

Cathay Financial Holding Co., Ltd.

GENERAL SHAREHOLDERS MEETING 2023

Meeting Minutes

Time: 09:00 AM, 9 June 2023 (Friday)

Place: 1F, No. 9, Songren Road, Taipei, Taiwan, R.O.C.

Cathay Financial Conference Hall

Meeting type: Video-conferencing assisted shareholders meeting (physical shareholders meeting supported by video conferencing)

E-Meeting Platform :“Shareholders meeting e-Voting Platform – Hybrid Shareholders’ Meeting” by Taiwan Depository & Clearing Corporation website: <http://www.stockvote.com.tw>

Attendance: The shareholders and proxies of shareholders present in the meeting represented 11,859,670,872 shares (including 11,160,399,828 shares represented by shareholders participating in the meeting through electronic and video means). Share without voting right – 0. The presence of the shareholders and proxies of shareholders accounted for 73.20% of the total of 16,202,510,128 shares entitled to attend the meeting.

The attendance rate less the shares represented by shareholders attending the online shareholders’ meeting is 73.20%.

Attendance list of the Board of Directors : Hong-Tu Tsai, Chairman of the Board of Directors 、 Director Cheng-Chiu Tsai 、 Director Chi-Wei Joong 、 Director Andrew Ming-Jian Kuo 、 Director Tiao-Kuei Huang 、 Director Ming-Ho Hsiung 、 Director Chang-Ken Lee

Attendance list of Audit Committee : Independent Director Edward Yung Do Way 、 Independent Director Li-Ling Wang 、 Independent Director Tang-Chieh Wu 、 Independent Director Pei Pei Yu

Observers:

Mark Wei-Chen Tu Attorney-at-Law of Baker & McKenzie, Cheng-Hung Kuo,
CPA of Deloitte Taiwan、Shu-Wan Lin, CPA of Deloitte Taiwan

Chairperson: Hong-Tu Tsai, Chairman of the Board of Directors

Minutes taken down by Chu-Chun Ou-Yang

I .Announcement for the meeting in session:

The Company has 16,202,510,128 outstanding shares and shareholders representing the 16,202,510,128 shares. As of 09:00 AM, the meeting was attended by 11,858,930,203 shares (including 11,160,315,549 shares represented by shareholders participating in the meeting through electronic and video means), which constituted 73.19% of the shares entitled to the meeting, which qualified for a quorum. The chairman hereby announced this meeting is in session.

The meeting is convened physically the assistance of video conferencing. In order to improve the parliamentary efficiency, The chairman decide that the meeting should be convened in the following manner and adopt the following voting model and order, in accordance with Article 10 of the Company's Rules for Procedure of the Shareholders' Meeting: Motions for acknowledgement and discussion, shall be read out by the master of ceremonies of the meeting, and then all motions are voted in one step after completion of the discussion.

Where the online meeting platform is interrupted for more than 30 minutes due to force majeure, before the voting results on all motions are disclosed, and the attendance rate is still held meeting the statutory requirement after the attendance disclosed on the site less the shares represented by shareholders attending the online meeting, the shareholders' meeting shall be continued and there is no need to postpone the meeting for not more than, or reconvene the meeting within 5 days.

II . The opening address of the chairman: (skipped)

III. Matters for report

1. Business Report for 2022. (Refer to the General Meeting Agenda Handbook)

2. Audit Committee Report. (Refer to Appendix I)

3. 2022 report on compensation to Employees and Directors of the Company.

(Refer to the General Meeting Agenda Handbook)

Shareholder question: Shareholder (account number: 521407)

In accordance with Article 219 of the Company Act and Article 14-4 of the Securities and Exchange Act, the shareholder inquired about the manner in which the Audit Committee supervises the Company's high debt level and presents a report, including a review of the unqualified opinion report.

Audit Committee convener's response:

The Audit Committee conducts regular audits and reports on the status of internal control implementations and deficiency improvements. In addition, the Audit Committee and the Financial Department gain insight into the financial status of the company. The accounts provide the Audit Committee with periodic updates on inspection plans, inspection status, changes in laws and regulations, etc. That is, the Audit Committee has a complete understanding of the company's financial standing. Moreover, independent directors also serve as independent directors of the subsidiary and have extensive knowledge of the subsidiary's activities.

IV. Matters for acknowledgement

Agenda 1 : Acknowledgement of Business Operations Report and Financial Statements for 2022

Proposed by the Board of Directors

Explanation :

- (1) The 2022 financial statements of the Company were completed by the Board of Directors and audited by Cheng-Hung Kuo, CPA and Shu-Wan Lin, CPA of Deloitte Taiwan.

(2) The aforementioned financial statements and the business report were ex-amended by the audit committee. We hereby propose for acknowledgement (Refer to Appendix II).

RESOLVED :

The result of balloting indicated that votes representing 9,880,945,159 rights were cast in favor of the motion (of which 9,190,202,819 rights were exercised through electronic and video means), while votes representing 1,772,466 rights were cast in objection to the motion (of which 1,770,303 rights were exercised through electronic and video means) , while votes representing 0 rights were cast in invalid to the motion ,while votes representing 711,410,656 rights were abstention votes/no votes to the motion (of which 709,430,063 rights were exercised through electronic and video means).The votes in favor of the motion accounted for 93.27% of the total votes and favorable action has been taken in favor of the motion.

