or enforced.
 - iv) The borrowers claim for a change of credit conditions due to financial difficulties.
- iii. The above-mentioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by Cathay Century and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

e) Measurement of expected credit losses

- i. Methods and assumptions adopted

For financial instruments on which the credit risk has not increased significantly since initial recognition, Cathay Century and its subsidiaries measure 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, Cathay Century and its subsidiaries measure the loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, Cathay Century and its subsidiaries multiply exposure at default by the 12-month and lifetime probability of default of issuers, guarantee agencies or borrowers and loss given default. Cathay Century and its subsidiaries also 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 Cathay Century and its subsidiaries 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

Cathay Century and its subsidiaries 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 Cathay Century and its subsidiaries

June 30, 2023						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 685,967	\$ -	\$ -	\$ -	\$ -	\$ 685,967
Financial assets at amortized cost	9,918,578	-	-	-	(4,013)	9,914,565
December 31, 2022						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 685,847	\$ -	\$ -	\$ -	\$ -	\$ 685,847
Financial assets at amortized cost	9,956,466	-	-	-	(3,715)	9,952,751
June 30, 2022						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 694,203	\$ -	\$ -	\$ -	\$ -	\$ 694,203
Financial assets at amortized cost	9,131,127	-	-	-	(3,802)	9,127,325

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

ii. Secured loans of Cathay Century and its subsidiaries

June 30, 2023						
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 116,245	\$ -	\$ -	\$ -	\$ (1,564)	\$ 114,681

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

June 30, 2022						
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 178,291	\$ -	\$ -	\$ -	\$ (2,340)	\$ 175,951

g) Reconciliation for loss allowance is summarized below:

i. Debt instruments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2023	\$ 34	\$ -	\$ -	\$ -	\$ 34
Changes in models/risk parameters	13	-	-	-	13
June 30, 2023	<u>\$ 47</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2022	\$ 19	\$ -	\$ -	\$ -	\$ 19
Changes in models/risk parameters	10	-	-	-	10
June 30, 2022	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29</u>

ii. Financial assets at amortized cost

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2023	\$ 3,715	\$ -	\$ -	\$ -	\$ 3,715
Changes in models/risk parameters	298	-	-	-	298
June 30, 2023	<u>\$ 4,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,013</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2022	\$ 2,280	\$ -	\$ -	\$ -	\$ 2,280
Changes in models/risk parameters	<u>1,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,522</u>
June 30, 2022	<u>\$ 3,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,802</u>

iii. Secured loans

	12-month Expected Credit Losses	Lifetime Expected Credit Losses				Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9		
January 1, 2023	\$ 70	\$ -	\$ -	\$ -	\$ 70	\$ 1,814	\$ 1,884
Changes in models/risk parameters	24	-	-	-	24	-	24
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(344)</u>	<u>(344)</u>
June 30, 2023	<u>\$ 94</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94</u>	<u>\$ 1,470</u>	<u>\$ 1,564</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses				Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9		
January 1, 2022	\$ 43	\$ -	\$ -	\$ -	\$ 43	\$ 2,415	\$ 2,458
Changes in models/risk parameters	11	-	-	-	11	-	11
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129)</u>	<u>(129)</u>
June 30, 2022	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 2,286</u>	<u>\$ 2,340</u>

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

h) Exposure to credit risk and loss allowance of receivables

The measurement of the loss allowance of Cathay Century's notes receivable and premiums receivable, which are in the scope of the impairment requirements under IFRS 9, are based upon the lifetime expected credit losses under the simplified approach. Loss allowance measured by a provision matrix under a simplified approach is as follows:

June 30, 2023	Not Overdue	Overdue	Total
Carrying amount	\$ 2,799,466	\$ 442,475	\$ 3,241,941
Expected credit loss rate	1.03%	4.87%	
Lifetime expected credit losses	\$ 28,898	\$ 21,553	\$ 50,451

December 31, 2022	Not Overdue	Overdue	Total
Carrying amount	\$ 1,595,293	\$ 647,179	\$ 2,242,472
Expected credit loss rate	1.04%	8.05%	
Lifetime expected credit losses	\$ 16,578	\$ 52,077	\$ 68,655

June 30, 2022	Not Overdue	Overdue	Total
Carrying amount	\$ 2,603,074	\$ 663,750	\$ 3,266,824
Expected credit loss rate	1.04%	3.11%	
Lifetime expected credit losses	\$ 27,039	\$ 20,621	\$ 47,660

3) Liquidity risk

a) Sources of liquidity risk

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

b) Liquidity risk management

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

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

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

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

June 30, 2023

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 4,789,857	\$ 59,976	\$ 12,529	\$ 9,579	\$ 6,274
Lease liabilities	35,755	7,722	9,129	2,378	-
<u>Derivative financial liabilities</u>					
Swap	3,591,473	1,631,276	-	-	-

December 31, 2022

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,239,952	\$ 45,023	\$ 8,319	\$ 9,002	\$ 5,997
Lease liabilities	77,773	30,880	5,306	1,552	-
<u>Derivative financial liabilities</u>					
Swap	3,312,814	1,739,266	-	-	-

June 30, 2022

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 4,109,588	\$ 14,943	\$ 7,624	\$ 7,687	\$ 6,180
Lease liabilities	78,798	74,767	31,080	635	-
<u>Derivative financial liabilities</u>					
Swap	3,401,140	1,886,639	-	-	-

Cathay Securities and its subsidiaries

1) Risk management system

a) Risk management objectives

Adhering to the risk management policies of the Company, Cathay Securities and its subsidiaries manage the risks during its operating activities in compliance with domestic and foreign regulations as well as in an efficient and flexible manner to maximize the profit.

b) Risk management policies

Cathay Securities and its subsidiaries comply with the risk management policies as a guiding principle to establish significant risk management matters such as objectives, coverage, organization duties and operating, management principles and reports.

The management policies of Cathay Securities and its subsidiaries cover different types of risk including market risk, credit risk, operating risk, liquidity risk, capital adequacy management, regulation risk and other risks related to operating activities. Before initiating a business, Cathay Securities and its subsidiaries identify relevant risks and have integrated planning of risk management mechanism and methods to ensure that such business is compliant with the management policies.

c) Risk management organization

i. Board of directors

The board of directors takes the ultimate responsibilities for risk management. The board of directors approves the risk management policy, ensures that approved risk management policies are in accordance with the nature of operating activities and types of business and cover different types of risk and monitors the effective implementation of risk management policies.

ii. Risk management committee

The risk management committee is responsible for reviewing risk management policies, principles, and rules of trading transactions, and for determining the appropriate degree of risk exposure and monitoring the implementation of the risk management policies. The risk management committee is under the board of directors and the chairman of board of directors takes chair of the committee, and the members include the general manager, finance supervisor, accounting manager, risk management supervisor, and the relevant trading department supervisor. The committee meetings are typically held quarterly and provisional meetings are called by the chairman of the board.

iii. Risk management department

The risk management department is under the board of directors. The supervisor and staff of the department are prohibited from holding positions at the trading or settlement department. Their responsibilities are to plan and implement risk management policies, principles and directions, review policies regularly to ensure that those policies are suitable for business development. The risk management department also establishes online monitoring and prevention systems and reaction mechanisms, according to the development of Cathay Securities and its subsidiaries.

iv. Business unit

Each business unit participates in the setting of the risk management mechanism and executes daily risk management and reporting to ensure that the risk model used by the business unit is implemented with the consistent credibility and is in accordance with the internal control procedures to comply with the regulations and risk management policies.

v. Auditing office

The auditing office executes risk management and internal control procedures regularly, and traces and documents findings and deviations of internal control procedures periodically to ensure that the appropriate actions of improvement have been taken in time.

vi. Finance department

The finance department participates in the setting of the risk management mechanism. The department is responsible for executing liquidity risk management and providing the liquidity risk report to the risk management department regularly.

vii. Accounting department

The accounting department participates in the setting of the risk management mechanism and provides the form of capital adequacy to the risk management department monthly.

viii. Legal affairs office

The legal affairs office executes legal risk management to ensure that business operations and risk management procedures are all in compliance with the regulations.

d) Risk management workflows

Risk management workflow for Cathay Securities and its subsidiaries includes risk identification, risk measurement, risk management mechanism, and risk reporting. Risk assessment and response strategies to each risk are addressed as follows:

i. Market risk

i) Definition

Market risk is the risk of losses in Cathay Securities and its subsidiaries' investment positions, including shares, bonds, and derivatives etc. arising from changes in the market prices of financial instruments.

ii) Controls

Cathay Securities and its subsidiaries set up rules of trading transactions including the limits of authorization, risk limitation, stop-loss rules, and responses to the exceeded limits by each product or service line and implement those control procedures efficiently through the front desk risk control staff and on-line monitoring system. Furthermore, Cathay Securities and its subsidiaries provide the market risk management report regularly that includes market price assessments, the dollar amounts of surplus/shortfall and arbitrage, Value at Risk, and back-testing model and perform stress testing by each extreme scenario to control the risks that Cathay Securities and its subsidiaries face and manage all risks as a whole efficiently.

ii. Credit risk

i) Definition

Credit risk is the risk of loss incurred by Cathay Securities and its subsidiaries as a result of a counterparty or debtor not being able to perform its contract obligations due to deterioration of financial conditions or other factors.

ii) Controls

Cathay Securities and its subsidiaries check and review the credit position of each counterparty before trading and manage risk exposure after trading. Risks arising from securities trading are monitored and controlled based on the credit rating model. Investment concentration and risks are analyzed and documented regularly. Investment limit to each counterparty is established by its credit rating (TCRI, Taiwan Ratings, S&P, Moody's, and Fitch). In addition, the customers covered by the high-risk range of self-managed credit integrity and the credit balance of the underlying account for a certain percentage of the market credit balance are regularly reviewed and the credit risk emergency notification mechanism for the Company is established.

iii. Operational risk

i) Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategy risk and credit risk.

ii) Controls

Cathay Securities and its subsidiaries establish authority levels and the segregation of duties for the processes of front, middle and back offices. Trading, confirmation, settlement, financial accounting, and trading documents are archived for future reference. The strict processes are also established to prevent fraud and negligence. Cathay Securities and its subsidiaries request each department to establish and implement internal audit and control policies authentically. The reporting mechanism for loss events from operational risk and database are established to understand the causes of the loss.

In addition, the auditing office is established under the board of directors. The functions of the office are to implement daily process checks to establish completed internal audit control and provide internal review reports periodically to lower the loss arising from the operational failures.

iv. Liquidity risk

i) Definition

Fund liquidity refers to Cathay Securities and its subsidiaries' acquisition of funds to maintain its needed flexibility to support asset growth or to repay liabilities; market liquidity refers to the managing and avoidance of risk of loss resulting from significant changes in the market price of held positions due to the lack of market depth or market disruption.

ii) Controls

The measurement index for liquidity risk is established and Cathay Securities and its subsidiaries compile the liquidity risk management report regularly to review the capital conditions and cash flow gap as of the balance sheet date and liquidity of overall foreign currency. Capital allocation planning is based on the compiled structure analysis as of the balance sheet date. In addition, capital liquidity simulation operations are regularly conducted to ensure that there are corresponding contingency measures in the extreme situations which can cover the funding gap. Meanwhile, credit lines of short-term financing are acquired from other financial institutions and receipts and payments are managed properly to sustain appropriate liquidity and ensure payment ability. Investment business units should conduct market liquidity risk control when buying in accordance with market liquidity management index.

v. Legal risk

i) Definition

Legal risk is the risk of loss that results from a counterparty being unable to legally enter into a contract due to the contract or eligibility of the counterparty being defective.

ii) Controls

The procedures of making and reviewing legal documentation are established. All the documents related to the contracts are required to be reviewed and approved by the legal office and may be reviewed with reference to external lawyers' opinions if needed.

vi. Capital adequacy management

i) Definition

Cathay Securities and its subsidiaries implement capital management to maintain an appropriate capital adequacy ratio, promote business growth and ensure a robust capital structure.

ii) Controls

Cathay Securities established the capital adequacy index and compiles the capital adequacy management report regularly to evaluate the appropriateness of the capital adequacy ratio and the robustness of the capital structure.

vii. Reputation risk and strategy risk

i) Definition

Reputation risk is the risk of loss resulting from negative aspects of Cathay Securities and its subsidiaries' operations, leading to the loss of customers or revenue, and the need for Cathay Securities and its subsidiaries to bear large amounts of legal fees or other losses from damages. Strategy risk is another risk of current or potential loss to revenue or capital resulting from a strategy that turns out to be defective or inappropriate, or lack of proper responses to the competitors.

ii) Controls

In response to significant events related to reputation and strategy risk, Cathay Securities and its subsidiaries establish internal regulations to mitigate the risk of losses when significant events occur.

Risk management policies and principles are established based on the above-mentioned risks and management mechanisms from each risk source are set out specifically. Cathay Securities and its subsidiaries also establish the constraints for each risk and review the appropriateness of each constraint regularly. Moreover, the risk management implementation reports are reported to the risk management committee, board of directors, and risk management office of Cathay Securities and its subsidiaries every half year to assess risk tolerance and the appropriateness of the current risk management scheme.

e) Hedging and mitigation of risk strategies

The hedging and mitigation risk strategies for Cathay Securities and its subsidiaries refer to the implementation of dynamic hedging through the purchase and sale of target investment products to duplicate the same cash flows when derivatives mature. The hedging for outstanding stock warrants and structured products is based on the principle of Delta Neutral. If the prices of those investment positions fluctuate significantly in the financial markets, when the regulations for hedging operations are breached due to the impact from significant events, or when the risk personnel's implementation of hedging strategies are in violation of the regulations of hedging operations, the business department is required to explain in writing, report to the risk management department and be approved by general manager.

Cathay Securities and its subsidiaries establish the approval limit and stop-loss mechanism based on the attributes of each product. When the position meets the stop-loss point, the risk management department will inform the supervisor or position administrator in time and monitor the change in the position. In addition, the business department should operate in accordance with the approval limits. If the stop-loss point is met, the investment should be sold or the business department is required to provide an exception report detailing the reason and specific response measures.

2) Market risk analysis

Cathay Securities and its subsidiaries assess, monitor, and manage market risks completely and effectively by applying market risk management tools such as sensitivity analysis, Value at Risk ("VaR") and stress testing continuously.

a) Sensitivity analysis

Sensitivity analysis is used to measure the degree of impact on each product and investment portfolio due to fluctuations in specific market factors. The relevant monitoring and control regulations are set based on the differences in the types of risk and business attributes of Cathay Securities and its subsidiaries. The degree of risk exposure is monitored and measured by the following sensitivities:

i. Measurement based on interest factors

Price value of basis point (PVBP): Denoting the change in the value of a position given a 1 basis point change in the yield curve.

ii. Measurement based on commodity factors

i) Delta: Measuring the change in the value of a position given a 1% price change of a certain underlying asset.

ii) Gamma: Measuring the dollar amount of change in Delta of a position given a 1% price change of a certain underlying asset.

iii) Vega: Denoting the change in the value of a position given a 1% price volatility change of a certain underlying asset.

b) VaR

VaR is used to measure the risk of the largest potential loss of the investment portfolio arising from movements in market risk factors over a specific time frame and at a certain confidence level. Cathay Securities and its subsidiaries currently measure the VaR of an investment portfolio for the next day at a 99% confidence level. Also, back testing of the VaR model is performed each year to ensure the accuracy of this model.

VaR on one single trading day within the 99% confidence level

For the Six Months Ended June 30, 2023				
	Average	Highest	Lowest	End of Period
VaR	\$ 51,607	\$ 84,867	\$ 37,782	\$ 53,853
For the Six Months Ended June 30, 2022				
	Average	Highest	Lowest	End of Period
VaR	\$ 26,318	\$ 39,680	\$ 16,985	\$ 16,985

c) Stress testing

Cathay Securities and its subsidiaries perform stress testing on a monthly basis to assess the degree of impact on the asset portfolio arising from foreign and domestic significant events, find the risk factors which exert greater significant influence on the asset portfolio, follow up review and report such factors according to the market conditions and customized or extreme scenarios which are performed periodically by taking rapid changes in foreign and domestic financial environments into consideration, and the maximum losses arising from these scenarios are measured to ensure that Cathay Securities and its subsidiaries manage the risk from each potential scenario effectively.