Agenda 2 : Acknowledgement of earnings distribution for 2022 (Refer to Appendix III)

Proposed by the Board of Directors

Explanation :

The Company's undistributed earnings at the beginning of the period is NT\$203,972,685,432, and after the addition of the net income of the current period of NT\$37,359,360,246, subtraction of the disposal of equity instruments measured at fair value through other comprehensive income of NT\$10,376,704,114, addition of the net effect of disposal of investment property at fair value of NT\$25,935,618 and subtraction of changes in recognition of subsidiaries, affiliates and joint ventures using the equity method of NT\$623,579,526, the accumulated distributable earnings is NT\$230,357,697,656. Accordingly, the earnings distribution proposal is established as follows:

I. After the addition of the items other than the net income to the net income of the current period of 2022, 10% of the legal reserve is

appropriated at an amount of NT\$2,638,501,222.

- II. According to the provisions specified in Jin-Guan-Yin-Fa-Zi No. 10310000140 Letter dated February 19, 2014 and Jin-Guan-Zheng-Fa-Zi No. 1030006415 Letter dated March 18, 2014, when the fair value model is adopted for investment property, for the increase of retained earnings, it is necessary to appropriate a special reserve of NT\$840,131,195.
- III. In addition, special reserve is appropriated according to Jin-Guan-Zheng-Fa-Zi No. 1090150022 Letter dated March 31,2021 and Jin-Guan-Yin-Fa-Zi No. 11102279031 Letter dated November 4, 2022.

RESOLVED :

The result of balloting indicated that votes representing 9,888,628,194 rights were cast in favor of the motion (of which 9,197,885,854 rights were exercised through electronic and video means), while votes representing 3,229,376 rights were cast in objection to the motion (of which 3,227,213 rights were exercised through electronic and video means) , while votes representing 0 rights were cast in invalid to the motion ,while votes representing 702,270,711 rights were abstention votes/no votes to the motion (of which 700,290,118 rights were exercised through electronic and video means). The votes in favor of the motion accounted for 93.34% of the total votes and favorable action has been taken in favor of the motion.

V. Matters for Discussion

Agenda 1 : Discussion on the Company plans to distribute cash from capital surplus and legal reserve

Proposed by the Board of Directors

Explanation :

- I. The Company's board of directors evaluated the necessity and appropriateness of distribution of cash from the capital surplus and legal

reserve on April 27, 2023 according to the subject described in Financial Supervisory Commission (FSC) Jin-Guan-Yin-Kong-Zi No. 1110274097 Letter dated February 16, 2023.

- II. According to the provision of Article 241 of the Company Act, it is proposed to (1) appropriate an amount of NT\$13,202,289,116 with the capital surplus gained from the issuance of common shares at an amount exceeding the face value. If the Company's common shares of 14,669,210,128 shares are used for calculation, an amount of NT\$0.9 per share is to be distributed in cash; (2) appropriate an amount of NT\$3,390,924,000 from the legal reserve; if the Company's Type A preferred shares of 833,300,000 shares are used for calculation, an amount of NT\$2.28 per share is to be distributed in cash; if the Company's Type B preferred shares of 700,000,000 are used for calculation, an amount of NT\$2.13 per share is to be distributed in cash. After cash is distributed from the aforementioned capital surplus and legal reserve, the capital adequacy ratio is maintained at the level above 120%, and the double leverage ratio is also lower than the statutory standard of 125%. The Company will still maintain an appropriate financial and capital structure, and there is no adverse effect on the financial and capital structure.
- III. If the Company subsequently repurchases or transfers, converts or cancels the Company's shares according to Article 28-2 of the Securities and Exchange Act, or issues new shares due to issuance of depository receipts or other reasons, such that there is any change to the number of outstanding common shares on the legal reserve or capital surplus cash distribution base date, the aforementioned shareholders' cash distribution ratio shall be adjusted according to the actual number of outstanding common shares of the Company on the legal reserve or capital surplus cash distribution base date.
- IV. The legal reserve and capital surplus cash distribution ratio is calculated to the integer dollar only, and the value less than the integer dollar is rounded up unconditionally. Any difference is recognized as an expense of the

Company.

- V. After this proposal is approved by the general shareholders' meeting, the board of directors and/or chairman is authorized to specify the legal reserve and capital surplus cash distribution base date and to adjust the distribution ratio, proposed for discussion.

RESOLVED :

The result of balloting indicated that votes representing 11,084,683,971 rights were cast in favor of the motion (of which 10,387,461,397 rights were exercised through electronic and video means), while votes representing 2,788,912 rights were cast in objection to the motion (of which 2,788,912 rights were exercised through electronic and video means) , while votes representing 0 rights were cast in invalid to the motion ,while votes representing 772,197,989 rights were abstention votes/no votes to the motion (of which 770,149,519 rights were exercised through electronic and video means). The votes in favor of the motion accounted for 93.47% of the total votes and favorable action has been taken in favor of the motion.

Agenda 2 : Discussion on the Corporation's proposal to raise long term capital
Proposed by the Board of Directors

Explanation :

- (1) In response to the future capital needs for the Company's long-term strategic development and business growth (including but not limited to increasing working capital, raising capital adequacy ratio, repaying loans or one or more purposes for the development of long-term strategies) as well as the large variety of capital-raising avenues with global characteristics, we ask that the shareholders' meeting authorize the Board of Directors to raise the Company's long-term capital by Domestic cash capital increase for issuance of common shares or preferred shares; cash capital increase for issuance of common shares in participation of Global Depository Receipts (choose one or more than two for combination), at an appropriate time in accordance with the Company's Articles of Incorporation and relevant laws and regulations (hereinafter collectively referred to as the "cash capital increase proposal").

- (2) The number of common shares and preferred shares issued by cash capital increase (including common shares from GDR) will be limited to a maximum of 1.5 billion shares.
- (3) We ask that shareholders' meeting authorize the Board of Directors and/or the Chairman of the Board to consider the content of the cash capital increase proposal (including but not limited to the actual issue price, offering terms, project items, amount of capital raised, schedule of completion, expected benefits and other matters relevant to the proposal), make all necessary adjustments based on market conditions and regulatory requirements, work out the final details and implement the proposal. If the cash capital increase proposal must be changed as ordered by the regulatory authority or required by the circumstances, we also ask that the Board of Directors and/or the Chairman be given full authorization to carry out the corresponding changes.
- (4) Please discuss the related details of the long-term fund raising proposal as Appendix IV. We hereby propose for discussion.

RESOLVED :

The result of balloting indicated that votes representing 11,049,228,641 rights were cast in favor of the motion (of which 10,352,006,067 rights were exercised through electronic and video means), while votes representing 37,344,924 rights were cast in objection to the motion (of which 37,344,924 rights were exercised through electronic and video means) , while votes representing 0 rights were cast in invalid to the motion ,while votes representing 773,097,307 rights were abstention votes/no votes to the motion (of which 771,048,837 rights were exercised through electronic and video means). The votes in favor of the motion accounted for 93.17% of the total votes and favorable action has been taken in favor of the motion.

Shareholder question

1. Shareholder question: Shareholder (account number: 521407)

It is recommended that the company's Ximending building be redesigned and be put to good use.

Chairman's response: The building is currently owned by REITs, and there are revenue concerns.

2. Shareholder question: Shareholder (account number: 521407)

- (1) Questions regarding the company's exchange loss and distributable surplus.
- (2) The status and efficiency of cash capital increase during the preceding year.
- (3) Whether or not the company's preferred stocks and ordinary shares impede shareholder equity.
- (4) Whether or not the approval of a proposal for raising long-term funding an indication of the company's cash capital increase again this year.

Chief Financial Officer's response:

- (1) Last year, the New Taiwan Dollar depreciated by 9.8%, the company's annual exchange benefits surpassed NT\$300 billion, the non-exchange losses and hedging costs accounted for NT\$7.1 billion, a significant decrease of NT\$44.3 billion. Hedging costs were 0.14%, showing good performance. Due to the extended interest spread between the United States and Taiwan this year, CS traditional hedging costs continue to climb. However, our hedging costs were controlled at a considerably good standard of about 1.4% in the first four months. In addition, due to external interest increases, geographic politics, and other environmental factors last year, unrealized evaluation affected the investment position. Furthermore, due to laws and regulations, a time difference was seen in the liability side IFRS17 integration schedule. Failure to link the asset side evaluation caused equity negative value exceeding the distributable surplus.
- (2) An annual proposal for raising long-term funding is presented for shareholder approval at shareholder meetings. The cash capital increase and funding raise were completed ahead of schedule last year. A NT\$35 billion fund was injected into Cathay Life Insurance following the cash capital increase, while the property insurance capital was strengthened at

the appropriate time. The overall capital adequacy ratio for financial holdings was increased to 127%, and the RBC for life insurance increased to 317%. Cathay Life Insurance maintained a capital adequacy ratio BIS above 15%, placing it among the highest in the industry. The financial holdings carry out capital augmentation in a timely manner during times of capital market volatility. This will assist future operations in attaining a higher capital intensity and space.

- (3) Two preferred stocks were distributed at \$2.28 and \$2.13 per share, respectively. Pricing was determined primarily by the interest rate environment at the time of issuance, which was calculated based on the denomination of NT\$60 per share. During this time period, per-share dividends were distributed in accordance with this standard, which posed no risk to shareholder equity.
- (4) In the past few years, long-term capital authorization proposals have been submitted annually to shareholder meetings for approval. This does not indicate that a capital increase will occur this year. If there are promising investment opportunities that align with the company's long-term strategies, or if there is an operational need to increase capital intensity, it is possible to raise funding in a timely manner, thereby improving operational efficiency. In other words, this proposal may be saved for future use.

3. Shareholder question: Shareholder (account number: 580917)

- (1) If the company continues to increase capital, will it dilute the shareholders' dividend per share?
- (2) Operational statuses in China and Vietnam.
- (3) Profit or loss of the bank and insurance company subsidiary.
- (4) Questions related to Taiwan's Class A Appraisal of Intellectual Property Right Protection

General manager's response:

- (1) Due to significant volatility in stock, exchange, and bond markets over the past year, a cash capital increase was conducted to satisfy the

requirements of the competent authorities and to bolster the firm's capital resilience. The shareholders thanked the investors for their support. An increase in cash capital was successfully raised last year.

- (2) Both the Chinese and Vietnamese insurance markets are expanding rapidly. Last year, the subsidiary's growth in Vietnam was 25%, while growth in China was 16%. Due to the annual compounding of insurance premium income, expansion will accelerate in the coming years. In response to short-term annual market fluctuations, annual strategic guidelines must be modified. However, we must prioritize the accumulation of long-term benefits. Therefore, the subsidiaries in Vietnam and China will not adopt an aggressive growth strategy because future growth momentum will be accumulated incrementally.
- (3) Regarding bank and life insurance income, including integrated benefits from digital platforms and good loan granting quality, which have reached record highs year after year in recent years; Due to the complexity of life insurance investment positions, three interest sources (capital gains, interest, and exchange difference) are emphasized. Typically, one or two of the three are offset. Inflation was caused by the Russo-Ukrainian War last year, and central governments around the world quickly raised interest rates to combat inflation, resulting in a rise in interest rates and exchange rate disparities. The greatest obstacle this year is the exchange rate differential. We have utilized a variety of strategies to keep exchange costs within 1.5%. This year is extremely difficult, and the entire management team is working diligently, but the outcome will depend on FED policy and market interest rate fluctuations.
- (4) There are increasingly crucial know-hows in the businesses of financial institutions for the management of intellectual property rights. An independent third party is entrusted to conduct verification in order to accurately understand whether or not internal operations are properly carried out to manage intellectual property. Verification results are in line with the standards.