Stress testing scenarios, which include the historical scenario and hypothesis scenario, are described as follows:

i. Historical Scenario

Cathay Securities and its subsidiaries assess the dollar amount of losses for the investment portfolio by choosing a specific time frame of historical events and taking the fluctuations of risk factors into the consideration such as the immediate, significant, and comprehensive impact on financial markets from the bankruptcy of Lehman Brothers in 2008 and the Great East Japan earthquake in 2011.

ii. Hypothesis Scenario

Cathay Securities and its subsidiaries make reasonable expected hypotheses on possible future extreme market fluctuations, include movements of the related risk factors in the current investment portfolio, and measure the loss amount generated from such events on the investment position, including the 10% drop in the total stock market value arising from the breakdown of the global system.

For the Six Months Ended June 30, 2023
Stress Test Table

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (189,676)
Interest rate risk (yield curve)	+50bps	(183,928)
Exchange rate risk (exchange rate)	3%	(5,551)
Product risk (price)	-10%	(23)

For the Six Months Ended June 30, 2022
Stress Test Table

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (216,029)
Interest rate risk (yield curve)	+50bps	(45,199)
Exchange rate risk (exchange rate)	3%	2,949
Product risk (price)	-10%	-

3) Credit risk

a) Source of credit risk

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

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

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

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

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

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

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

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

d) Measurement of expected credit losses

- i. Methods and assumptions adopted

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

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

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

ii. Consideration of forward-looking information

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

e) Loss allowance of accounts receivable

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

	Debt Instrument Investments	Receivables	Other Receivables	Overdue Receivables	Securities Financing Receivables	Security Lending Receivables	Futures Trading Margins Receivables	Total
Balance at January 1, 2023	\$ 2,784	\$ 190	\$ 23	\$ 5,784	\$ 294	\$ 80	\$ 74	\$ 9,229
Increase (decrease)	2,587	100	36	510	43	19	-	3,295
Recoveries of credits written of	-	-	-	47	-	-	-	47
Balance at June 30, 2023	<u>\$ 5,371</u>	<u>\$ 290</u>	<u>\$ 59</u>	<u>\$ 6,341</u>	<u>\$ 337</u>	<u>\$ 99</u>	<u>\$ 74</u>	<u>\$ 12,571</u>
Balance at January 1, 2022	\$ 342	\$ 378	\$ 18	\$ 3,747	\$ 646	\$ 81	\$ 74	\$ 5,286
Increase (decrease)	945	(173)	8	1,161	(300)	7	-	1,648
Recoveries of credits written of	-	-	-	90	-	-	-	90
Balance at June 30, 2022	<u>\$ 1,287</u>	<u>\$ 205</u>	<u>\$ 26</u>	<u>\$ 4,998</u>	<u>\$ 346</u>	<u>\$ 88</u>	<u>\$ 74</u>	<u>\$ 7,024</u>

4) Capital liquidity risk analysis:

Bank loans are important liquidity resource for Cathay Securities and its subsidiaries. As of June 30, 2023, December 31, 2022 and June 30, 2022, the unused credits of short-term bank loans of Cathay Securities and its subsidiaries amounted to \$9,065,902 thousand, \$9,173,021 thousand and \$7,853,978 thousand, respectively.

a) Cash flow analysis

Capital liquidity risk is the risk that Cathay Securities and its subsidiaries are unable to acquire sufficient capital at a reasonable cost within a reasonable time frame and which results in a cash flow gap, or the risk that Cathay Securities and its subsidiaries sell assets at a loss to meet the cash flow requirements.

June 30, 2023

Cash Flows Analysis of Financial Liabilities

	Payment Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial liabilities</u>					
Short-term borrowings	\$ 532,307	\$ -	\$ -	\$ -	\$ 532,307
Commercial paper payable	7,776,512	-	-	-	7,776,512
Financial liabilities at FVTPL	873,366	3,479	-	-	876,845
Liabilities for bonds with repurchase agreements	6,298,219	-	-	-	6,298,219
Short sale margins and payables for short sale collateral received	116,629	233,258	349,887	1,399,539	2,099,313
Securities lending margin - deposit received	2,737	5,474	8,211	32,838	49,260
Futures trader's equity	11,099,503	-	-	-	11,099,503
Accounts payable	35,554,386	-	8,847	1,769,304	37,332,537
Other financial liabilities	148,866	-	-	-	148,866
Lease liabilities	7,518	15,060	20,415	38,886	81,879
Others	<u>283,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,241</u>
Total	<u>\$ 62,693,284</u>	<u>\$ 257,271</u>	<u>\$ 387,360</u>	<u>\$ 3,240,567</u>	<u>\$ 66,578,482</u>
% to the total	<u>94.16%</u>	<u>0.39%</u>	<u>0.58%</u>	<u>4.87%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

June 30, 2023

Cash Flow Gap

	Fund Receipt Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial assets</u>					
Cash and cash equivalents	\$ 2,691,419	\$ -	\$ -	\$ -	\$ 2,691,419
Financial assets at FVTPL					
Securities lending	69,208	-	-	-	69,208
Operation securities	6,662,823	-	-	-	6,662,823
Open-end funds and beneficiary certificates	51,412	-	-	-	51,412
Futures trading margin	441,776	-	-	-	441,776
Structured products	359	-	-	-	359
Financial assets at FVTOCI - current	6,681,403	-	-	-	6,681,403
Securities financing receivables	555,637	1,097,346	1,646,019	6,584,068	9,883,070
Refinancing margin and refinancing deposits receivable	312	624	936	3,740	5,612
Security lending receivable	162,147	324,294	486,441	-	972,882
Customer's margin accounts	11,122,210	-	-	-	11,122,210
Security lending deposits price and security lending margin deposits paid	84,432	168,864	253,296	1,013,187	1,519,779
Receivables	34,708,918	-	-	72,081	34,780,999
Others	<u>1,102,260</u>	<u>-</u>	<u>-</u>	<u>1,302,800</u>	<u>2,405,060</u>
	<u>64,334,316</u>	<u>1,591,128</u>	<u>2,386,692</u>	<u>8,975,876</u>	<u>77,288,012</u>
Residual cash	<u>\$ 1,641,032</u>	<u>\$ 1,333,857</u>	<u>\$ 1,999,332</u>	<u>\$ 5,735,309</u>	<u>\$ 10,709,530</u>

December 31, 2022

Cash Flows Analysis of Financial Liabilities

	Payment Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial liabilities</u>					
Short-term borrowings	\$ 733,178	\$ -	\$ -	\$ -	\$ 733,178
Financial liabilities at FVTPL	1,202,232	647	-	-	1,202,879
Liabilities for bonds with repurchase agreements	3,991,622	-	-	-	3,991,622
Short sale margins and payables for short sale collateral received	236,338	472,676	709,014	2,836,062	4,254,090
Securities lending margin - deposit received	566	1,132	1,698	6,800	10,196
Futures trader's equity	14,121,660	-	-	-	14,121,660
Accounts payable	11,777,015	-	196,410	571,367	12,544,792
Other financial liabilities	25,157	-	-	-	25,157
Lease liabilities	7,509	15,241	20,926	37,875	81,551
Others	<u>1,036,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,036,595</u>
Total	<u>\$ 33,131,872</u>	<u>\$ 489,696</u>	<u>\$ 928,048</u>	<u>\$ 3,452,104</u>	<u>\$ 38,001,720</u>
% to the total	87.19%	1.29%	2.44%	9.08%	100%

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

December 31, 2022

Cash Flow Gap

	Fund Receipt Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial assets</u>					
Cash and cash equivalents	\$ 3,207,478	\$ -	\$ -	\$ -	\$ 3,207,478
Financial assets at FVTPL					
Securities lending	14,250	-	-	-	14,250
Operation securities	2,323,599	-	-	-	2,323,599
Open-end funds and beneficiary certificates	1,653,645	-	-	-	1,653,645
Futures trading margin	159,636	-	-	-	159,636
Structured products	159	-	-	-	159
Financial assets at FVTOCI - current	4,021,487	-	-	-	4,021,487
Securities financing receivables	376,847	740,404	1,110,606	4,442,419	6,670,276
Refinancing margin and refinancing deposits receivable	2,873	5,746	8,619	34,480	51,718
Security lending receivable	132,946	265,892	398,836	-	797,674
Customer's margin accounts	14,143,696	-	-	-	14,143,696
Security lending deposits price and security lending margin deposits paid	85,267	170,534	255,801	1,023,198	1,534,800
Receivables	11,054,636	-	-	44,491	11,099,127
Others	1,455,722	1,463	2,195	1,255,491	2,714,871
	<u>38,632,241</u>	<u>1,184,039</u>	<u>1,776,057</u>	<u>6,800,079</u>	<u>48,392,416</u>
Residual cash	\$ 5,500,369	\$ 694,343	\$ 848,009	\$ 3,347,975	\$ 10,390,696

June 30, 2022

Cash Flows Analysis of Financial Liabilities

	Payment Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial liabilities</u>					
Short-term borrowings	\$ 679,975	\$ -	\$ -	\$ -	\$ 679,975
Commercial paper payable	749,761	-	-	-	749,761
Financial liabilities at FVTPL	3,703,131	-	-	-	3,703,131
Liabilities for bonds with repurchase agreements	3,016,234	-	-	-	3,016,234
Short sale margins and payables for short sale collateral received	145,712	291,424	437,136	1,748,539	2,622,811
Securities lending margin - deposit received	3,890	7,780	11,670	46,680	70,020
Futures trader's equity	11,482,075	-	-	-	11,482,075
Accounts payable	16,073,035	-	53,968	947,768	17,074,771
Other financial liabilities	60,985	-	-	-	60,985
Lease liabilities	7,300	14,624	22,069	42,321	86,314
Others	<u>137,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,322</u>
Total	<u>\$ 36,059,420</u>	<u>\$ 313,828</u>	<u>\$ 524,843</u>	<u>\$ 2,785,308</u>	<u>\$ 39,683,399</u>
% to the total	<u>90.87%</u>	<u>0.79%</u>	<u>1.32%</u>	<u>7.02%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

June 30, 2022

Cash Flow Gap

	Fund Receipt Period				
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	Total
<u>Financial assets</u>					
Cash and cash equivalents	\$ 3,185,784	\$ -	\$ -	\$ -	\$ 3,185,784
Financial assets at FVTPL					
Securities lending	239,137	-	-	-	239,137
Operation securities	1,817,145	-	-	-	1,817,145
Open-end funds and beneficiary certificates	50,763	-	-	-	50,763
Futures trading margin	511,907	-	-	-	511,907
Structured products	1,730	-	-	-	1,730
Financial assets at FVTOCI - current	2,973,299	-	-	-	2,973,299
Securities financing receivables	453,805	895,208	1,342,812	5,371,254	8,063,079
Refinancing margin and refinancing deposits receivable	563	1,126	1,689	6,758	10,136
Security lending receivable	148,216	296,432	444,647	-	889,295
Customer's margin accounts	11,488,387	-	-	-	11,488,387
Security lending deposits price and security lending margin deposits paid	116,800	233,600	350,400	1,401,606	2,102,406
Receivables	16,321,846	-	-	19,397	16,341,243
Others	534,045	138	207	1,209,069	1,743,459
	<u>37,843,427</u>	<u>1,426,504</u>	<u>2,139,755</u>	<u>8,008,084</u>	<u>49,417,770</u>
Residual cash	\$ 1,784,007	\$ 1,112,676	\$ 1,614,912	\$ 5,222,776	\$ 9,734,371

b) Capital liquidity risk stress testing

Cathay Securities and its subsidiaries perform stress testing regularly to measure and evaluate the changes of capital liquidity under extreme and abnormal events to ensure that Cathay Securities and its subsidiaries maintain capital liquidity. Stress scenarios include significant fluctuations in the financial markets, the occurrence of various credit events, the unexpected tightening of capital liquidity in the financial markets and other assumptions that may cause financial liquidity stress, and are used to measure Cathay Securities and its subsidiaries' abilities to meet the demand for cash and the changes in cash flow gap.

If the cash flow gap arises under the specific stress scenario, the following procedures are performed to prevent the occurrence of the stress events:

- i. Cathay Securities and its subsidiaries make fund raising and balance sheet adjustments in accordance with the Crisis Management Principles and Regulations of Emergency Management.
- ii. Financing: (i) short-term loan credit line (ii) collateralized time deposits (iii) issuance of commercial paper
- iii. Balance sheet adjustments: (i) sale of securities (ii) recovery of short-term capital invested in the currency market.

j. Structured entities

1) Consolidated structured entities

The consolidated structured entities in Cathay Life and its subsidiaries consolidated financial statements are the real estate investments and management organizations. As of June 30, 2023, December 31, 2022 and June 30, 2022, Cathay Life and its subsidiaries all provided loans amounting to GBP331,300 thousand as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

Cathay Life and its subsidiaries

- a) Cathay Life and its subsidiaries hold interests in structured entities which are not consolidated in Cathay Life and its subsidiaries' consolidated financial statements and Cathay Life and its subsidiaries do not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by Cathay Life and its subsidiaries. The information of these unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Private equity fund	Investment in private equity funds issued by external third parties to receive returns	Investment in units or limited partnership interests issued by the funds
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entities

- b) As of June 30, 2023, December 31, 2022 and June 30, 2022, the carrying amounts of Cathay Life and its subsidiaries' assets related to its interests in unconsolidated structured entities are disclosed as follows:

	<u>June 30, 2023</u>	
	<u>Private Equity Funds</u>	<u>Asset-backed Securities</u>
Financial assets at FVTPL	\$ 194,524,189	\$ 27,485,164
Financial assets at FVTOCI	-	43,090,378
Debt instruments at amortized cost	-	167,259,091
	<u>\$ 194,524,189</u>	<u>\$ 237,834,633</u>

	December 31, 2022	
	Private Equity Funds	Asset-backed Securities
Financial assets at FVTPL	\$ 202,700,255	\$ 30,603,875
Financial assets at FVTOCI	-	36,131,806
Debt instruments at amortized cost	<u>-</u>	<u>160,118,682</u>
	<u>\$ 202,700,255</u>	<u>\$ 226,854,363</u>

	June 30, 2022	
	Private Equity Funds	Asset-backed Securities
Financial assets at FVTPL	\$ 202,467,748	\$ 33,182,668
Financial assets at FVTOCI	-	62,045,179
Financial assets at amortized cost	<u>-</u>	<u>117,966,181</u>
	<u>\$ 202,467,748</u>	<u>\$ 213,194,028</u>

Cathay United Bank and its subsidiaries

- a) Cathay United Bank and its subsidiaries do not provide financial support or other support to the unconsolidated structured entities. Cathay United Bank and its subsidiaries' maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets Cathay United Bank and its subsidiaries recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entity

- b) As of June 30, 2023, December 31, 2022 and June 30, 2022, the carrying amounts of assets recognized by Cathay United Bank and its subsidiaries' asset relating to its interests in unconsolidated structured entities are disclosed as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets at FVTOCI	\$ 14,241,081	\$ 7,052,947	\$ 8,237,689
Debt instruments at amortized cost	<u>67,001,223</u>	<u>64,589,746</u>	<u>60,342,507</u>
	<u>\$ 81,242,304</u>	<u>\$ 71,642,693</u>	<u>\$ 68,580,196</u>

Cathay Century and its subsidiaries

- a) Cathay Century and its subsidiaries does not provide financial support or other support to the unconsolidated structured entities. Cathay Century and its subsidiaries' maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets recognized by Cathay Century and its subsidiaries. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entity

- b) As of June 30, 2023, December 31, 2022 and June 30, 2022, the carrying amounts of assets recognized by Cathay Century and its subsidiaries relating to its interests in unconsolidated structured entities are disclosed as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets at FVTPL	\$ 332,566	\$ 343,499	\$ 367,874
Debt instruments at amortized cost	<u>322,659</u>	<u>324,346</u>	<u>323,488</u>
	<u>\$ 655,225</u>	<u>\$ 667,845</u>	<u>\$ 691,362</u>

37. CAPITAL MANAGEMENT

The Group's capital adequacy ratios meet the statutory requirements currently. Under the pretext that the Group meets the statutory capital adequacy requirements, dynamic capital management mechanism is utilized to increase the capital efficiency of the subsidiaries. After reallocation of capital, the subsidiaries' capabilities of risk-taking are not affected due to lower level of retained core capital. Accordingly, the Company conducts overall planning based on the status of the subsidiaries' capital in order to improve the capital efficiency of the Group.

- a. Capital adequacy ratio of the Group

	June 30, 2023		
Item	Shareholding Proportion of the Company	Eligible Capital	Statutory Capital Requirements
The Company	100.00%	\$ 706,867,682	\$ 859,640,340
Cathay United Bank	100.00%	306,763,854	216,077,503
Cathay Securities	100.00%	10,610,657	3,635,729
Cathay Life	100.00%	680,178,948	436,650,486
Cathay Century	100.00%	13,202,652	7,444,660
Cathay Venture	75.00%	4,952,959	2,543,065
Cathay Securities Investment Trust	100.00%	3,292,782	2,771,404
Less: Deduction items		<u>(886,134,308)</u>	<u>(850,952,463)</u>
		<u>\$ 839,735,226</u>	<u>\$ 677,810,724</u>
Capital adequacy ratio of the Group			123.89%

June 30, 2022			
Item	Shareholding Proportion of the Company	Eligible Capital	Statutory Capital Requirements
The Company	100.00%	\$ 439,449,431	\$ 579,952,098
Cathay United Bank	100.00%	277,520,007	195,922,068
Cathay Securities	100.00%	9,799,341	2,454,093
Cathay Life	100.00%	706,351,234	419,429,210
Cathay Century	100.00%	19,824,079	8,809,998
Cathay Venture	75.00%	4,566,254	2,294,540
Cathay Securities Investment Trust	100.00%	3,149,007	2,037,261
Less: Deduction items		<u>(615,564,002)</u>	<u>(577,498,514)</u>
		<u>\$ 845,095,351</u>	<u>\$ 633,400,754</u>
Capital adequacy ratio of the Group			133.42%

b. Eligible capital

Item	June 30, 2023 Amount
Ordinary shares	\$ 146,692,102
Non-cumulative perpetual preferred stock and non-cumulative subordinated debt without maturity dates - qualifying as bank-level Tier I Capital	15,333,000
Other preferred stock and subordinated financial debentures	-
Capital received in advance	-
Capital surplus	202,184,316
Legal reserve	72,994,637
Special reserve	378,461,911
Retained earnings	32,223,490
Equity adjustments	(140,685,484)
Less: Goodwill and other intangible assets	-
Less: Deferred assets	(336,290)
Less: Treasury stock	<u>-</u>
Total eligible capital	<u>\$ 706,867,682</u>

Item	<u>June 30, 2022</u> Amount
Ordinary shares	\$ 131,692,102
Non-cumulative perpetual preferred stock and non-cumulative subordinated debt without maturity dates - qualifying as bank-level Tier I Capital	15,333,000
Other preferred stock and subordinated financial debentures	-
Capital received in advance	-
Capital surplus	177,122,144
Legal reserve	73,747,059
Special reserve	150,768,651
Retained earnings	249,982,416
Equity adjustments	(359,066,334)
Less: Goodwill and other intangible assets	-
Less: Deferred assets	(129,607)
Less: Treasury stock	<u>-</u>
Total eligible capital	<u>\$ 439,449,431</u>

38. BUSINESS COMBINATIONS-SUBSIDIARIES ACQUIRED

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Cathay Power Inc. and its subsidiaries	Energy technical services	November 25, 2022	70.0	<u>\$ 982,162</u>
Chen Fong Power Co., Ltd.	Energy technical services and power of machinery manufacturing generation, transmission, and distribution	December 28, 2022	100.0	<u>\$ 31,000</u>
Pearlmark and its subsidiaries	Real estate investment and management	March 28, 2023	55.5	<u>\$ 167,096</u>

Cathay Life held 45% equity shares of Cathay Power, which were recognized as investments accounted for using the equity method. On November 25, 2022, Cathay Life acquired a further part of equity shares, which increased its ownership interest from 45% to 70%, and obtained the controls of Cathay Power and its subsidiaries.

On December 28, 2022, CM Energy acquired 100% of Chen Fong Power shares for \$31,000 thousand in cash.

On March 28, 2023, C&C acquired 55.5% of Pearlmark shares in cash and obtained the control of Pearlmark and its subsidiaries.

b. Assets acquired and liabilities assumed at the date of acquisition

	Cathay Power Inc. and Its Subsidiaries	Chen Fong Power Co., Ltd.	Pearlmark and Its Subsidiaries
Assets			
Cash and cash equivalents	\$ 583,406	\$ 13,798	\$ 3,167
Receivables	172,852	-	-
Property and equipment	9,860,540	-	1,362
Right-of-use assets	639,514	-	-
Intangible assets	3,799	-	-
Investments accounted for using the equity method	18,790	-	-
Other	1,578,044	16,536	53,609
Liabilities			
Payables	(372,242)	(295)	-
Notes payable	(187,190)	-	-
Lease liabilities	(655,651)	-	-
Other financial liabilities	(7,348,409)	-	-
Other	<u>(83,534)</u>	<u>-</u>	<u>(41,435)</u>
	<u>\$ 4,209,919</u>	<u>\$ 30,039</u>	<u>\$ 16,703</u>

c. Non-controlling interests

The non-controlling interest recognized at the acquisition date was measured by reference to the proportionate share of the identifiable net assets.

d. Goodwill recognized on acquisitions

	Cathay Power Inc. and Its Subsidiaries	Chen Fong Power Co., Ltd.	Pearlmark and Its Subsidiaries
Consideration transferred	\$ 982,162	\$ 31,000	\$ 167,096
Plus: Non-controlling interests	1,505,676	-	7,433
Plus: Fair value of the Group original equity interest at the date of acquisition	<u>2,240,700</u>	<u>-</u>	<u>-</u>
	4,728,538	31,000	174,529
Less: Fair value of identifiable net assets acquired	<u>(4,209,919)</u>	<u>(30,039)</u>	<u>(16,703)</u>
Goodwill recognized on acquisitions	<u>\$ 518,619</u>	<u>\$ 961</u>	<u>\$ 157,826</u>

The goodwill recognized in the acquisition of Cathay Power and its subsidiaries, Chen Feng Power, and Pearlmark and its subsidiaries mainly represents the control premium. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

- e. Net cash outflow on the acquisition of subsidiaries

	Cathay Power Inc. and Its Subsidiaries	Chen Fong Power Co., Ltd.	Pearlmark and Its Subsidiaries
Consideration paid in cash	\$ 982,162	\$ 31,000	\$ 167,096
Less: Cash and cash equivalent balances acquired	<u>(583,406)</u>	<u>(13,798)</u>	<u>(3,167)</u>
	<u>\$ 398,756</u>	<u>\$ 17,202</u>	<u>\$ 163,929</u>

- f. Impact of acquisitions on the results of the Group

The acquisition dates of the financial performances of acquirees, which are included in the consolidated financial statements, do not have a significant impact on the Group.

39. DISPOSAL OF SUBSIDIARIES

CM Energy signed an agreement to dispose of Chen Fong Power on May 2, 2023 and lost control over the subsidiary.

- a. Consideration received from disposal

	Chen Fong Power
Cash and cash equivalents	<u>\$ 31,000</u>

- b. Analysis of assets and liabilities on the date control lost

	Chen Fong Power
Assets	
Cash	\$ 256
Property and equipment	1,097
Goodwill	961
Guarantee deposits	62,979
Others	35,845
Liabilities	
Payables	<u>(70,536)</u>
Net assets disposed	<u>\$ 30,602</u>

c. Gain on disposal of subsidiary

	Chen Fong Power
Total consideration	\$ 31,000
Net assets disposed	<u>(30,602)</u>
Gain on disposal	<u>\$ 398</u>

d. Net cash inflow from disposal of subsidiary

	Chen Fong Power
Consideration received in cash	\$ 31,000
Less: Balances of cash disposed	<u>(256)</u>
	<u>\$ 30,744</u>

40. OTHERS

a. Impact of COVID-19

The Group has evaluated the economic impact caused by COVID-19, and as of the date of approval of the financial report, except for the following paragraph, there was no significant impact on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

Cathay Century and its subsidiaries

The written premium of the insurance products the Cathay Century and its subsidiaries issued for the COVID-19 amounted to \$0 thousand, respectively, and the claims and payments were \$737,492 thousand and \$2,073,577 thousand, respectively, for the three months ended June 30, 2023 and 2022. The written premium of the insurance products amounted to \$0 thousand and \$567,019 thousand, respectively, and the claims and payments were \$10,630,781 thousand and \$2,102,316 thousand, respectively, for the six months ended June 30, 2023 and 2022.

As of June 30, 2023, December 31, 2022 and June 30, 2022, the loss reserves for those insurance products amounted to \$211,382 thousand, \$9,201,923 thousand and \$5,288,881 thousand, respectively, and the premium deficiency reserves amounted to \$0 thousand, \$1,200,000 thousand and \$690,000 thousand, respectively. Moreover, the claims and payments for those insurance products from July 1, 2023 to August 16, 2023 amounted to \$44,712 thousand.

The Cathay Century and its subsidiaries evaluated the economic impact resulting from the COVID-19. As of the approval date of the consolidated financial statements, the Cathay Century and its subsidiaries performed stress tests to evaluate the losses resulting from issuing insurance products for the COVID-19 by stimulations of epidemic developments. Since the capital adequacy ratio under certain scenarios of stress tests was lower than the required level, the Cathay Century and its subsidiaries decided to respond to this by enhancing its equities. As a result, the Cathay Century 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.

b. Significant assets and liabilities denominated in foreign currencies

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

June 30, 2023			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 175,015,658	31.1350	\$ 5,449,112,512
AUD	9,256,192	20.6145	190,811,770
Non-monetary items			
USD	10,889,049	31.1350	339,030,541
Financial liabilities			
Monetary items			
USD	26,482,811	31.1350	824,542,320
December 31, 2022			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 164,574,415	30.7080	\$ 5,053,751,136
AUD	8,386,171	20.8262	174,652,074
Non-monetary items			
USD	11,462,813	30.7080	352,000,062
<u>Financial liabilities</u>			
Monetary items			
USD	24,142,488	30.7080	741,367,522

	June 30, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 167,281,070	29.7260	\$ 4,972,597,087
AUD	8,196,213	20.4545	167,649,439
Non-monetary items			
USD	13,071,437	29.7260	388,561,536
<u>Financial liabilities</u>			
Monetary items			
USD	20,749,505	29.7260	616,799,786

It is not possible to disclose foreign exchange gains (losses) of monetary financial instruments by each significant foreign currency due to the variety of the foreign currencies of the Group. The foreign currency exchange for the six months ended June 30, 2023 and 2022 were gains on \$45,003,606 thousand and gains on \$200,342,186 thousand, respectively.

c. Information on discretionary investments

1) Cathay Life and its subsidiaries

- a) As of June 30, 2023, December 31, 2022 and June 30, 2022, Cathay Life entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Domestic shares	\$ 152,988,691	\$ 142,343,483	\$ 145,569,587
Overseas shares	45,377,365	39,134,811	48,022,128
Notes and bonds purchased under resale agreements	12,315,000	2,260,000	4,800,000
Cash in banks	55,378,508	18,202,638	12,919,671
Beneficiary certificates	600,183	346,459	86,575
Futures and options	<u>48</u>	<u>217,004</u>	<u>216,836</u>
	<u>\$ 266,659,795</u>	<u>\$ 202,504,395</u>	<u>\$ 211,614,797</u>

The carrying amounts of the financial assets held under discretionary securities investment trust enterprises are equal to their fair values.

- b) As of June 30, 2023, December 31, 2022 and June 30, 2022, the discretionary investments limits are as follows (in thousands of each currency):

	June 30, 2023	December 31, 2022	June 30, 2022
Monetary items			
NTD	\$ 99,052,367	\$ 43,079,839	\$ 47,379,839
USD	452,400	396,300	593,300

2) Cathay Century and its subsidiaries

Cathay Century and its subsidiaries enter into contracts with securities investment trust companies or consulting companies for discretionary investment management. The investment details are disclosed as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Domestic shares	\$ 2,109,945	\$ 1,345,603	\$ 1,248,122
Cash in banks	533,169	794,743	967,023
Future margins	<u>38,348</u>	<u>38,272</u>	<u>2,012</u>
	<u>\$ 2,681,462</u>	<u>\$ 2,178,618</u>	<u>\$ 2,217,157</u>

The fair values of Cathay Century and its subsidiaries' financial assets of discretionary account management contracts are as the same as their carrying amounts.

As of June 30, 2023, December 31, 2022 and June 30, 2022, Cathay Century and its subsidiaries entered into discretionary management contracts with investment limits of \$1,200,000 thousand.

d. Disclosure information as required by Article 16 of Regulations Governing the Preparation of Financial Reports by Public Banks

1) Asset quality - loans

(In Thousands of New Taiwan Dollars, %)

Period			June 30, 2023					June 30, 2022				
Item			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		\$ 283,128	\$ 394,228,512	0.07%	\$ 2,090,430	738.33%	\$ 166,827	\$ 332,781,265	0.05%	\$ 1,482,115	888.42%
	Unsecured		214,608	359,072,837	0.06%	10,484,733	4885.53%	292,100	319,423,519	0.09%	8,714,832	2983.51%
Consumer banking	Housing mortgage (Note 4)		296,175	544,777,106	0.05%	8,544,414	2884.92%	202,731	505,418,091	0.04%	7,850,065	3872.16%
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		533,726	134,440,225	0.40%	5,416,126	1014.78%	280,422	127,914,259	0.22%	4,517,158	1610.85%
	Others (Note 6)	Secured	547,457	636,495,091	0.09%	7,269,244	1327.82%	580,238	578,388,738	0.10%	6,837,378	1178.38%
		Unsecured	18,721	36,096,890	0.05%	502,266	2682.93%	45,244	22,126,583	0.20%	321,161	709.84%
Total Loan			\$ 1,893,815	\$ 2,105,110,661	0.09%	\$ 34,307,213	1811.54%	\$ 1,567,562	\$ 1,886,052,455	0.08%	29,722,709	1896.11%
			Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio
Credit cards			\$ 144,227	\$ 121,494,663	0.12%	\$ 2,356,658	1633.99%	\$ 105,051	\$ 75,715,313	0.14%	\$ 2,120,459	2018.50%
Accounts receivable factored without recourse (Note 7)			-	4,087,300	-	42,617	-	-	4,146,920	-	78,357	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.” Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for credit losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for credit losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans, excluding credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Not reported as nonperforming loans or nonperforming receivables

Type \ Items	June 30, 2023		June 30, 2022	
	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$ 391	\$ 19,441	\$ 817	\$ 29,271
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	130,207	1,054,073	112,013	1,141,064
Total	\$ 130,598	\$ 1,073,514	\$ 112,830	\$ 1,170,335

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau’s letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau’s letter dated September 15, 2008 and September 20, 2016 (Ref. No. 09700318940 and No. 10500134790).