4. Shareholder question: Shareholder (account number: 521407)

Questions focusing on measuring debts and allowance for doubtful accounts in financial statements.

Chairman's and chief financial officer's response:

According to Page 309 of the annual report, the total loan payment is NT\$1 trillion and 90 million. The allowance for doubtful accounts deposit from loan payment, which belongs to the company's deposit by law, is NT\$30.9 billion. The higher the figure, the more stable it is. This allowance for doubtful accounts is intended to achieve normal loan payment deposit growth. The annual non-performing loan deposit includes bad debt accrual items from the consolidated profit and loss statement, which can be found on page 20 of the Handbook for Annual General Meeting. The net credit cost in the previous year was 23bps, indicating a relatively stable asset quality standard.

5. Questions from Shareholder account number 1087293, asked via video conferencing:

(1) How about the implementation status of your company's "Coal Phase-out Plan" announced at the end of last year and no longer investing in coal enterprises with a revenue ratio exceeding 30%.

(2) How about the significant changes in the investment environment over the past few years, which resulted in a large-scale cash capital increase announced at the end of the previous year, and how to adapt to the environment so as not to compromise shareholders' equity.

General manager's response:

(1) Last year, the Coal Phase-out Plan was announced. New projects are no longer being undertaken by businesses and power companies that use coal for power. Enterprise projects that rely on coal for more than 30% of their revenue have gradually declined. It is expected that by 2027, these businesses will no longer provide any financing.

(2) As previously reported, a cash capital increase was carried out last year in response to competent authorities' capital requirements and to strengthen

company capital. Following the Silicon Valley Bank incident this year, authorities in the United States are debating capital adequacy requirements for banks. Banks are trusted with social cash flow; competent authorities have stricter requirements for financial institutions' capital resilience. To meet the requirements of competent authorities and operational needs, we must consider both capital intensity and shareholder equity.

6. Question from Shareholder account number 1540683, asked via video conferencing:

How Cathay Life Insurance can increase profits, given its current profitable gains, so that Cathay's EPS can once again surpass Fubon's ?

Cathay Insurance vice president's response:

Control hedging costs and future integration of high-dividend configuration to maintain profitability momentum.

7. Question from Shareholder account number 801481, asked via video conferencing:

Whether there is a long-term fund plan proposed for the life insurance subsidiary due to modifications to the ICS. Since long-term fund-raising proposals have been submitted for multiple years in a row, is there a plan to submit them all at once ?

Cathay Insurance vice president's response:

Every year, long-term capital planning proposals are made and saved for possible future use. Cathay Insurance has currently raised NT\$35 billion in subprime debt, which can be used as self-owned capital. The company will propose a comprehensive capital plan after confirming the laws and regulations for CS competent authorities.

VI. Provisional motions:

Question from Shareholder account number 922903, asked via video conferencing:

Is Cathay Financial Holdings sufficiently prepared for this trend about the upcoming implementation of IFRS17 slayer? What strategies are available?

Cathay Insurance vice president's response:

Cathay Insurance has developed completed integration plans for IFRS17 and ICS. In addition, the quarterly tracking situation will be reported to the board of directors.

VII. Meeting adjourned (at 10 : 25 AM the same day.)

Chairperson: Hong-Tu Tsai, Chairman of the Board of Directors

Minutes taken down by Chu-Chun Ou-Yang

According to article 183 paragraph IV in Company Act that the Meeting Minutes shall record a summary of the essential points of the proceedings and the results of the meeting ; In which the meeting's content, procedures and shareholders' speech were recorded the video conferences.

【Appendix 】

2. Audit Committee Report

(1) Audit Report from the Auditing Committee

Audit Report from the Auditing Committee

The Company's 2022 business report, financial statements (including consolidated financial statements), and earnings distribution plan were prepared by the Board of Directors, in which the financial statements (including consolidated financial statements) have been audited and certified by Cheng-Hung Kuo, CPA and Shu-Wan Lin, CPA of Deloitte Taiwan, to which the firm issued an independent auditor's report.

Said reports and statements prepared by the Board of Directors have been audited by the Committee, and the Committee found them to be in compliance with regulatory requirements. The Committee hereby issues this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review it accordingly.

To:

2023 Annual General Shareholders' Meeting of Cathay Financial Holdings

Auditing Committee
Edward Yung Do Way, Convener

April 27, 2023

(2) Report on the 2022 operation of the Audit Committee

Proposed by the Board of Directors

Explanation:

(a) Appraisal on effectiveness of the internal control system:

The Statement of Declaration of Internal Control submitted in accordance with Paragraph 3, Article 14-1 of the “Securities and Exchange Act” was issued upon the assessment on the overall effectiveness of internal control system by the Chairman, President, Chief Internal Auditor and Chief Compliance Officer of the Company based on the Group members’ self-inspection report, improvement status about the deficiencies and abnormality in the internal control founded by the internal audit unit, and other sources of information, and subject to the authorization by the Audit Committee and Board of Directors.

The Company has issued the “Declaration of Statement for Internal Control System of Cathay Financial Holding Co., Ltd. 2022” on March 9, 2023. Except the matters identified in the Declaration of Statement, each unit of the Company has executed the internal control and compliance practices precisely and effectively.

(b) Communication between Audit Committee and Chief Internal Auditor, and the CPAs:

The CPAs attended the Company’s Audit Committee meetings periodically, and reported to the Audit Committee about the scope of audit, adjustment of audit, key audit matters, and update on securities management and taxation laws and regulations, etc. in each quarter of 2022. They also interacted with the Audit Committee members separately before the audit planning and issuance of audit opinions in 2022. The internal audit unit would communicate with independent directors with respect to a total of 10 matters periodically. For example, the Company convened the “conference on discussion about deficiencies in the internal control system” attended by the whole Audit Committee members to discuss with the internal auditors about the

deficiencies in the internal control system and produce the meeting minute therefor. For details, please refer to the “Communication Between Independent Directors and Chief Internal Auditor, and the CPAs” on the Company's website:

<https://www.cathayholdings.com/holdings/corp/intro/committee/audit>

(c) Risk Supervision:

Audit Committee shall review the Company's major risks periodically to verify the various risk exposures and compliance by the internal control system, and supervise the completeness and effectiveness of the Company's risk management system.