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

June 30, 2023			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service activities not elsewhere classified	\$ 23,247,362	9.09
2	Group B - packaging and testing of semi-conductors	14,319,825	5.60
3	Group C - manufacture of computers	10,757,703	4.21
4	Group D - real estate development activities	7,082,250	2.77
5	Group E - aluminum casting industry	7,000,000	2.74
6	Group F - real estate lease activities	6,488,000	2.54
7	Group G - real estate development activities	6,261,557	2.45
8	Group H - other holding companies	6,253,683	2.45
9	Group I - convenience store chain	6,078,286	2.38
10	Group J - wired telecommunications industry	5,873,986	2.30

June 30, 2022			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service activities not elsewhere classified	\$ 28,528,474	12.51
2	Group B - packaging and testing of semi-conductors	12,182,613	5.34
3	Group C - manufacture of computers	10,714,031	4.70
4	Group D - real estate development activities	6,364,200	2.79
5	Group E - wired telecommunications activities	6,120,985	2.68
6	Group F - real estate development activities	6,110,000	2.68
7	Group G - manufacture of computers	5,500,146	2.41
8	Group H - real estate development activities	4,919,257	2.16
9	Group I - manufacture of computers	4,877,136	2.14
10	Group J - management consultancy activities	4,563,141	2.00

3) Information on interest rate sensitivity

Interest Rate Sensitivity (New Taiwan Dollar)
June 30, 2023

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,420,539,031	\$ 57,490,718	\$ 67,361,756	\$ 177,636,822	\$ 2,723,028,327
Interest rate-sensitive liabilities	198,513,774	1,929,556,012	302,962,927	55,369,728	2,486,402,441
Interest rate-sensitive gap	2,222,025,257	(1,872,065,294)	(235,601,171)	122,267,094	236,625,886
Net worth					255,770,775
Ratio of interest rate-sensitive assets to liabilities					109.52%
Ratio of interest rate sensitivity gap to net worth					92.51%

June 30, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,176,376,941	\$ 68,243,431	\$ 111,215,773	\$ 143,717,274	\$ 2,499,553,419
Interest rate-sensitive liabilities	180,837,965	1,796,399,593	261,088,064	65,750,476	2,304,076,098
Interest rate-sensitive gap	1,995,538,976	(1,728,156,162)	(149,872,291)	77,966,798	195,477,321
Net worth					228,052,029
Ratio of interest rate-sensitive assets to liabilities					108.48%
Ratio of interest rate sensitivity gap to net worth					85.72%

Note 1: The above amounts included only New Taiwan dollar amounts held by Cathay United Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

**Interest Rate Sensitivity (U.S. Dollars)
June 30, 2023**

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 12,784,091	\$ 2,600,852	\$ 3,484,198	\$ 10,076,612	\$ 28,945,753
Interest rate-sensitive liabilities	16,250,953	6,039,780	6,108,989	5,379,827	33,779,549
Interest rate-sensitive gap	(3,466,862)	(3,438,928)	(2,624,791)	4,696,785	(4,833,796)
Net worth					8,214,896
Ratio of interest rate-sensitive assets to liabilities					85.69%
Ratio of interest rate sensitivity gap to net worth					(58.84%)

June 30, 2022

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 10,636,989	\$ 2,513,647	\$ 1,484,102	\$ 8,526,880	\$ 23,161,618
Interest rate-sensitive liabilities	13,059,843	4,480,017	4,362,208	4,765,225	26,667,293
Interest rate-sensitive gap	(2,422,854)	(1,966,370)	(2,878,106)	3,761,655	(3,505,675)
Net worth					7,671,803
Ratio of interest rate-sensitive assets to liabilities					86.85%
Ratio of interest rate sensitivity gap to net worth					(45.70%)

Note 1: The above amounts included only U.S. dollar amounts held by Cathay United Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars)

4) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollar) June 30, 2023

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,394,434,025	\$ 382,243,774	\$ 375,258,160	\$ 414,687,901	\$ 314,215,274	\$ 390,121,812	\$ 1,517,907,104
Main capital outflow on maturity	4,131,820,705	169,475,541	248,063,876	588,086,526	625,728,958	787,171,951	1,713,293,853
Gap	(737,386,680)	212,768,233	127,194,284	(173,398,625)	(311,513,684)	(397,050,139)	(195,386,749)

June 30, 2022

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,221,731,000	\$ 360,503,422	\$ 410,308,516	\$ 390,530,864	\$ 287,954,646	\$ 408,931,500	\$ 1,363,502,052
Main capital outflow on maturity	3,861,826,397	155,706,288	249,567,590	505,963,634	603,205,552	749,758,019	1,597,625,314
Gap	(640,095,397)	204,797,134	160,740,926	(115,432,770)	(315,250,906)	(340,826,519)	(234,123,262)

Note: The above amounts included only New Taiwan dollar amounts held by Cathay United Bank (i.e., excluding foreign currency).

Maturity Analysis of Assets and Liabilities (U.S. Dollars) June 30, 2023

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 106,829,684	\$ 33,940,463	\$ 28,293,388	\$ 15,537,640	\$ 16,255,093	\$ 12,803,100
Main capital outflow on maturity	109,334,122	31,103,644	31,127,194	17,556,960	19,452,459	10,093,865
Gap	(2,504,438)	2,836,819	(2,833,806)	(2,019,320)	(3,197,366)	2,709,235

June 30, 2022

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 85,675,521	\$ 25,627,837	\$ 18,585,509	\$ 13,955,284	\$ 15,868,162	\$ 11,638,729
Main capital outflow on maturity	89,902,295	26,005,810	22,065,091	13,847,823	19,568,532	8,415,039
Gap	(4,226,774)	(377,973)	(3,479,582)	107,461	(3,700,370)	3,223,690

Note: The above amounts included only U.S. dollar amounts held by Cathay United Bank.

e. Disclosures according to Article 46 of the Financial Holding Company Act

Ending balances of the transaction mentioned in Paragraph 2 of Article 46 of the Financial Holding Company Act, between all subsidiaries of a financial holding company and the same counterparties mentioned in Paragraph 1 of the same article.

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
1) Same person		
Central Bank of the Republic of China (Taiwan)	\$ 466,739,953	66.00
United States Treasury Note/Bond	117,483,532	16.61
FANNIE MAE	112,878,254	15.96
Taiwan Semiconductor Manufacturing Company Limited	104,520,667	14.78
Treasury bond/treasury bills	101,012,012	14.28
FREDDIE MAC	94,605,146	13.38
Capital Investment Trust Corporation	83,265,291	11.77
Fubon Asset Management Co., Ltd.	82,141,313	11.61
Ctbc Securities Co., Ltd.	74,971,975	10.60
Macquarie Investment Management Advisers	65,488,259	9.26
Indonesia Government International Bond	60,941,087	8.62
Israel Government International Bond	58,714,092	8.30
Yuanta Securities Investment Trust Co., Ltd.	50,264,173	7.11
Qatar Government International Bond	49,783,578	7.04
Mexico Government International Bond	46,888,120	6.63
KGI Securities Investment Trust Co., Ltd.	44,993,578	6.36
AT&T Inc	41,221,754	5.83
Barclays PLC	40,648,717	5.75
Fidelity Worldwide Investment	40,309,966	5.70
Wells Fargo & Co	39,850,599	5.63
BNP Paribas	38,119,281	5.39
Goldman Sachs Group Inc	37,039,194	5.24
JPMorgan Chase & Co	35,911,015	5.08
Verizon Communications Inc	32,243,846	4.56
Bank of America, N.A.	30,358,423	4.29
Panama Government International Bond	29,554,199	4.18
Goldman Sachs Finance Corp International Ltd	27,865,416	3.94
Citigroup Inc	27,649,747	3.91
Ginnie Mae II Pool	27,511,672	3.89
Chunghwa Telecom Co., Ltd.	27,194,794	3.85
Qatar Petroleum	26,684,922	3.77
Petronas Capital Ltd	26,431,301	3.74
Societe Generale	26,275,895	3.72
London Clearing House	25,850,972	3.66
China Steel Corporation	25,404,486	3.59
Quanta Computer Inc.	25,300,542	3.58
BANK OF MONTREAL	24,921,791	3.52
Sinopec Group Overseas Development Ltd	24,675,851	3.49

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Commonwealth Bank of Australia	\$ 24,123,309	3.41
Mediatek Inc.	24,078,139	3.40
Far Eastone Telecommunications Co., Ltd.	23,853,518	3.37
Uni-President Enterprises Corporation	23,850,654	3.37
Hon Hai Precision Industry Co., Ltd.	23,643,411	3.34
Comcast Corp	23,317,253	3.30
Elevance Health Inc.	23,229,833	3.28
National Australia Bank Ltd	22,672,634	3.21
PERTAMINA PT	22,345,010	3.16
Taiwan Mobile Co., Ltd.	21,904,588	3.10
MEGA FINANCIAL HOLDING COMPANY LIMITED	21,889,532	3.10
Citigroup Global Markets Holdings Inc	21,701,050	3.07
Tencent Holdings Ltd	21,471,154	3.04
Alibaba Group Holding Ltd	21,444,062	3.03
SG Issuer	21,354,261	3.02
Fubon Financial Holding Co., Ltd.	21,347,289	3.02
Saudi Government International Bond	21,247,748	3.00
Finance Bureau, Kaohsiung City Government	20,611,290	2.91
UnitedHealth Group Inc	20,500,992	2.90
Russian Foreign Bond - Eurobond	20,326,566	2.87
Saudi Arabian Oil Co	20,173,298	2.85
Anheuser-Busch InBev Worldwide Inc	20,145,470	2.85
America Movil SAB De CV	19,957,078	2.82
Merrill Lynch B.V.	19,580,577	2.77
Government National Mortgage Association	19,298,726	2.73
Bank of China Ltd	18,846,236	2.66
PT Perusahaan Listrik Negara (Persero)	18,615,400	2.63
Abu Dhabi Government International Bond	18,575,640	2.63
Credit Agricole Sa	18,412,748	2.60
E.Sun Commercial Bank, Ltd.	17,602,541	2.49
Republica Orient Uruguay	17,360,323	2.45
Wistron Corporation	17,063,524	2.41
Fomento Economico Mexicano SAB De CV	16,900,341	2.39
STANDARD CHARTERED BANK	16,873,270	2.39
Reliance Industries Ltd	16,862,951	2.38
State of California	16,764,363	2.37
AbbVie Inc	16,664,081	2.36
European Investment Bank	16,554,242	2.34
BPCE SA	16,407,908	2.32
Morgan Stanley	16,340,786	2.31
MDC-GMTN B.V.	16,087,643	2.27
Amgen Inc	15,811,910	2.24
Raytheon Technologies Corp	15,759,150	2.23
China Development Bank Corp	15,737,109	2.23
IBM CORP	15,622,129	2.21

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Southern Copper Corp	\$ 15,174,965	2.15
Land Bank of Taiwan Co., Ltd.	15,119,393	2.14
Colombia Government International Bond	15,026,659	2.12
DRAGON STEEL CORPORATION	15,023,218	2.12
Industrial & Commercial Bank of China	15,017,399	2.12
ASUSTEK COMPUTER INCORPORATION	14,882,846	2.10
UBS AG	14,882,183	2.10
CNOOC Ltd	14,859,535	2.10
T-MOBILE USA INC	14,733,746	2.08
CVS Health Corp	14,661,701	2.07
CIGNA CORP	14,634,272	2.07
Lloyds Bank PLC	14,334,159	2.03
CTBC Financial Holding Co., Ltd.	14,224,231	2.01
Westpac Banking Corp	14,223,742	2.01
Bank of Taiwan	14,158,637	2.00
Bristol-Myers Squibb Co	14,156,630	2.00
Cooperatieve Centrale Raiffeisen-Boerenleenbank Ba/Netherlands	14,142,422	2.00
BlackRock Inc	14,035,761	1.98
AIA Group Ltd	13,931,315	1.97
ASE Technology Holding Co., Ltd.	13,928,286	1.97
CATCHER TECHNOLOGY CO., LTD.	13,381,356	1.89
Sinopec Group Overseas Development 2018 Ltd	13,214,058	1.87
Lexington Partners L.P.	13,171,877	1.86
CITIC LIMITED	13,130,658	1.86
Prudential Financial Inc	12,771,145	1.81
Intercontinental Exchange Inc	12,596,608	1.78
Berkshire Hathaway Energy Co	12,555,211	1.78
Abbott Laboratories	12,538,686	1.77
CNOOC PETROLEUM NA ULC	12,478,400	1.76
Apple Inc	12,453,001	1.76
Oracle Corp	12,370,826	1.75
Chile Government International Bond	12,349,441	1.75
LITE-ON TECHNOLOGY CORPORATION	12,340,555	1.74
Telefonica Emisiones SAU	11,979,922	1.69
QNB Finance Ltd	11,966,613	1.69
Amazon.com Inc	11,919,549	1.69
Vodafone Group PLC	11,824,456	1.67
MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.	11,699,281	1.65
Yuanta Financial Holding Co., Ltd.	11,690,272	1.65
Australia And New Zealand Banking Group Ltd	11,684,371	1.65
PRESIDENT CHAIN STORE CORPORATION	11,630,040	1.64
CTBC Bank Co., Ltd.	11,591,853	1.64
Union Pacific Corp	11,590,055	1.64

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Hamilton Lane Advisors, L.L.C	\$ 11,454,483	1.62
Phillips 66	11,444,004	1.62
Deutsche Bank AG	11,404,182	1.61
Walt Disney Co/The	11,396,582	1.61
TransCanada PipeLines Ltd	11,371,694	1.61
INVENTEC CORPORATION	11,230,835	1.59
Gilead Sciences Inc	11,071,598	1.57
Grupo Televisa SA	11,011,115	1.56
NAN YA PLASTICS CORPORATION	10,947,447	1.55
Fuh Hwa Securities Investment Trust Co., Ltd.	10,814,345	1.53
Shinhan Bank	10,763,373	1.52
Enel Finance International NV	10,710,271	1.51
Realtek Semiconductor Corp.	10,617,574	1.50
Taipei Fubon Commercial Bank Co., Ltd.	10,601,661	1.50
First Financial Holding Co., Ltd.	10,581,957	1.50
NATIONAL BANK OF CANADA	10,492,524	1.48
Credit Suisse AG	10,446,902	1.48
TAIWAN BUSINESS BANK, LTD.	10,408,241	1.47
UBS Group Ag	10,220,146	1.45
Standard Chartered Bank Taiwan	9,868,265	1.40
Enterprise Products Operating LLC	9,724,556	1.38
Strategic Partners Fund Solutions Advisors L.P	9,681,014	1.37
Sumitomo Mitsui DS Asset Management Company	9,666,810	1.37
NVIDIA Corp	9,647,132	1.36
ROYAL BANK OF CANADA	9,555,149	1.35
BP Capital Markets America Inc	9,535,588	1.35
SHIN KONG INVESTMENT TRUST CO., LTD.	9,468,289	1.34
Enbridge Inc	9,333,169	1.32
Philippine Government International Bond	9,314,399	1.32
Berkshire Hathaway Finance Corp	9,175,706	1.30
Australia Government Bond	9,170,060	1.30
Consolidated Edison Co of New York Inc	9,083,164	1.28
Taishin International Bank Co., Ltd.	8,899,777	1.26
Merck & Co Inc	8,882,264	1.26
ADVANCED SEMICONDUCTOR ENGINEERING, INC.	8,880,044	1.26
The Shanghai Commercial & Savings Bank, Ltd.	8,876,969	1.26
WPG Holdings Limited	8,876,288	1.26
SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED	8,812,399	1.25
PepsiCo Inc	8,732,391	1.23
Republic of Korea	8,689,620	1.23
Oaktree Capital Management, L.P.	8,655,020	1.22
Compal Electronics, Inc.	8,603,888	1.22
Shell International Finance BV	8,475,617	1.20
TSMC Arizona Corp	8,461,603	1.20
Kazakhstan Government International Bond	8,443,018	1.19

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
HKT Capital No 1 Ltd	\$ 8,417,391	1.19
Intel Corp	8,280,579	1.17
China Development Financial Holding Corp.	8,223,991	1.16
Fubon Life Insurance Co., Ltd.	8,202,456	1.16
Morgan Stanley Finance LLC	8,154,208	1.15
Brookfield Asset Management Inc	8,141,221	1.15
Mercury Taiwan Holdings Limited	8,105,950	1.15
CHAILEASE FINANCE CO., LTD.	8,071,716	1.14
HOTAI FINANCE CO., LTD.	8,063,734	1.14
RABOBANK NEDERLAND	8,038,003	1.14
State Grid Overseas Investment Ltd	8,022,582	1.13
Burlington Northern Santa Fe LLC	7,956,832	1.13
Peruvian Government International Bond	7,937,674	1.12
Alexandria Real Estate Equities Inc	7,914,664	1.12
Sumitomo Mitsui Financial Group Inc	7,842,418	1.11
CSX CORP	7,818,285	1.11
Argricultural Bank of Taiwan Co., Ltd.	7,795,013	1.10
Natwest Group PLC	7,641,551	1.08
Dow Chemical Co	7,624,956	1.08
UAE INTERNATIONAL GOVERNMENT BOND	7,524,902	1.06
Kinder Morgan Inc/DE	7,502,363	1.06
Corp Nacional del Cobre de Chile	7,485,772	1.06
Humana Inc	7,453,832	1.05
Taiwan Cooperative Bank Co., Ltd.	7,420,073	1.05
Dr Pepper Snapple Group Inc	7,416,047	1.05
Fu Yu Construction Co., Ltd.	7,409,916	1.05
HSBC Holdings PLC	7,408,347	1.05
Pfizer Inc	7,390,131	1.04
Acer Incorporated	7,362,040	1.04
Far Eastern New Century Corporation	7,317,037	1.03
Taiwan Cement Corporation	7,241,846	1.02
Deutsche Telekom AG	7,196,640	1.02
Advanced Micro Devices, Inc.	7,177,155	1.01
ConocoPhillips	7,137,161	1.01
Prosus NV	7,121,571	1.01
Micro-Star International Co., Ltd.	7,103,654	1.00
MEGA BILLS FINANCE CO., LTD.	7,040,532	1.00
Bell Canada	7,023,157	0.99
Rogers Communications Inc	7,006,144	0.99
Bay Area Toll Authority	7,004,838	0.99
BOC Aviation Limited	6,991,298	0.99
Altria Group Inc	6,967,139	0.99
First Commercial Bank Co., Ltd.	6,951,580	0.98
NORFOLK SOUTHERN CORP	6,945,228	0.98
JPMorgan Liquidity Funds	6,849,700	0.97

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Santander International Products PLC	\$ 6,797,910	0.96
PacifiCorp	6,764,940	0.96
Vietnam Government Bond	6,756,902	0.96
Thoma Bravo, LLC	6,735,771	0.95
Blackstone Real Estate Advisors L.P.	6,729,780	0.95
Bangkok Bank Public Company Limited.	6,719,314	0.95
UniCredit SpA	6,662,553	0.94
Synnex Technology International Corporation	6,658,168	0.94
TAIWAN HIGH SPEED RAIL CORPORATION	6,638,668	0.94
PTT Treasury Center Co Ltd	6,628,900	0.94
Hungary Government International Bond	6,620,023	0.94
BBVA Global Markets BV	6,537,302	0.92
Port Authority of New York & New Jersey	6,533,247	0.92
Macquarie Group Ltd	6,414,921	0.91
CROWN CASTLE INTL CORP	6,296,458	0.89
Ta Ching Bills Finance Corporation	6,280,319	0.89
Landesbank Baden-Wuerttemberg	6,265,705	0.89
Baillie Gifford Overseas Limited	6,181,672	0.87
Coca-Cola Co	6,157,804	0.87
Takeda Pharmaceutical Co Ltd	6,150,207	0.87
Comision Federal de Electricidad	6,128,466	0.87
Charter Communications Operating LLC	6,128,182	0.87
American Tower Corp	6,117,053	0.86
China Overseas Land & Investment Ltd	6,050,235	0.86
Exxon Mobil Corp	6,024,620	0.85
Anheuser-Busch InBev Finance Inc	5,990,309	0.85
HUA NAN COMMERCIAL BANK LTD.	5,937,220	0.84
BAIDU INC	5,883,980	0.83
Delta Electronics, Inc.	5,869,144	0.83
Far East Horizon Limited	5,857,201	0.83
Mitsubishi UFJ Financial Group Inc	5,835,326	0.83
Minera Mexico SA de CV	5,820,059	0.82
Bank of Nova Scotia	5,792,133	0.82
Nationwide Building Society	5,778,658	0.82
Bayer US Finance LLC	5,760,315	0.81
EQT Fund Management S.à r.l.	5,748,966	0.81
Abu Dhabi National Energy Co	5,686,049	0.80
Warnermedia Holdings Inc	5,609,837	0.79
Grupo Bimbo SAB de CV	5,605,572	0.79
Kookmin Bank	5,604,515	0.79
Industrias Penoles SAB de CV	5,577,872	0.79
PayPal Holdings Inc	5,558,611	0.79
SOUTHERN CO	5,507,994	0.78
Regents of the University of California Medical Center Pooled Revenue	5,456,194	0.77

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Tsmc Global Ltd	\$ 5,418,728	0.77
Broadcom Inc	5,417,773	0.77
Vivo Capital LLC	5,409,871	0.76
Dallas/Fort Worth International Airport	5,409,696	0.76
Boeing Co	5,398,035	0.76
China Bills Finance Corporation	5,394,705	0.76
NANYA TECHNOLOGY CORPORATION	5,350,683	0.76
China Government Bond	5,302,269	0.75
STANDARD CHARTERED BANK	5,292,950	0.75
DowDuPont Inc	5,279,768	0.75
Paramount Global	5,246,123	0.74
Indian Railway Finance Corp Ltd	5,225,335	0.74
Taishin Financial Holding Co., Ltd.	5,188,825	0.73
SRISAWAD CORPORATION PUBLIC COMPANY LIMITED	5,175,316	0.73
Canadian Pacific Railway Ltd	5,108,838	0.72
Blackstone Management Partners L.L.C.	5,083,624	0.72
Insight Venture Management, LLC	5,080,075	0.72
Indofood CBP Sukses Makmur Tbk PT	5,048,754	0.71
NEW SOUTH WALES TREASURY CORP	4,988,353	0.71
Kroger Co	4,934,531	0.70
Export-Import Bank of China	4,922,655	0.70
Kraft Heinz Food Company	4,922,371	0.70
Tesla Motors Inc	4,894,700	0.69
Yuanta Securities Co., Ltd	4,864,994	0.69
Microsoft Corp	4,855,990	0.69
Macquarie Bank Ltd	4,834,745	0.68
Banco Santander SA	4,833,586	0.68
Coatue Management, L.L.C.	4,809,351	0.68
HONG KONG GOVERNMENT	4,806,018	0.68
National Retail Properties Inc	4,795,189	0.68
Halliburton Co	4,790,342	0.68
HSBC Bank (Taiwan) Limited	4,779,875	0.68
Hartford Financial Services Group Inc	4,758,063	0.67
BBVA Bancomer SA	4,752,741	0.67
Mega Securities Co., Ltd	4,721,771	0.67
Total Capital International SA	4,697,319	0.66
Visa Inc	4,689,354	0.66
Suncor Energy Inc	4,679,952	0.66
ITALY GOVT INT BOND	4,677,931	0.66
Woori Bank	4,672,960	0.66
EAST PRIDE GROUP LIMITED	4,670,250	0.66
KEPPEL CORPORATION LIMITED	4,670,250	0.66
MetLife Inc	4,649,225	0.66
PCCW Capital No 5 Ltd	4,624,879	0.65

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
United Microelectronics Corporation	\$ 4,602,115	0.65
ProShare Advisors LLC	4,571,641	0.65
Nuveen Asset Management	4,556,766	0.64
SHERWIN-WILLIAMS CO	4,556,034	0.64
Corp Andina de Fomento	4,555,286	0.64
PIMCO Funds: Global Investors Series plc	4,535,858	0.64
Kasikornbank PCL/Hong Kong	4,469,575	0.63
Fubon Securities Co., Ltd.	4,466,281	0.63
AstraZeneca PLC	4,463,574	0.63
BHP Billiton Finance USA Ltd	4,439,943	0.63
ELECTRICITE DE FRANCE	4,422,101	0.63
HSBC Investment Funds Limited	4,413,777	0.62
Grand Bills Finance Corporation	4,373,661	0.62
Canadian Natural Resources Ltd	4,355,719	0.62
Yunneng Wind Power Co., Ltd.	4,322,382	0.61
Treasury Corporation Of Victoria	4,301,794	0.61
Unimicron Technology Corp.	4,289,930	0.61
The Commercial Bank (P.S.Q.C.)	4,281,903	0.61
Freeport-McMoRan Copper & Gold Inc	4,271,497	0.60
Queensland Treasury Corp	4,266,245	0.60
Deutsche Telekom International Finance Bv	4,229,923	0.60
Orsted Wind Power Tw Holding A/S	4,214,426	0.60
Moody's Corp	4,203,033	0.59
Intesa Sanpaolo Spa	4,200,342	0.59
ADCB Finance Cayman Ltd	4,194,321	0.59
China Cinda Asset Management Co Ltd	4,185,272	0.59
Homeplus Digital Co., Ltd.	4,181,569	0.59
China Construction Bank Corp	4,120,714	0.58
Lombard Odier Funds	4,115,572	0.58
BAT CAPITAL CORP	4,114,485	0.58
NextEra Energy Capital Holdings Inc	4,099,711	0.58
PTTEP Canada International Finance Ltd	4,092,441	0.58
TYSON FOODS INC	4,084,094	0.58
Carrier Global Corp	4,081,871	0.58
China Cinda 2020 I Management Ltd	4,063,887	0.57
American International Group Inc	4,052,176	0.57
CAPITAL SECURITIES CORP.	4,039,881	0.57
SAN MIGUEL CORPORATION	4,032,659	0.57
Banco de Chile	4,019,696	0.57
Molson Coors Brewing Co	3,996,587	0.57
Nisource Finance Corp	3,993,627	0.56
ABN Amro Bank	3,984,144	0.56
Allianz Global Investors GmbH	3,981,012	0.56
Ecopetrol SA	3,964,195	0.56
Platinum Equity Advisors, LLC	3,963,967	0.56

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Blackrock Global Funds - Asian High Yield Bond Fund	\$ 3,947,690	0.56
Australia And New Zealand Banking Group Ltd Australia	3,941,271	0.56
ING BANK	3,894,710	0.55
Orbimed Advisors LLC	3,892,127	0.55
Infraestructura Energetica Nova SAB de CV	3,883,616	0.55
Air Lease Corp	3,870,059	0.55
Asia Alternatives Management LLC	3,799,971	0.54
NEA Management Company, LLC	3,756,142	0.53
JUT LAND DEVELOPMENT COMPANY LIMITED	3,732,370	0.53
Home Depot Inc	3,724,992	0.53
Marsh & McLennan Cos Inc	3,716,939	0.53
EVA AIRWAYS CORPORATION	3,669,200	0.52
Valero Energy Corp	3,669,144	0.52
Alphabet Inc	3,662,505	0.52
Petroleos Mexicanos	3,658,103	0.52
CREDIT AGRICOLE CIB, LONDON	3,654,236	0.52
Walmart, Inc	3,649,489	0.52
MDGH GMTN RSC Ltd	3,643,288	0.52
Vale Overseas Ltd	3,637,111	0.51
Dominion Energy Inc	3,615,745	0.51
Qtel International Finance Ltd	3,579,206	0.51
Eli Lilly & Co	3,559,934	0.50
Pitango Venture Partners 2004 Ltd.	3,534,397	0.50
Grand Parkway Transportation Corp	3,532,546	0.50
ICG Alternative Investment Limited	3,514,064	0.50
Resolution Life Group Holdings Ltd.	3,512,758	0.50
Allstate Corp	3,504,464	0.50
Yuanta Futures Co., Ltd.	3,467,240	0.49
CK Hutchison International 20 Ltd	3,453,342	0.49
ENI SpA	3,445,733	0.49
Contemporary Amperex Technology Co Ltd	3,438,479	0.49
NASDAQ INC	3,432,308	0.49
Toronto-Dominion Bank	3,429,872	0.48
Newmont Corp	3,408,653	0.48
BP Capital Markets PLC	3,383,586	0.48
Deutsche Bahn Finance GMBH	3,370,905	0.48
KGI Securities Co. LTD.	3,363,698	0.48
Thaioil Treasury Center Co Ltd	3,327,538	0.47
FINA FINANCE & TRADING CO., LTD.	3,290,271	0.47
ING Groep NV	3,262,758	0.46
Corebridge Financial Inc	3,261,474	0.46
Formosa Chemicals And Fibre Corporation	3,256,735	0.46
Banco de Credito del Peru	3,252,140	0.46
Barrick North America Finance LLC	3,240,931	0.46
China Development Bank	3,238,611	0.46

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Foresite Capital Management, LLC	\$ 3,220,041	0.46
ONEOK Inc	3,206,213	0.45
Lowe's Cos Inc	3,199,299	0.45
YUE BOW ENTERPRISE CO., LTD	3,182,000	0.45
Williams Cos Inc/The	3,175,062	0.45
BECTON DICKINSON AND CO	3,174,113	0.45
Hon Han Investment Co., Ltd.	3,168,846	0.45
ENTEL Chile SA	3,165,204	0.45
CHINATRUST COMMERCIAL BANK, SINGAPORE	3,149,388	0.45
KAZMUNAYGAS NATIONAL	3,146,860	0.44
Mr./Ms. Yang	3,137,385	0.44
PTTEP TREASURY CENTER CO	3,133,710	0.44
Manulife Financial Corp (Manulife Financial)	3,128,920	0.44
Chicago O'Hare International Airport	3,125,081	0.44
Blackstone Infrastructure Advisors L.L.C.	3,121,562	0.44
MIZUHO SECURITIES CO LTD	3,113,500	0.44
HITACHI CAPITAL UK PLC	3,113,500	0.44
Credit Suisse AG, London Branch	3,113,500	0.44
HONG KONG MORTGAGE CORP	3,113,500	0.44
BANCO DE BOGOTA SA	3,088,046	0.44
CIC	3,076,350	0.44
Power Finance Corp Ltd	3,074,847	0.43
Banco Santander Bank	3,065,719	0.43
CPC CORPORATION, TAIWAN	3,059,490	0.43
JPMorgan Chase Bank, National Association	3,059,220	0.43
Mizuho Bank, Ltd.	3,055,605	0.43
BANK OF AMERICA CORP	3,044,884	0.43
Mondelez International Inc	3,041,952	0.43
Applied Materials Inc	3,037,748	0.43
Vanguard Group Inc/The	3,030,742	0.43
2) Enterprises where the same natural person and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge		
Enterprises where Huang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	37,281,109	5.27
Enterprises where Liu and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	23,653,327	3.34
Enterprises where Liang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	13,396,306	1.89

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Enterprises where Chang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	\$ 12,408,935	1.75
Enterprises where Chen and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	12,142,333	1.72
Enterprises where Yang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	8,526,613	1.21
Enterprises where Yang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	5,307,602	0.75
Enterprises where Lee and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	4,245,419	0.60
Enterprises where Ruan and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,866,556	0.55
Enterprises where Wang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,777,919	0.53
Enterprises where Chen and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,479,966	0.49
Enterprises where Lee and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,334,245	0.47
Enterprises where Hsu and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,237,359	0.46
Enterprises where Chen and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,119,853	0.44
Enterprises where Chang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,118,150	0.44
Enterprises where Wang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,039,919	0.43

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
3) Affiliates with same juridical person		
The government of the Republic of China and its supervisory agency	\$ 591,813,255	83.68
Federal Government of the United States and its supervisory agency	389,357,718	55.06
Fubon Group	153,198,368	21.66
TSMC Group	123,109,927	17.41
Group of CTBC Financial Holdings	105,279,218	14.89
Capital Financial Group	89,687,484	12.68
Macquarie Group Ltd and its related parties	77,714,907	10.99
Group of Yuanta Financial Holdings	76,998,228	10.89
Goldman Sachs Group Inc and its related parties	67,199,036	9.50
The government of the Republic of Indonesia and its supervisory agency	60,980,134	8.62
China Development Group	59,423,419	8.40
Bank of America Corp and its related parties	53,620,153	7.58
JPMorgan Chase & Co and its related parties	51,827,366	7.33
Citigroup Inc and its related parties	51,788,404	7.32
The government of the United Mexican States and its supervisory agency	49,264,092	6.97
Group of Mega Financial Holdings	48,752,928	6.89
Societe Generale Sa and its related parties	47,790,616	6.76
Uni-President Group	45,733,746	6.47
Ubs Group Ag and its related parties	45,535,696	6.44
Fidelity and its related parties	43,601,863	6.17
Barclays Plc and its related parties	43,526,819	6.15
China Steel Group	41,746,385	5.90
Bnp Paribas Sa and its related parties	41,662,810	5.89
At&T Inc and its related parties	41,345,949	5.85
China Petrochemical Corp and its related parties	40,647,343	5.75
The Far Eastern Group	40,132,402	5.67
Wells Fargo & Co and its related parties	40,044,081	5.66
Berkshire Hathaway Inc and its related parties	38,727,320	5.48
Standard Chartered Plc and its related parties	34,680,860	4.90
Foxconn Technology Group	31,686,469	4.48
London Stock Exchange Group Plc and its related parties	28,504,080	4.03
CHT Group	27,967,091	3.95
China National Offshore Oil Corp and its related parties	27,399,833	3.87
Credit Agricole Group and its related parties	26,998,621	3.82
Qatar Petroleum and its related parties	26,944,794	3.81
Bank of China Group	26,774,210	3.79

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Anheuser-Busch Inbev Sa/Nv and its related parties	\$ 26,751,856	3.78
Morgan Stanley and its related parties	26,520,496	3.75
Commonwealth Bank of Australia and its related parties	26,298,388	3.72
Quanta Computer Group	25,516,884	3.61
ASE Technology Holding Group	25,158,533	3.56
Mediatek Group	24,507,600	3.47
Hon Tai Group	23,454,734	3.32
HSBC Holdings Plc and its related parties	23,448,838	3.32
The government of the Kingdom of Saudi Arabia and its supervisory agency	22,992,079	3.25
The government of the Australia government and its supervisory agency	22,726,452	3.21
Sumitomo Group and its related parties	22,456,580	3.18
Tencent Holdings Ltd and its related parties	22,239,006	3.14
Yuen Foong Yu Group	21,433,422	3.03
Group of Taishin Financial Holdings	21,215,707	3.00
Grupo Mexico Sab De Cv and its related parties	20,995,324	2.97
Blackrock Inc and its related parties	20,285,122	2.87
Group of First Financial Holdings	20,045,839	2.83
China Development Bank and its related parties	19,906,499	2.81
Wistron Group	19,856,859	2.81
Mubadala Investment Co and its related parties	19,730,931	2.79
Blackstone Group Inc and its related parties	19,654,410	2.78
Group of E.Sun Financial Holdings	18,477,732	2.61
Fomento Economico Mexicano Sab De Cv and its related parties	18,473,922	2.61
Groupe Bpce and its related parties	18,145,903	2.57
Industrial & Commercial BOC and its related parties	17,964,312	2.54
Australia & New Zealand Banking Group Ltd and its related parties	17,135,621	2.42
Nan Ya Plastics Group	17,039,706	2.41
Land Bank of Taiwan Group	16,908,560	2.39
Banco Santander Sa and its related parties	16,204,490	2.29
Royal Bank of Scotland Group Plc and its related parties	16,201,620	2.29
ASUS Group	15,613,671	2.21
T-Mobile Us Inc and its related parties	14,761,337	2.09
Bp Plc and its related parties	14,509,324	2.05
Lloyds Banking Group Plc and its related parties	14,393,441	2.04
Westpac Banking Corp and its related parties	14,261,302	2.02
Group of Shin Kong Financial Holdings	14,253,758	2.02
CITIC Group	14,227,271	2.01
Chailease Holding Group	13,953,686	1.97