【Appendix 】

I . Matters to Report

1.Business Report for 2022

Looking back on 2022, rising inflation in major economies that was driven by supply chain bottlenecks and the Russia–Ukraine war, prompted central banks toward aggressive rate hikes to curb inflation, which resulted in turbulent global capital markets. Meanwhile, Taiwan suffered from the COVID-19 outbreak and the financial industry faced tough challenges. Despite the ever-changing business environment, thanks to the concerted efforts of our employees, Cathay Financial Holdings (Cathay FHC) recorded a consolidated after-tax profit of NT\$38.0 billion (US\$1.2 billion) and earnings per share of NT\$2.58, with subsidiaries Cathay United Bank and Cathay SITE once again achieving record-high profits.

Cathay Subsidiaries Maintained Robust Core Business Momentum in 2022

In the face of volatile financial markets, Cathay Life Insurance reinforced its risk management to pursue investment performance. Cathay Life Insurance continues to adhere to value-driven strategies. To develop products aligned with societal trends and solve concerns over the lack of insurance protection, we focused on health insurance plans and elderly needs, combined services and products to increase insurance value, and utilized digital technology to create better customer experiences. Cathay Life Insurance’s premium income remained in first place in the life insurance industry.

The consolidated after-tax profit of Cathay United Bank reached a record-high yet again. Cathay United Bank delivered outstanding performance in interest income, driven by central bank interest rate hikes and loan growth. Our asset quality remained solid as we continued to focus on the importance to risk management. With respect to our wealth management business, Cathay United Bank continues to develop diverse products and assist our customers in asset allocation. We also employ digital platforms to satisfy our customers’ financial service needs, and connect together the businesses of our group subsidiaries to provide a one-stop financial platform that allows our customers to enjoy fast, convenient and user-friendly financial services.

Although Cathay Century Insurance was affected by pandemic insurance claims, its premium income continued to grow, and ranked second in terms of market share. Cathay Securities continued to develop its innovative digital business model and

delivered excellent business performance. The market share of its sub-brokerage business reached a new high and ranked first in the market. Asset management business is our third pillar of development and Cathay Securities Investment Trust reported NT\$1.2 trillion (US\$39.2 billion) in assets under management, maintaining its market leading position in Taiwan. We continued to further develop our global asset management businesses by integrating the business of Cathay Securities Investment Consulting (Cathay SICE) and Conning Holdings Corp. to establish a presence in Asia Pacific, European, and American markets. Our total assets under management was US\$191.0 billion.

Deepen Business Networks in Overseas Markets

Cathay FHC continues to deepen its business operations and networks in Greater China and ASEAN markets by connecting regional offices and discovering local needs. Meanwhile, we established ourselves as a leading brand in green finance to expand our influence across overseas countries.

In Greater China, Cathay United Bank (China) Ltd. had stable business growth and enhanced digital financial services. In November 2022, Cathay United Bank (China) Ltd. launched the first green deposits program among Taiwan banks in China. In June 2022, our Hong Kong Branch signed a Memorandum of Understanding (MOU) with the Hong Kong Quality Assurance Agency, deepening the promotion of our green finance business and scope of cooperation. Cathay Lujiazui Life Insurance currently operates 12 offices (headquarters and branch offices) and 52 sales and service agencies, and also continues to demonstrate stable business growth. Cathay Insurance (China) continues to develop eCommerce-related business and undergo offline business transformation to optimize business structures and improve operational efficiency.

In Southeast Asia, Cathay United Bank has 60 overseas locations spread across nine of the ten ASEAN member states and continues to develop a greater variety of local financial services. In April 2022, Cathay United Bank relocated the Vietnam Chu Lai Branch to Ho Chi Minh City to better serve local clients. The Manila Branch approved the first sustainability-linked loan in the Philippine financial industry, helping local business support sustainable operations. Cathay Life Insurance (Vietnam) has 151 business offices and its premium income continues to grow.

Cathay Insurance Co., Ltd. (Vietnam) is driving its digital transformation and launched its mobile insurance application.

Aim to Become a Technology Company that Provides Financial Services

Cathay FHC continues to remain committed to driving our digital transformation based on the three pillars of digital, data, and technology and the spirit of “What if We Could.” We aim to become a “technology company that provides financial services.”

Cathay Life Insurance announced its strategy of “Elder Friendly, Protection First and Sustainability (E.P.S.)” to construct a long-term strategic development blueprint, and unveiled its “Wellness Strategic Blueprint,” which supports policyholders’ health by focusing on four pillars of health: suboptimal health, elder care, health promotion, and spillover policies. Cathay Life Insurance designed the “FitBack” health promotion program in order to engage with policyholders on a more regular basis and thereby seek ways to utilize our insurance expertise, data analytics and innovative technologies and address the challenges facing the life insurance industry.

Cathay United Bank is focused on continuing to develop its mobile banking app, CUBE, which integrates banking, insurance, and securities services, provides a more flexible, convenient, and personalized banking experience, and serves as an integrated financial platform for our customers. Cathay United Bank also consolidates the rewards and benefits of multiple credit cards into the CUBE credit card and allows cardholders to select a reward plan that matches their personal preferences through the CUBE mobile banking app. Cathay FHC seeks to integrate the businesses of our subsidiaries to build a one-stop financial platform. Towards this end, we launched innovative, cross-sector digital products, including insurance that uses deposit interest to cover premium payments and variable life insurance that utilizes robo-advising technology.