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
PTT Pcl and its related parties	\$ 13,855,818	1.96
Deutsche Bank Ag and its related parties	13,558,790	1.92
Dowdupont Inc and its related parties	13,371,630	1.89
Enel Spa and its related parties	13,316,090	1.88
Pccw Ltd and its related parties	13,042,270	1.84
Lite-On Technology Group	12,884,852	1.82
TCB Group	12,319,365	1.74
Telefonica Sa and its related parties	11,988,616	1.70
Pfizer Inc and its related parties	11,704,869	1.66
American Electric Power Co Inc and its related parties	11,620,226	1.64
Shinhan Financial Group Co., Ltd. and its related parties	11,508,715	1.63
Shanghai Commercial & Savings Bank Ltd and its related parties	11,490,178	1.62
Phillips 66 and its related parties	11,473,229	1.62
Deutsche Telekom Ag and its related parties	11,426,563	1.62
Transcanada Corp and its related parties	11,384,743	1.61
Banco Bilbao Vizcaya Argentaria Sa and its related parties	11,329,587	1.60
Hotai Motor Group	11,296,341	1.60
WPG Group	11,189,761	1.58
UMC Group	11,168,478	1.58
The government of the Republic of Korea and its supervisory agency	10,182,880	1.44
Charter Communications Inc and its related parties	10,139,130	1.43
Kinpo Group	9,976,049	1.41
Duke Energy Corp and its related parties	9,813,488	1.39
Group of Hua Nan Financial Holdings	9,739,184	1.38
Royal Bank of Canada and its related parties	9,667,534	1.37
China Cinda Asset Management Co., Ltd. and its related parties	9,250,847	1.31
Mitsubishi Corporation Group	9,201,790	1.30
CK Hutchison Holdings Ltd and its related parties	9,176,625	1.30
Consolidated Edison Inc and its related parties	9,100,489	1.29
Allianz Se and its related parties	8,721,267	1.23
Southern Company Gas and its related parties	8,648,068	1.22
Grupo Bimbo Sab De Cv and its related parties	8,518,486	1.20
Royal Dutch Shell Plc and its related parties	8,491,716	1.20
TCC Group	8,410,505	1.19
Intel Corp and its related parties	8,295,121	1.17
State Grid Corp of China and its related parties	8,237,834	1.16
Brookfield Asset Management Inc and its related parties	8,160,809	1.15
Industrias Penoles Sab De Cv and its related parties	8,086,809	1.14
ING Groep Nv and its related parties	7,981,473	1.13

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Acer Group	\$ 7,584,306	1.07
Baillie Gifford and its related parties	7,451,388	1.05
Nextera Energy Inc and its related parties	7,426,420	1.05
American International Group Inc and its related parties	7,313,650	1.03
Bayer Ag and its related parties	7,292,210	1.03
China State Construction Engineering and its related parties	7,198,933	1.02
Naspers Ltd and its related parties	7,160,034	1.01
Intesa Sanpaolo Spa and its related parties	7,000,865	0.99
Mitac-Synnex Group	6,887,433	0.97
Mizuho Financial Group Inc and its related parties	6,886,967	0.97
The government of the People's Republic of China and its supervisory agency	6,879,553	0.97
Keppel Group	6,797,740	0.96
Woori Bank and its related parties	6,686,806	0.95
Triumph Transcend Group	6,488,000	0.92
Delta Group	6,417,824	0.91
Kb Financial Group Inc and its related parties	6,364,949	0.90
JUT Group	6,261,557	0.89
Evergreen Group	6,207,378	0.88
Oneok Inc and its related parties	6,201,304	0.88
Walmart Inc and its related parties	6,064,053	0.86
Homeplus Digital Group	6,006,587	0.85
Dominion Energy Inc and its related parties	5,975,694	0.84
Eqt Partners and its related parties	5,817,948	0.82
Exelon Corp and its related parties	5,771,450	0.82
Zurich Insurance Group Ag and its related parties	5,658,624	0.80
Barrick Gold Corp and its related parties	5,585,774	0.79
AXA Sa and its related parties	5,546,515	0.78
O-Bank Group	5,474,592	0.77
British American Tobacco Plc and its related parties	5,363,269	0.76
Temasek Holdings Pte Ltd and its related parties	5,325,801	0.75
Export-Import Bank of China and its related parties	5,083,214	0.72
Total Sa and its related parties	4,958,051	0.70
Kraft Heinz Co and its related parties	4,924,673	0.70
The government of the Republic of Italy and its supervisory agency	4,790,092	0.68
San Miguel Group	4,771,826	0.67
Pimco and its related parties	4,755,275	0.67
IBF Group	4,753,821	0.67
Vingroup group	4,735,168	0.67
Credit Mutuel-Cm11 Group and its related parties	4,679,794	0.66

(Continued)

June 30, 2023		
Expressed in Thousands of New Taiwan Dollars; %		
Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Kasikornbank Pcl and its related parties	\$ 4,632,675	0.66
Nisource Inc and its related parties	4,620,125	0.65
Pitango Venture Partners and its related parties	4,598,831	0.65
China Construction Bank Corp and its related parties	4,486,398	0.63
Ooredoo Qpsc and its related parties	4,479,170	0.63
Williams Cos Inc and its related parties	4,479,033	0.63
Bhp Group Ltd and its related parties	4,462,815	0.63
Bank of Communications Co., Ltd. and its related parties	4,376,099	0.62
State Street Corp and its related parties	4,268,273	0.60
Orsted A/S and its related parties	4,233,048	0.60
Vale Sa and its related parties	4,228,125	0.60
Aercap Group	4,155,832	0.59
Hui Teng Group	4,088,461	0.58
Intermediate Capital Group Plc and its related parties	4,037,264	0.57
Formosa Petrochemical Group	4,035,370	0.57
Fudushin Group	3,987,220	0.56
Yulon Group	3,953,026	0.56
Sempre Energy and its related parties	3,929,903	0.56
CT&D Group	3,924,003	0.55
Newmont Mining Corp and its related parties	3,832,101	0.54
Yageo Group	3,817,780	0.54
Lien Jade Group	3,812,569	0.54
FCFC Group	3,772,967	0.53
Aon Plc and its related parties	3,770,434	0.53
Canadian Imperial Bank of Commerce and its related parties	3,697,261	0.52
Taiwan Broadband Communications Group	3,672,095	0.52
Sino-American Crystal Group	3,652,041	0.52
Chow Tai Fook Group	3,626,356	0.51
Mercuries & Associates Holding, Ltd.	3,595,619	0.51
Oil India Ltd and its related parties	3,552,075	0.50
Eversource Energy and its related parties	3,498,282	0.49
County of Miami-Dade Fl Aviation and its related parties	3,410,555	0.48
Elite Material Group	3,392,378	0.48
General Motors Co and its related parties	3,362,964	0.48
Thai Oil Pcl and its related parties	3,348,034	0.47
KELTI Group	3,273,780	0.46
TPG Capital and its related parties	3,221,889	0.46
TCC Group	3,221,675	0.46
Nxp Semiconductors Nv and its related parties	3,211,537	0.45
Agricultural Bank of China Ltd and its related parties	3,150,986	0.45
Konglin Group	3,137,000	0.44
Hitachi Ltd and its related parties	3,116,191	0.44
Ares Capital Co and its related parties	3,114,057	0.44
Beijing Enterprises Group Co., Ltd. and its related parties	3,080,816	0.44

(Concluded)

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- a. On July 6, 2023, Cathy Life's board of directors resolved to exchange its 100% equity shares in CHL for approximately 16.75% of equity shares in Generali Investments Holding S.p.A. The transaction is subject to the approvals of domestic and international regulatory authorities.
- b. Cathy Life's board of directors resolved to issue corporate bonds on May 11, 2023, which were approved by the authorities on May 24, 2023.
 - 1) Pursuant to Order No. Securities-TPEX-Bond-11200070741 of the Taipei Exchange, Cathy Life issued its first unsecured cumulative subordinated ordinary corporate bonds on August 1, 2023. The key terms and conditions are as follows:
 - a) Issue amount: \$25,100,000 thousand. According to the different issuance conditions, it is divided into A and B bonds, of which the issuance amount of A bond is NT\$17,600,000 thousand, and the issuance amount of B bond is NT\$7,500,000 thousand.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A bond is 10 years, and the B bond is 15 years.
 - d) Coupon rate: Fixed rate of A is 3.70% and fixed rate of B is 3.85%.
 - e) Terms of interest payments: The interest payments are calculated and paid at the coupon rate from the issue date annually.
 - f) Right of early redemption: After 10 years of issuance of B bond, if Cathay Life's risk-based capital ratio is greater than the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - g) Forms of bonds: Book-entry securities.
 - 2) Pursuant to Order No. Securities-TPEX-Bond-11200073801 of the Taipei Exchange, Cathy Life issued the second tranche of US-denominated unsecured cumulative subordinated ordinary corporate bonds on August 7, 2023 through a public offering. The key terms and conditions are as follows:
 - a) Issue amount: US\$113,000 thousand.
 - b) Principal amount and issue price: The face value is US\$100 thousand each, and is issued at par.
 - c) Years to maturity: 10 years.
 - d) Coupon rate: Fixed rate of 6.1%.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate from the issue date annually.
 - f) Forms of bonds: Book-entry securities.

42. SUPPLEMENTAL DISCLOSURES

a. Information about significant transactions:

Code	Description	Explanation
1	Accumulated purchases and sales balance of specific investee's marketable securities over \$300 million or 10% of the paid-in capital	None
2	Acquisition or disposal of individual real estate at prices over \$300 million or 10% of the paid-in capital	None
3	Discount on processing fee the transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by subsidiaries	None
6	Related information of financial assets securitization or real estate securitization by subsidiaries	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None

b. Information on investees

Code	Description	Explanation
1	Information regarding investee companies and percentage of ownership	Table 5
2	Acquisition and disposal of real estate at prices over \$300 million or 10% of the paid-in capital	None
3	Discount on processing fee for transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by investees	None
6	Related information of financial assets securitization or real estate securitization by investees	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None
8	Financing provided to others	Table 3
9	Endorsements/guarantees provided	Table 4
10	Marketable securities held as of June 30, 2023	Table 2 (Note)
11	Marketable securities acquired or disposed of at costs or prices over \$300 million or 10% of the paid-in capital	None
12	Derivative transactions	Note 7

Note: Disclosure is not required for subsidiaries belonging to the financial services, insurance and securities industries, and whose principal business activities include financing provided to others, endorsements/guarantees provided, and trading of marketable securities.

- c. Investments in mainland China: Name of companies, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in investees in the mainland China area are disclosed in Table 6.
- d. The significant intercompany transactions among the Group are disclosed in Note 28 and Table 7.
- e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8).

TABLE 1

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$300 MILLION OR 10% OF THE PAID-IN CAPITAL
JUNE 30, 2023
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Cathay Financial Holding Co., Ltd.	Cathay Life Insurance Co., Ltd.	Subsidiary	\$ 690,411 (Note 1)	-	\$ -	-	\$ -	\$ -
	Cathay United Bank Co., Ltd.	Subsidiary	4,226,180 (Note 2)	-	-	-	2,055,588	-
	Cathay Securities Corporation	Subsidiary	1,064,382 (Note 2)	-	-	-	986,590	-
	Cathay Securities Investment Trust Co., Ltd.	Subsidiary	1,656,170 (Note 2)	-	-	-	1,456,734	-
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	The Company	14,256,999 (Note 2)	-	-	-	-	-
Cathay United Bank Co., Ltd.	Cathay Life Insurance Co., Ltd.	Sibling Company	454,689 (Note 3)	-	-	-	454,689	-
Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	Subsidiary	487,768 (Note 4)	-	-	-	3,997	-
Conning Holdings Limited	Cathay Life Insurance Co., Ltd.	The Company	302,393 (Note 5)	-	-	-	-	-

Note 1: The ending balance is mainly comprised of interest receivables of subordinate corporate bonds of Cathay Life.

Note 2: The ending balance is mainly comprised of receivables from integrated income tax, dividends receivable, etc.

Note 3: The ending balance is mainly comprised of commissions receivable.

Note 4: The ending balance is mainly comprised of loans and interest receivables.

Note 5: The ending balance is mainly comprised of service fees receivable.