By drawing on the concept of data driven, Cathay Century Insurance developed the “Smart Claim app,” which controls the risk of car insurance frauds, and “Smart Biz,” which streamlines and optimizes the commercial business insurance sales process. Cathay Securities integrated digital services to an “All-in-One” Cathay Securities app, which offers customers a smoother investment experience. Going forward, we will also continue to develop new technologies such as cloud, blockchain,

and artificial intelligence. With respect to cloud technology deployment, we are actively building a cloud native architecture and adopting open-source technology. We seek to optimize our cloud strategy with a focus on operations, management, compliance, and cybersecurity and apply it to major subsidiaries in compliance with regulations to strengthen our overall digital development capability.

Continue to Keep Pace with Global Trends and Refine the Cathay Group’s Corporate Governance

To continuously strengthen our corporate governance, Cathay FHC increased the number of independent directors from 4 to 5 in the 8th board of directors election in 2022, increasing the proportion of independent directors. Our newly elected independent director, Ms. Pei-Pei Yu, has extensive experience in banking, securities, investments, and business management. Ms. Yu’s presence will further enhance the diversity of our board, increase the proportion of female board members, and improve the overall effectiveness of our corporate governance. In 2022, we engaged the Taiwan Institute of Ethical Business to conduct an evaluation of board performance and implement improvements based on the evaluation results. In addition, Chairman Mr. Hong-Tu Tsai received the “Responsible Business Leadership” award in the 2022 Asia Responsible Enterprise Awards, which demonstrates the international recognition of our corporate governance.

We continue to refine our corporate governance. Major achievements in 2022 include: (1) Cathay FHC ranked in the top 5% in the TWSE Corporate Governance Evaluation; (2) for the third time, Cathay FHC, Cathay Life Insurance and Cathay United Bank participated in the CG6013(2021) Corporate Governance System Evaluation, which was hosted by the Taiwan Corporate Governance Association, and once again, we received the highest rating “Excellent;” (3) Cathay FHC once again participated in the Taiwan Intellectual Property Management System (TIPS) and received Level-A certification; (4) Cathay FHC continued to improve our overall information security protection capability and completed the Security Operation Center (SOC) service mechanism while our major subsidiaries adopted the Information Security Management System (ISMS); (5) Cathay FHC passed the British Standards Institution (BSI) ISO 22301 Business Continuity Management System certification, which seeks to ensure the sustainable operation of the group and reduce the impact of emerging risks on corporate operations and Cathay FHC is the

first ISO 22301-certified financial holding company in Taiwan. Major subsidiaries have successively participated in this verification to continuously improve our Business Continuity Management (BCM) mechanism; (6) Regarding regulatory compliance, Cathay FHC adopted AI management modules and continued to promote the Group’s digital compliance management systems. In response to the National Risk Assessment (NRA), we considered emerging risks, such as proliferation financing risks and Virtual Asset Service Providers (VASP), in our evaluation of anti-money laundering and counter terrorism financing. We also launched a cross-industry, joint risk defense plan to strengthen our risk management module.

Looking ahead to 2023, to ensure corporate sustainability, Cathay FHC will stay committed to the government’s Corporate Governance 3.0 Roadmap, monitor global trends in corporate governance, continue to improve board performance, and refine our corporate governance practices to fulfill international best practices of corporate governance in an ever-changing business environment.

Exert Financial Influence and Frame a Sustainable Future

We fully utilize our core financial competencies and focus on three areas of sustainability—“climate, health, and empowerment.” The sustainability performance of Cathay FHC has been recognized internationally. Cathay FHC has been selected as a constituent in the Dow Jones Sustainability Index (DJSI) World Index for five consecutive years and as a constituent in the DJSI Emerging Markets Index for eight consecutive years. In the most recent rating, Cathay FHC achieved the highest scores on two of the financial core competencies, sustainable finance and financial inclusion, and ranked among the top global sustainable benchmark enterprises.

Amidst the wave of global sustainability and net-zero transition, Cathay FHC has for many years spared no effort in responsible finance and climate action to promote the sustainable development of enterprises and value chain partners. We leverage the influence of responsible finance through active engagement with investees and borrowers on sustainability and climate actions, and through in-depth conversations with enterprises. We join forces with industries to advance toward net-zero transition. Among enterprises with whom we have engaged, four of the major carbon emitters have made a commitment to achieve net-zero emissions or carbon neutrality.

Cathay FHC actively participates in international sustainability initiatives. In April 2022, Cathay FHC became the first member among Taiwan financial institutions in RE100, a global corporate renewable energy initiative. We have committed to using 100% renewable energy for all our business operation globally by 2050. In September 2022, we became one of the few financial institutions in the world to have our sustainable targets approved by the Science Based Targets initiative (SBTi). Our major subsidiaries have followed these targets to reduce the carbon emissions of their operations and financial assets and have resolved to achieve net-zero carbon emissions by 2050. The Cathay Sustainable Finance and Climate Change Summit has been held for six consecutive years. In 2022, we live streamed the 27th Conference of Parties (COP27) Peripheral Conference – World Climate Summit (WCS) in Egypt during our summit to share global perspectives of climate change and net-zero transition and lead our industry and value chain partners to realize sustainability.

Looking forward to 2023, as supply chain pressure eases and inflation is gradually kept under control, central banks in major countries are expected to slow the pace of interest rate hikes. However, global economic growth is facing downward pressure, and political and economic situations remain uncertain. We have operated in Taiwan for more than 60 years. Going forward, Cathay FHC will continue to focus on our core DNA of technology innovation and corporate sustainability, and utilize our core competencies in financial services to create unique competitive advantages and provide excellent customer experiences. We continue to strive toward our vision of becoming “a leading financial institution in the Asia-Pacific region,” thereby demonstrating our sincere gratitude and appreciation to the shareholders who have given us their invaluable support over the years.