TABLE 2

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2023
(In Thousands of New Taiwan Dollars, in Thousands of Number of Shares)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Cathay Venture Inc.	<u>Corporate bonds</u>							
	A2G CB	N/A	Financial assets at fair value through profit or loss	-	\$ 1,541	-	\$ 1,541	
	Yonggu I	"	"	342	33,533	-	33,533	
	<u>Beneficiary certificates</u>							
	Mega Diamond Money Market Fund	"	"	7,821	100,259	-	100,259	
	Taishin 1699 Money Market Fund	"	"	14,477	200,545	-	200,545	
	Cathay Taiwan Money Market Fund	"	"	7,932	100,638	-	100,638	
	<u>Shares</u>							
	Tien-Tai Management Consulting Co., Ltd.	Investee accounted for using the equity method	Investments accounted for using the equity method	141	2,373	28.20	2,373	
	Tiantai II Optoelectronics Co., Ltd.	"	"	9,780	127,052	32.28	127,052	
	Tien-Tai Optronics Corporation	"	"	10,125	131,127	33.64	131,127	
	CDIB BioScience Ventures I, Inc.	N/A	Financial assets at fair value through other comprehensive income	2,526	7,856	11.40	7,856	
	Harbinger Venture Capital	"	"	20	153	10.00	153	
	Harbinger Three Venture Capital	"	"	10	240	10.00	240	
	Huiyang Private Equity Fund Co., Ltd.	"	"	140	10,664	5.13	10,664	
	Yu Ji Venture Capital Corporation	"	"	1,150	19,412	10.00	19,412	
	Hanyu Venture Capital Co., Ltd.	"	"	5,000	46,850	11.11	46,850	
	Grand Cathay Venture Capital II Co., Ltd.	"	"	2,000	29,780	2.50	29,780	
	Baodian Venture Capital Co., Ltd.	"	"	215	2,838	9.79	2,838	
	Harbinger Eight Venture Capital	"	"	10,000	95,900	7.71	95,900	
	Appworks Fund II Co., Ltd.	"	"	5,355	142,657	11.11	142,657	
	Appworks Fund III Co., Ltd.	"	"	16,770	157,470	5.83	157,470	
	Fulgent Sun International (Holding) Co., Ltd.	"	"	626	86,352	-	86,352	
	Hiroca Holdings Ltd.	"	"	439	19,496	-	19,496	
	Senhwa Biosciences, Inc.	"	"	615	31,427	-	31,427	
	Tanvex BioPharma, Inc.	"	"	417	31,315	-	31,315	
	Shane Global Holdings	"	"	3,700	285,247	3.35	285,247	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Nan Pao Resins Chemical Co., Ltd.	N/A	Financial assets at fair value through profit or loss	323	\$ 53,184	-	\$ 53,184	
	Fusheng Precision Co., Ltd.	"	"	800	176,800	-	176,800	
	Tot Biopharm Co., Ltd	"	"	6,909	61,225	-	61,225	
	WW Holding Inc.	"	"	1,288	101,108	2.12	101,108	
	Airmate (Cayman) International Co Limited	"	"	612	11,238	-	11,238	
	World Known MFG (Cayman) Limited	"	"	1,413	91,139	4.17	91,139	
	Yonggu Group Inc.	"	"	34	1,440	-	1,440	
	Easywell Biomedicals Inc.	"	"	1,418	31,469	1.24	31,469	
	Trusval Technology Co., Ltd.	"	"	119	9,214	-	9,214	
	Smartdisplayer Technology Co., Ltd.	"	"	1,000	26,730	4.01	26,730	
	BioGend Therapeutics Co., Ltd.	"	"	2,000	95,400	1.63	95,400	
	Evergreen Steel Corp.	"	"	1,500	100,500	-	100,500	
	Weblink International Inc.	"	"	1,638	102,703	2.01	102,703	
	EasyCard Investment Holdings Co., Ltd.	"	"	915	23,141	1.37	23,141	
	EasyCard Co., Ltd.	"	"	327	29,905	-	29,905	
	Lan An Co., Ltd.	"	"	125	1,756	5.00	1,756	
	Koatech Technology Corp.	"	"	401	2,817	1.32	2,817	
	Mega Union Technology Incorporated.	"	"	4,154	242,875	6.82	242,875	
	Cathay Healthcare Management Co., Ltd.	"	"	8,250	126,638	15.00	126,638	
	Fashionguide Co., Ltd.	"	"	714	20,687	4.26	20,687	
	Sunmile Group Holding Co., Limited	"	"	528	-	1.85	-	
	NARUKO Beauty Essentials Limited	"	"	43,252	38,061	4.02	38,061	
	Shengzhuang Holdings	"	"	122	-	1.09	-	
	Bravo Ideas Digital Co., Ltd.	"	"	3,386	10,767	6.03	10,767	
	Episonica Holding	"	"	2,708	39,097	12.19	39,097	
	Andros Pharmaceuticals Co., Ltd.	"	"	1,047	26,887	3.01	26,887	
	Transound Electronics Co., Ltd.	"	"	1,200	2,304	3.05	2,304	
	Hyper Crystal Inc.	"	"	2,000	-	13.80	-	
	Amaryllo International B.V.	"	"	1,000	6,330	4.34	6,330	
	Grandsys, Inc.	"	"	1,860	59,278	6.91	59,278	
	DTCO (Samoa)	"	"	325	231	2.46	231	
	Tennrich International Corp.	"	"	1,938	407	3.19	407	
	KKDAY	"	"	5,946	31,099	-	31,099	
	Smart Games	"	"	164	-	1.59	-	
	PSS Co., Ltd.	"	"	494	39,731	-	39,731	
	Anywhere 2 Go	"	"	2	2,760	8.99	2,760	
	GENETEX INTERNATIONAL CORPORATION	"	"	1,340	53,801	3.04	53,801	
	Mimetas B.V.	"	"	8	15,095	2.81	15,095	
	Xiongchuang (Samoa)	"	"	21	8,532	4.45	8,532	
	Acepodia Inc.	"	"	9,817	30,039	2.23	30,039	
	Greenway Environmental Technology Co., Ltd.	"	"	4,375	42,569	9.51	42,569	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	CHU CHIEN TECHNOLOGY LIMITED	N/A	Financial assets at fair value through profit or loss	2,302	\$ 63,956	1.12	\$ 63,956	
	Pacific 8 Venture	"	"	-	199,294	15.00	199,294	
	Monk's hill Venture Fund	"	"	-	96,617	3.00	96,617	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	"	"	800	18,512	1.34	18,512	
	OneDegree	"	"	350,926	28,074	2.02	28,074	
	Validus Investment Holdings	"	"	183	71,593	2.01	71,593	
	VIZIONFOCUS INC.	"	"	1,700	73,950	3.27	73,950	
	Finaxar Pte. Ltd.	"	"	87	3,032	4.00	3,032	
	aetherAI Co., Ltd.	"	"	5,824	14,792	10.00	14,792	
	Intudo Venture II, LP	"	"	-	112,901	3.76	112,901	
	King Point Enterprise Co., Ltd.	"	"	1,000	36,190	2.53	36,190	
	Cowearth Medical Holding Co., Ltd.	"	"	3,750	131,838	-	131,838	
	INNOPACK VIETNAM CO., LTD	"	"	1,350	-	9.00	-	
	Pharmosa Biopharma Inc.	"	"	3,946	151,724	3.56	151,724	
	Transcene Corp.	"	"	3,000	34,500	9.94	34,500	
	Cirocomm Technology Corporation	"	"	542	4,214	4.20	4,214	
	Ampak Technology Inc.	"	"	1,162	97,608	1.75	97,608	
	New Garden Co., Ltd.	"	"	5,000	13,050	9.38	13,050	
	TMY Technology Inc.	"	"	1,071	11,711	2.78	11,711	
	Great Giant Fiber Garment Co., Ltd.	"	"	353	46,675	-	46,675	
	Yuen Foong Yu Consumer Products Co., Ltd.	"	"	1,025	42,743	-	42,743	
	Taiwan Aerospace Corp.	"	"	1	11	-	11	
	Winking Entertainment Co., Ltd.	"	"	678	19,338	3.02	19,338	
	Palm Drive Capital III LP(Cayman)	"	"	-	48,541	2.00	48,541	
	KEE Fresh & Safe Foodtech Co., Ltd.	"	"	950	18,677	2.85	18,677	
	VisEra Technologies Co., Ltd.	"	"	580	151,380	-	151,380	
	Formosa Pharmaceuticals, Inc.	"	"	1,248	33,019	1.10	33,019	
	Phoenix Pioneer Technology Co., Ltd.	"	"	2,867	55,534	-	55,534	
	Pickupp Limited	"	"	395	23,280	1.93	23,280	
	Jia Wei Lifestyle, Inc.	"	"	986	62,315	1.23	62,315	
	Annji Pharmaceutical Co., Ltd.	"	"	1,783	48,427	2.71	48,427	
	Morrison Opto-Electronics Ltd.	"	"	300	16,320	1.37	16,320	
	Evergreen Aviation Technologies Corporation	"	"	973	108,976	-	108,976	
	Intudo Venture III, LP	"	"	-	34,051	1.39	34,051	
	Morning Glow Holding	"	"	4,683	73,051	9.37	73,051	
	GRAID Technology Inc. (USA)	"	"	682	9,075	2.41	9,075	
	Infinite Finance Co., LTD	"	"	1,500	49,500	-	49,500	
	AmMax Bio, Inc.	"	"	493	-	1.55	-	
	Shenghe Energy Co., LTD	"	"	10,000	133,400	10.00	133,400	
	Airoha Technology Corp.	"	"	78	28,791	-	28,791	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Cloud Mile, Inc.	N/A	Financial assets at fair value through profit or loss	689	\$ 45,295	2.27	\$ 45,295	
	Tung Mung Development Co., Ltd	"	"	7,000	78,400	1.68	78,400	
	Power Master International Investment Holdings Co., Ltd.	"	"	300	13,221	-	13,221	
	CENTER LABORATORIES INC.	"	"	229	12,702	-	12,702	
	Certain Micro Application Technology Inc	"	"	1,200	18,084	6.48	18,084	
	Toyo Automation Co., Ltd.	"	"	145	11,060	-	11,060	
	Partipost Pte Ltd (Singapore)	"	"	629	22,860	1.53	22,860	
	GreenHarvest Co., Ltd.	"	"	1,111	12,165	8.40	12,165	
	H2 Inc. Taiwan Branch (Cayman Islands)	"	"	2,557	62,044	4.05	62,044	
	Taishan Buffalo No. 2 Biotechnology Venture Capital Limited Partnership	"	"	-	423,232	6.78	423,232	
	Taishan Buffalo No. 3 Biotechnology Venture Capital Limited Partnership	"	"	-	70,099	6.09	70,099	
	QT Medical Inc.	"	"	1,053	61,500	4.89	61,500	
	CUUMED CATHETER MEDICAL CO., LTD.	"	"	1,200	42,000	3.06	42,000	
Cathay Futures Co., Ltd.	<u>Beneficiary certificates</u> JKO Pion Money Market Fund	N/A	Financial assets at fair value through profit or loss	4,302	50,668	12.58	50,668	
	<u>Shares</u> Taiwan Futures Exchange	N/A	Financial assets at fair value through other comprehensive income	7,299	1,124,974	1.52	1,124,974	
Conning Inc.	<u>Preferred stock</u> Centerprise Services Inc.	N/A	Financial assets at fair value through other comprehensive income	400	3,278	1.76	3,278	
Cathay Capital (Asia) Limited	<u>Overseas bonds</u> EBIUH 4.38 07/26/29	N/A	Financial assets at fair value through profit or loss	510	2,212	-	2,212	
	BNP 4 03/01/24 EMTn	"	"	2,000	8,614	-	8,614	
	MASQUH 4 11/15/24	"	"	2,080	9,032	-	9,032	
	EBIUH 4.38 08/01/29 EMTN	"	"	1,020	4,424	-	4,424	
	QNBK 3.18 04/09/26 EMTN	"	"	230	970	-	970	
	GS 3.55 11/08/25 EMTN	"	"	1,000	4,282	-	4,282	
	MQGAU 4 03/01/27	"	"	130	3,841	-	3,841	
	GS 0 12/05/32 EMTN	"	"	500	9,659	-	9,659	
	EBIUH 3.05 08/06/30 EMTN	"	"	860	23,857	-	23,857	
	EBIUH 3 08/14/30 EMTN	"	"	970	26,890	-	26,890	
	EBIUH 3 03/31/31 CORP	"	"	50	1,373	-	1,373	
	GS4 1/4 02/08/33 EMTN	"	"	990	28,914	-	28,914	
	GS 4.4 02/08/38 EMTN	"	"	990	28,889	-	28,889	
	KNFP 8.5 05/15/26	"	"	12,520	18,768	-	18,768	

(Concluded)

TABLE 3

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	Cathay Power Inc.	Cathy Sunrise Electric Power Two Co., Ltd.	Other receivables from related parties	Yes	\$ 140,000	\$ 140,000	\$ 47,702	2-2.1	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,583,296	\$ 1,583,296
		Hong Cheng Sing Tech. Co., Ltd.	Other receivables from related parties	Yes	1,500	1,500	346	2-2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		SUNRISE PV ONE CO., LTD.	Other receivables from related parties	Yes	460,000	460,000	418,409	2-2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		Shen Lyu Co., Ltd.	Other receivables from related parties	Yes	15,000	15,000	11,242	2-2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		Shu Guang Energy Co., Ltd.	Other receivables from related parties	Yes	22,000	22,000	20,164	2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
2	Neo Cathay Power Corp.	Shu Guang Energy Co., Ltd.	Other receivables from related parties	Yes	36,000	-	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
		SUNRISE PV ONE CO., LTD.	Other receivables from related parties	Yes	100,000	100,000	41,645	2-2.1	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
		Nan Yang Power Co., Ltd.	Other receivables from related parties	Yes	120,000	120,000	31,500	2-2.1	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
3	Yong Han Co., Ltd.	Si Yi Co., Ltd.	Other receivables from related parties	Yes	100,000	100,000	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	107,270	107,270
4	CM Energy Co., Ltd.	Tian Ji Energy Co., Ltd.	Other receivables from related parties	Yes	2,000	2,000	2,000	2-2.1	Short-term financing	-	Operating capital	-	-	-	431,852	431,852
		Tian Ji Power Co., Ltd.	Other receivables from related parties	Yes	71,800	71,800	30,000	2-2.1	Short-term financing	-	Operating capital	-	-	-	431,852	431,852
		Hong Tai Energy Co., Ltd.	Other receivables from related parties	Yes	100,000	100,000	100,000	2-2.1	Short-term financing	-	Operating capital	-	-	-	431,852	431,852
		Chen Fong Power Co., Ltd.	Other receivables from related parties	Yes (Note 2)	150,000	-	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	431,852	431,852

Note 1: The maximum amount for the total loan of Cathay Power, Neo Cathay Power, Yong Han, and CM Energy is 40% of its net worth, as stated in its latest audited financial statements. The limit on loans from Cathay Power, Neo Cathay Power, Yong Han, and CM Energy is 40% of its net worth, as stated in its latest audited financial statements.

Note 2: In May 2023, CM Energy disposed of Chen Fong Power, and the financing contracts were terminated.

TABLE 4

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 1)											
1	Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	b	\$ 9,895,599	\$ 3,464,796	\$ 3,464,796	\$ 1,139,315	\$ -	87.53	\$ 9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Cathy Sunrise Electric Power Two Co., Ltd.	b	9,895,599	73,912	73,912	73,912	-	1.87	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Hong Cheng Sing Tech. Co., Ltd.	b	9,895,599	51,000	51,000	51,000	-	1.29	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Nan Yang Power Co., Ltd.	b	9,895,599	226,900	226,900	214,400	-	5.73	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
2	SUNRISE PV ONE CO., LTD.	Cathay Power Inc.	c	2,743,359	1,005,590	1,005,590	495,000	-	91.64	2,743,359	(Note 2)	(Note 2)	N	(Note 4)
		Shen Lyu Co., Ltd.	d	2,743,359	354,410	354,410	354,410	-	32.30	2,743,359	(Note 2)	(Note 2)	N	(Note 4)
3	Neo Cathay Power Corp.	Si Yi Co., Ltd.	b	4,001,437	2,220,000	2,220,000	988,955	-	138.70	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
		Da Li Energy Co., Ltd.	b	4,001,437	1,017,500	1,017,500	509,505	-	63.57	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
		Yong Han Co., Ltd.	b	4,001,437	462,500	462,500	313,502	-	28.90	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
4	CM Energy Co., Ltd.	Tian Ji Energy Co., Ltd.	b	2,699,074	29,500	29,500	22,519	-	2.73	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Tian Ji Power Co., Ltd.	b	2,699,074	1,899,200	1,899,200	1,440,585	-	175.91	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Hong Tai Energy Co., Ltd.	b	2,699,074	706,296	695,296	538,374	-	64.40	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Hong Tai Power Co., Ltd.	b	2,699,074	190,000	190,000	142,156	-	17.60	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
5	Hong Tai Energy Co., Ltd.	Hong Tai Power Co., Ltd.	b	477,006	190,000	190,000	142,156	-	99.58	477,006	(Note 2)	(Note 2)	N	(Note 7)

Note 1: Relationship between the endorser/guarantor and the endorsee/guarantee is classified as follows:

- Having a business relationship.
- The endorser/guarantor directly or indirectly owns more than 50% of the ordinary shares of the endorsee/guarantee.
- The endorsee/guarantee directly or indirectly owns more than 50% of the ordinary shares of the endorser/guarantor.
- The Company in which the public company directly or indirectly holds 90% or more of the voting shares may make endorsements/guarantees for each other.
- Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or joint builders for purposes of undertaking a construction project.
- Due to a joint venture, all shareholders provide endorsements/guarantees to the endorsee/guarantee in proportion to their ownership.
- Where companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: It is not a case where the listed parent company endorses the subsidiary or the subsidiary endorses the listed parent company.

Note 3: The total amount of endorsement/guarantee provided by Cathay Power shall be 250% of the net worth of the previous year. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the previous year.

Note 4: The total amount of endorsement/guarantee provided by SUNRISE PV ONE shall be 250% of the net worth of the previous year. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the previous year.

Note 5: The total amount of endorsement/guarantee provided by Neo Cathay Power shall be 250% of the net worth of the previous year. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the previous year.

Note 6: The total amount of endorsement/guarantee provided by CM Energy shall be 300% of the net worth of the previous year. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the previous year.

Note 7: The total amount of endorsement/guarantee provided by Hong Tai Energy shall be 250% of the net worth of the previous year. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the previous year.

TABLE 5

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES AND COMBINED SHAREHOLDING PERCENTAGE
JUNE 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Shareholding Percentage at the End of the Period	Carrying Amount of Investment	Investment Profits or Losses Recognized in the Current Period	Combined Shareholding of the Company and its Affiliates (Note 1)				Note
							Number of Existing Shares	Number of Phantom Shares (Note 2)	Total		
									Number of Shares (In Thousands)	Shareholding Percentage	
Cathay Financial Holding Co., Ltd.	Cathay Century Insurance Co., Ltd.	R.O.C.	Life insurance	100.00	\$ 525,074,167	\$ 12,133,815	6,351,527	-	6,351,527	100.00	Note 3
	Cathay United Bank Co., Ltd.	R.O.C.	Commercial banking operations	100.00	254,439,509	17,430,198	10,859,866	-	10,859,866	100.00	Note 3
	Cathay Century Insurance Co., Ltd.	R.O.C.	Property insurance	100.00	13,577,009	181,132	200,000	-	200,000	100.00	Note 3
	Cathay Securities Corporation	R.O.C.	Security	100.00	13,359,745	1,044,432	770,000	-	770,000	100.00	Note 3
	Cathay Venture Inc.	R.O.C.	Venture capital	75.00	4,706,512	393,839	518,173	-	518,173	100.00	Note 3
	Cathay Securities Investment Trust Co., Ltd.	R.O.C.	Entrusted investments	100.00	4,883,172	827,950	150,000	-	150,000	100.00	Note 3
	Conning Asia Pacific Ltd.	Hong Kong	Asset management services	17.15	96,272	1,229	272,950	-	272,950	100.00	Note 4

Note 1: The existing shares and phantom shares of the investees held by the Company, directors, supervisors, general managers, vice general managers, and affiliates meeting the requirements of the Company Act are included.

Note 2: a. “Phantom shares” refer to the shares acquired due to conversion under the assumption that the Company converts the marketable securities with equity characteristics or derivative instrument contracts (that have not been converted to shares) based on the transaction terms and the equity that the Company has the intention of linking to the reinvestment business, and meeting the reinvestment objectives as provided in Paragraph 2, Article 36 and Article 37 of Financial Holding Company Act.

b. The above-mentioned “marketable securities with equity characteristics” refer to the securities stated in Paragraph 1, Article 11 of the Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

c. The above-mentioned “derivative instrument contracts” refer to those that meet the definition related to derivative instruments under IFRS 9, such as stock options.

Note 3: Share of profit or loss is recognized on the basis of the financial statements which have been audited by an independent auditor.

Note 4: Share of profit or loss is recognized on the basis of the financial statements which have not been audited by an independent auditor.

TABLE 6

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Business and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of June 30, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2023	Accumulated Repatriation of Investment Income as of June 30, 2023
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	a	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ 430,980	50	\$ 215,490 (Note 2,b,2))	\$ 7,326,271	\$ -
Cathay Century (China)	Property and casualty insurance	12,196,844	a	5,908,393	-	-	5,908,393	471,415	49	230,992 (Note 2,b,3))	5,067,741	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office equipment leasing company	7,223,435	a	7,223,435	-	-	7,223,435	96,711	100	90,055 (Note 2,b,2))	8,088,283	-
Cathay United Bank (China) Corporation Limited	Wholesale banking	14,377,562	a	14,377,562	-	-	14,377,562	162,652	100	162,652 (Note 2,b,2))	16,346,102	-
BSCOM Cathay Asset Management Co., Ltd.	Fund management services	1,701,823	a	566,707	-	-	566,707	(33,624)	33.3	(11,197) (Note 2,b,2))	266,050	-
Beijing BSCOM Cathay Capital Management Co., Ltd (Note 4)	Assets management services	511,481	c	-	-	-	-	(12,328)	33.3	(4,105) (Note 2,b,2))	169,110	-

Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$34,824,675	\$34,824,675	\$501,010,847

Note 1: The 3 methods of investment are as follows:

- a. Direct investment in China.
- b. Reinvestment in China through companies located in a third region (please indicate the companies located in that third region)
- c. Others.

Note 2: The column of investment profit or loss for the period:

- a. It should be indicated if the entity was in the preparation stage without profit or loss on investment.
- b. It should be indicated if the basis of recognizing the profit or loss on investment are of the following 3 types:
 - 1) The financial statements are audited and certified by international accounting firms which have partnership with R.O.C. accounting firms.
 - 2) The financial statements are audited and certified by the parent company’s auditors in Taiwan.
 - 3) Other basis.

Note 3: The related figure in the schedule should be expressed in New Taiwan dollars.

Note 4: BSCOM Cathay Asset Management Co., Ltd. invested in Beijing BSCOM Cathay Capital Management Co., Ltd. in the amount of CNY110 million in Mainland China.

(Continued)

Note 5: Information on investments in mainland China

- a. On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (“MOEAIC”) authorized Cathay Life to remit US\$22,850 thousand and US\$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US\$50,000 thousand to US\$48,330 thousand, approved by the MOEAIC on December 20, 2010. Also, MOEAIC authorized Cathay Life to remit US\$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized Cathay Life to remit US\$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US\$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US\$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life’s subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. Cathay Life has remitted US\$48,330 thousand to the subsidiary as of December 31, 2009. Cathay Life injected additional US\$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized Cathay Life to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of June 30, 2023, Cathay Life’s remittances to the subsidiary totaled approximately CNY900,000 thousand and US\$78,210 thousand.
- b. On October 17, 2007, MOEAIC authorized Cathay Life to remit US\$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized Cathay Life to increase the remittances from US\$26,390 thousand to US\$28,960 thousand. On August 15, 2008, MOEAIC further authorized Cathay Life to revise the remittance from US\$28,960 thousand to US\$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century Insurance in Shanghai has acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized Cathay Life to remit CNY245,000 thousand on December 6, 2018. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, Cathay Life’s board of directors resolved to suspend capital increase on January 26, 2022. On March 3, 2022, MOEAIC authorized Cathay Life to cancel CNY245,000 thousand which was authorized by MOEAIC on November 26, 2019. As of June 30, 2023, Cathay Life’s remittances to this general insurance company amounted to approximately CNY445,000 thousand and US\$28,140 thousand.
- c. On November 1, 2011 and April 11, 2012, MOEAIC authorized Cathay Life to remit CNY300,000 (US\$47,000) thousand and CNY500,000 (US\$80,000) thousand, respectively. A total of US\$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. Cathay Life’s subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. has acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized Cathay Life to remit CNY700,000 (US\$111,000) thousand to increase the share capital. As of June 30, 2023, Cathay Life’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately CNY1,500,000 thousand.
- d. On December 31, 2006, MOEAIC authorized Cathay Century to remit US\$28,960 thousand as the registered capital to establish an insurance subsidiary (in the form of a joint venture with Cathay Life) which was also approved by China Insurance Regulatory Commission on October 8, 2007. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century in Shanghai has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. On June 13, 2013 and March 18, 2014, a remittance of CNY100,000 thousand and CNY100,000 thousand as share capital were authorized by China Insurance Regulatory Commission. On November 23, 2018, according to No. 10700281680 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, Cathay Century’s board of directors resolved to suspend capital increase on January 26, 2022. On March 3, 2022, MOEAIC authorized Cathay Life to cancel CNY245,000 thousand which was authorized by MOEAIC on November 26, 2019. As of June 30, 2023, Cathay Century has remitted US\$97,292 thousand in total.
- e. MOEAIC approved Cathay United Bank to remit to China CNY400,000 (US\$60,070) thousand. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY400,000 (US\$59,770) thousand. The remaining amount of US\$300 thousand was repatriated by Shanghai Branch, Cathay United Bank on November 5, 2010. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC in January 18, 2011 and were approved on January 24, 2011. In addition, MOEAIC further approved Cathay United Bank to remit CNY600,000 (US\$95,020) thousand to China. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY600,000 (US\$94,930) thousand. The remaining amount of US\$90 thousand was repatriated by Cathay United Bank’s Shanghai Branch on February 1, 2012. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC on March 20, 2012 and were approved on March 26, 2012. MOEAIC approved Cathay United Bank’s Shanghai Branch to increase the working capital of CNY1,000,000 (US\$164,000) thousand on February 27, 2014. and was authorized by MOEAIC, on July 10, 2014. MOEAIC agreed to the Bank to increase the working capital of the Qingdao Branch was CNY600,000 (US\$98,200) thousand on January 21, 2014, and was authorized by MOEAIC on October 30, 2014. Cathay United Bank’s obtained approval from MOEAIC to increase the working capital of Shenzhen branch by CNY400,000 (US\$60,710) thousand on January 5, 2015 and was authorized by MOEAIC on December 22, 2016.
- f. The registered capital of Cathay United Bank (China) Co., Ltd. was CNY3 billion, whose working capital was transferred from Cathay United Bank (Shanghai), Cathay United Bank (Qingdao), Cathay United Bank (Shenzhen) upon obtaining approval from the authorities.
- g. On January 9, 2012, MOEAIC authorized Cathay Securities Investments Trust to remit CNY66,600 thousand as the registered capital to establish a China-based company named BSCOM Cathay Asset Management, originally named CDBS Cathay Asset Management (in the form of a joint venture with China Development Bank Securities CO., Ltd., originally named China Development Bank Securities LLC). Cathay Securities Investment Trust held 33.3% of the shares. BSCOM Cathay Asset Management’s capital is CNY200,000 thousand, and it acquired a business license from an enterprise legal person on August 16, 2013. On November 9, 2016, the board of Cathay Securities Investments Trust approved to increase investment in BSCOM Cathay Asset Management accounted for using the equity method, as the percentage of original ownership amounted to CNY53,280 thousand. The proposal was authorized by the FSC and MOEAIC on May 16, 2017 and June 9, 2017, respectively, and was completed on September 29, 2017. As of June 30, 2023, Cathay Securities Investment Trust remittances to BSCOM Cathay Asset Management totaled approximately CNY119,880 thousand.
- h. Information on Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) is as follows:
- 1) Location: Shanghai, China.
- 2) Status of capital funds and related income: As of June 30, 2023, the investment assets of Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) amount to \$92,212,855 thousand and \$9,204,724 thousand, respectively, and net investment income is \$1,980,568 thousand and \$400,469 thousand, respectively.
- 3) Provision methodology and balance of insurance policy reserves

As of June 30, 2023, the balances of reserves of Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) are as follows:

	(In Thousands of New Taiwan Dollars)	
	Cathay Lujiazui Life Insurance Co., Ltd.	Cathay Century (China)
Unearned premium reserve	\$ 333,774	\$ 4,815,467
Loss reserve	646,884	3,657,709
Policy reserve	<u>62,804,101</u>	<u>68,126</u>
	<u>\$ 63,784,759</u>	<u>\$ 8,541,302</u>

(Continued)

Provision methodology of insurance policy reserves:

- a) Unearned premium reserve: For an unexpired in-force contract with a policy period shorter than one year, the calculation of unearned premium reserve is based on the unexpired risk of each insurance.
 - b) Loss reserve: The reserve for claims filed but not yet paid is assessed based on the actual relevant information of each case and provided by insurance type. The reserve for claims not yet filed is provided based on the past experiences of actual claims and expenses in line with the actuarial principles for injury insurance.
 - c) Policy reserve: The life table and interest rates stipulated in the mainland reserve law shall be provided in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.
- 4) Premium income and percentage of insurance benefits: For the six months ended June 30, 2023, the premium income of Cathay Lujiazui Life Insurance Co., Ltd. was NT\$14,606,005 thousand accounted for 7.87% of Cathay Life, and the premium income of Cathay Insurance Company Limited (China) was NT\$13,063,484 thousand accounted for 7.04% and 79.98% of Cathay Life and Cathay Century, respectively.
- 5) Insurance claims and payments and its ratio to the insurance industry: For the six months ended June 30, 2023, the insurance claims and payments of Cathay Lujiazui Life Insurance Co., Ltd. were NT\$1,965,185 accounting for 0.97% of Cathay Life, and the insurance claims and payments of Cathay Insurance Company Limited (China) were NT\$10,034,774 accounting for 4.95% and 53.93% of Cathay Life and Cathay Century, respectively.

(Concluded)

TABLE 7**CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2023****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Financial Holdings	Cathay Life	a	Financial assets at fair value through profit or loss	\$ 35,000,000	Not significantly different with that of third parties	0.28
		Cathay Life	a	Receivables	690,411	"	0.01
		Cathay Life	a	Payables	14,256,999	"	0.11
		Cathay Life	a	Interest income	624,822	"	0.38
		Cathay United Bank	a	Receivables	4,226,180	"	0.03
		Cathay Securities	a	Receivables	1,064,382	"	0.01
		Cathay Securities Investment Trust	a	Receivables	1,656,170	"	0.01
		Cathay Venture	a	Receivables	105,986	"	-
1	Cathay Life	Cathay United Bank	c	Guarantee deposits received	193,355	"	-
		Cathay United Bank	c	Cash and cash equivalents	43,244,241	"	0.34
		Cathay United Bank	c	Gain (loss) on investment property	351,716	"	0.22
		Cathay United Bank	c	Other general and administrative expenses	3,218,525	"	1.98
		Cathay United Bank	c	Payables	454,689	"	-
		Cathay United Bank	c	Service fee and commission fee	449,938	"	0.28
		Cathay United Bank	c	Loss on financial assets and liabilities at fair value through profit or loss	5,880,480	"	3.62
		Cathay United Bank	c	Financial liabilities at fair value through profit or loss	3,684,888	"	0.03
		Cathay United Bank	c	Interest income	186,373	"	0.11
		Cathay Century	c	Net other non-interest gain	426,809	"	0.26
		Cathay Century	c	Other general and administrative expenses	107,433	"	0.07
		Cathay Futures	c	Guarantee deposits paid	2,295,835	"	0.02
		Cathay Walbrook Holding 1 Limited	c	Loans	12,379,493	"	0.10
		Cathay Walbrook Holding 1 Limited	c	Interest income	412,723	"	0.25
		Cathay Walbrook Holding 2 Limited	c	Loans	659,216	"	0.01
		Conning holding limited	c	Payables	302,393	"	-
		Conning holding limited	c	Service fee and commission fee	591,589	"	0.36
2	Cathay United Bank	Cathay Century	c	Deposits	3,181,578	"	0.03
		Cathay Century	c	Service fee and commission fee revenue	125,597	"	0.08
		Cathay Century	c	Gain on financial assets and liabilities at fair value through profit or loss	108,081	"	0.07
		Cathay Securities	c	Deposits	2,588,383	"	0.02
		Cathay Venture	c	Deposits	162,742	"	-

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
		Cathay Securities Investment Trust	c	Deposits	\$ 204,148	Not significantly different with that of third parties	-
		Cathay Futures	c	Deposits	1,704,378	"	0.01
		Cathay Futures	c	Guarantee deposits paid	1,316,232	"	0.01
		Lin Yuan	c	Deposits	1,825,973	"	0.01
		Cathay Industrial R&D Center	c	Deposits	1,830,695	"	0.01
		CUBC Bank	c	Interest income from call loans to banks	141,697	"	0.09
		CUBC Bank	c	Interbank lending	6,413,810	"	0.05
		CUBC Bank	c	Interbank deposits	685,902	"	0.01
		CUBC Bank	c	Receivables	119,823	"	-
		CUBCN Bank	c	Interbank lending	4,991,646	"	0.04
		CUBCN Bank	c	Other financial assets	2,997,332	"	0.02
		CUBCN Bank	c	Receivables	170,512	"	-
3	Cathay Securities	Cathay Futures	c	Financial assets at fair value through profit or loss	527,566	"	-
		Cathay Life	c	Other general and administrative expenses	103,281	"	0.06
4	Indovina Bank	Cathay Insurance (Vietnam)	c	Deposits	312,403	"	-
		Cathay Life (Vietnam)	c	Deposits	3,019,009	"	0.02
		Cathay Life (Vietnam)	c	Interest expense	101,943	"	0.06
5	Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	c	Receivables	487,768	"	-
6	CM Energy Co., Ltd.	Hong Tai Energy Co., Ltd	c	Receivables	128,171	"	-

Note 1: Parent company is numbered 0; subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationship:

- Parent company to subsidiary.
- Subsidiary to parent company.
- Between subsidiaries.

Note 3: Percentage of transaction amount to total consolidated operating income and assets is calculated as follows:

For balance sheet accounts: Transaction amount ÷ Total consolidated assets

For income statement accounts: Accumulated transaction amount ÷ Total consolidated profit from operations.

Note 4: Disclosure of the important intercompany transactions above is decided by the Company based on the materiality principle.

(Concluded)

TABLE 8**CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****INFORMATION ON MAJOR SHAREHOLDERS****JUNE 30, 2023**

Names of Major Shareholders	Shares	
	Number of Shares Held	Shareholding Percentage (%)
Wan Pao Development Co., Ltd.	2,540,990,110	15.68
Lin Yuan Investment Co., Ltd.	2,249,443,425	13.88

Note 1: Information on major shareholders in this table is regarding the shareholders who hold more than 5% of the Company's dematerialized ordinary shares and preference shares (including treasury shares) that have been registered and delivered, as calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The capital recorded in the Company's consolidated financial statements and the actual number of dematerialized shares that have been registered and delivered may differ due to the difference between the basis of preparation and calculation.

Note 2: If a shareholder holds its shares by trust, the information is individually presented in the above disclosures by the trustee who opened the trust account. As for the handling of insider shareholding declaration for shareholders holding more than 10% of the Company's shares in accordance with the Securities and Exchange Act, the number of shares held includes those held by trust in which the shareholder has the power to decide the allocation of trust assets. For more information regarding insider shareholding declaration, please refer to the Market Observation Post System website.