Chairman Hong-Tu Tsai
President Chang-Ken Lee
Chief Accountant Jui-Hung Hung

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 December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, 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 December 31, 2022 and 2021, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) 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 year ended December 31, 2022. 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 year ended December 31, 2022 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 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 December 31, 2022 to identify any abnormalities on the recognized amounts of policy reserve on 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 year ended December 31, 2022.

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 year ended December 31, 2022.
 - 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 year ended December 31, 2022.

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 was 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 understood 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 to see if it complies with the relevant regulations issued by the authorities.
3. We performed the test on selected samples to ensure 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 to see if it complies with the relevant regulations issued by the authorities.

Adequacy of Loss Reserves

Cathay Century Insurance Co., Ltd. is a subsidiary of Cathay Financial Holding Co., Ltd. Its 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 by the claim department based on the relevant information from each received claims. The reserve for claims not yet filed is comprised of the provision calculated by the actuary department according to the claim development methods (accident year basis) or past claim experiences complied with actuarial principles, along with a reserve for the unallocated loss adjustment expenses; such accrual principle is also applied to ceded loss reserve under reinsurance contract assets.

The claims not yet filed estimated by abovementioned claim development methods or past experiences complied with the actuarial principles were calculated by considering the weighted results of the claim development and expected loss rates. The actuary department exercises its professional judgement in determining the appropriate models, assumptions and parameters. Therefore, we identified adequacy of loss reserves as a key audit matter. For the accounting policies and relevant disclosure information, refer to Notes 4, 5 and 21 to the accompanying consolidated financial statements.

By performing control testing, we obtained an understanding of the valuation of loss reserves and the design and implementation of relevant internal controls. Moreover, we also performed the following audit procedures:

1. We obtained the actuarial report prepared by the contracted actuary and determined that the loss reserves were properly accrued, evaluated whether the contracted actuary's professional competence and capability was compliant with the regulations issued by the Financial Supervisory Commission of the Republic of China.
2. Our internal actuarial specialists evaluated the accuracy and completeness of the relevant data, as well as the reasonableness of the reserve of claims not yet filed by actuarial method.

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 Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) 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 year ended December 31, 2022 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 Cheng-Hung Kuo and Shu-Wan Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 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
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS	\$ 412,013,900	3	\$ 467,635,057	4
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	266,322,216	2	234,546,475	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	1,675,024,629	14	1,929,395,229	17
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	929,052,914	8	1,626,821,625	14
DEBT INSTRUMENTS AT AMORTIZED COST	4,510,776,595	37	3,266,686,240	28
FINANCIAL ASSETS FOR HEDGING	29,891	-	500,642	-
NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS	38,076,491	-	77,243,060	1
RECEIVABLES, NET	217,153,186	2	205,480,862	2
CURRENT TAX ASSETS	5,158,702	-	4,164,103	-
ASSETS HELD FOR SALE, NET	-	-	283,087	-
DISCOUNT AND LOANS, NET	2,495,516,810	21	2,287,115,449	20
REINSURANCE CONTRACT ASSETS, NET	15,851,568	-	12,260,483	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	32,883,301	-	32,614,572	-
OTHER FINANCIAL ASSETS, NET	669,832,659	6	741,107,026	6
INVESTMENT PROPERTIES, NET	448,140,598	4	432,525,464	4
PROPERTY AND EQUIPMENT, NET	108,550,891	1	97,852,266	1
RIGHT-OF-USE ASSETS, NET	4,833,197	-	4,362,776	-
INTANGIBLE ASSETS, NET	51,636,617	-	51,543,583	-
DEFERRED TAX ASSETS	89,895,981	1	63,746,198	1
OTHER ASSETS, NET	<u>100,135,437</u>	<u>1</u>	<u>58,477,264</u>	<u>-</u>
TOTAL	\$ <u>12,070,885,583</u>	<u>100</u>	\$ <u>11,594,361,461</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 97,309,239	1	\$ 74,605,174	1
DUE TO THE CENTRAL BANK AND BANKS	-	-	1,076,000	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	182,999,244	2	79,934,187	1
FINANCIAL LIABILITIES FOR HEDGING	3,716,091	-	20,956	-
NOTES AND BONDS SOLD UNDER REPURCHASE AGREEMENTS	34,723,428	-	39,827,873	-
COMMERCIAL PAPER PAYABLE, NET	73,880,000	1	63,469,166	-
PAYABLES	73,787,470	1	76,870,285	1
CURRENT TAX LIABILITIES	4,484,328	-	7,528,389	-
DEPOSITS AND REMITTANCES	3,185,436,089	26	2,871,960,053	25
BONDS PAYABLE	132,147,398	1	141,800,000	1
OTHER BORROWINGS	12,763,713	-	1,670,185	-
PROVISIONS	6,842,132,184	57	6,448,259,356	56
OTHER FINANCIAL LIABILITIES	720,648,395	6	763,908,198	7
LEASE LIABILITIES	19,240,853	-	14,721,170	-
DEFERRED TAX LIABILITIES	49,779,071	-	52,976,726	-
OTHER LIABILITIES	<u>26,130,045</u>	<u>-</u>	<u>41,695,016</u>	<u>-</u>
Total liabilities	<u>11,459,177,548</u>	<u>95</u>	<u>10,680,322,734</u>	<u>92</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	146,692,102	1	131,692,102	1
Preference shares	15,333,000	-	15,333,000	-
Capital surplus	215,318,047	2	177,244,388	2
Retained earnings				
Legal reserve	73,747,059	1	59,471,895	1
Special reserve	150,768,651	1	150,716,023	1
Unappropriated earnings	230,331,762	2	267,799,001	2
Other equity	<u>(233,350,281)</u>	<u>(2)</u>	<u>99,781,737</u>	<u>1</u>
Total equity attributable to owners of the Company	598,840,340	5	902,038,146	8
NON-CONTROLLING INTERESTS	<u>12,867,695</u>	<u>-</u>	<u>12,000,581</u>	<u>-</u>
Total equity	<u>611,708,035</u>	<u>5</u>	<u>914,038,727</u>	<u>8</u>
TOTAL	\$ <u>12,070,885,583</u>	<u>100</u>	\$ <u>11,594,361,461</u>	<u>100</u>

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
INTEREST INCOME	\$ 250,519,506	73	\$ 207,813,024	33
INTEREST EXPENSE	<u>(24,356,980)</u>	<u>(7)</u>	<u>(12,930,863)</u>	<u>(2)</u>
NET INTEREST INCOME	<u>226,162,526</u>	<u>66</u>	<u>194,882,161</u>	<u>31</u>
NET INCOME AND GAINS OTHER THAN INTEREST INCOME				
Net gain on service fee and commission fee	15,421,254	5	12,648,663	2
Net income on insurance operations	1,436,140	-	218,483,618	35
(Loss) gain on financial assets and liabilities at fair value through profit or loss	(445,353,503)	(130)	142,017,737	23
Gain on investment properties	13,696,591	4	11,657,941	2
Realized gain on financial assets at fair value through other comprehensive income	2,712,295	1	33,186,918	5
Net gain on derecognition of financial assets at amortized cost	10,365,022	3	37,416,140	6
Foreign exchange gain (loss)	301,166,569	88	(74,946,785)	(12)
(Impairment loss) reversal of impairment loss on assets	(4,682,547)	(1)	2,299,198	1
Share of profit of associates and joint ventures accounted for using the equity method	2,265,986	1	1,806,724	-
Gain on reclassification using the overlay approach	254,281,014	74	39,313,145	6
Net other non-interest (loss) gain	<u>(36,037,689)</u>	<u>(11)</u>	<u>7,197,145</u>	<u>1</u>
PROFIT FROM OPERATIONS	<u>341,433,658</u>	<u>100</u>	<u>625,962,605</u>	<u>100</u>
NET CHANGES IN INSURANCE LIABILITY RESERVE	<u>(198,098,005)</u>	<u>(58)</u>	<u>(377,408,390)</u>	<u>(60)</u>
PROVISION FOR BAD DEBT, COMMITMENTS AND GUARANTEE RESERVE	<u>(4,777,580)</u>	<u>(1)</u>	<u>(3,484,370)</u>	<u>(1)</u>
OPERATING EXPENSES				
Employee benefit expenses	(54,004,407)	(16)	(53,706,468)	(9)
Depreciation and amortization expenses	(7,544,064)	(2)	(7,397,795)	(1)
Other general and administrative expenses	<u>(27,061,810)</u>	<u>(8)</u>	<u>(24,439,211)</u>	<u>(4)</u>
Total operating expenses	<u>(88,610,281)</u>	<u>(26)</u>	<u>(85,543,474)</u>	<u>(14)</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	49,947,792	15	159,526,371	25
INCOME TAX EXPENSE	<u>(11,985,678)</u>	<u>(4)</u>	<u>(18,637,061)</u>	<u>(3)</u>
NET INCOME	<u>37,962,114</u>	<u>11</u>	<u>140,889,310</u>	<u>22</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(267,311)	-	1,208,112	-
Property revaluation surplus	1,322,404	-	332,149	-
(Loss) gain on equity instruments at fair value through other comprehensive income	(28,637,506)	(8)	9,716,739	2
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	575,753	-	736,634	-
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	(809,491)	-	(47,908)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	451,933	-	307,054	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	5,780,461	2	(2,842,282)	-
Gain (loss) on hedging instruments	762,058	-	(13,681)	-
Loss on debt instruments at fair value through other comprehensive income	(103,810,322)	(30)	(79,200,595)	(13)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	597,149	-	(1,038,743)	-
Other comprehensive loss reclassified using overlay approach	(254,281,014)	(75)	(39,313,145)	(6)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>33,999,512</u>	<u>10</u>	<u>15,879,804</u>	<u>2</u>
Total other comprehensive loss for the period, net of income tax	<u>(344,316,374)</u>	<u>(101)</u>	<u>(94,275,862)</u>	<u>(15)</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE (LOSS) INCOME	<u>\$(306,354,260)</u>	<u>(90)</u>	<u>\$ 46,613,448</u>	<u>7</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 37,359,360	11	\$ 139,514,082	22
Non-controlling interests	<u>602,754</u>	<u>-</u>	<u>1,375,228</u>	<u>-</u>
	<u>\$ 37,962,114</u>	<u>11</u>	<u>\$ 140,889,310</u>	<u>22</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$(306,895,790)	(90)	\$ 45,166,120	7
Non-controlling interests	<u>541,530</u>	<u>-</u>	<u>1,447,328</u>	<u>-</u>
	<u>\$(306,354,260)</u>	<u>(90)</u>	<u>\$ 46,613,448</u>	<u>7</u>
EARNINGS PER SHARE				
Basic earnings per share	<u>\$ 2.58</u>		<u>\$ 10.34</u>	

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										Other Equity						
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	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	Others	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Preferred Shares		Legal Reserve	Special Reserve	Unappropriated Earnings											
BALANCE, AT JANUARY 1, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,256,053	\$ 51,967,688	\$ 149,894,910	\$ 169,606,342	\$ (15,464,009)	\$ 106,207,840	\$ 347,871	\$ (1,478,705)	\$ (1,966,279)	\$ 11,097,089	\$ 102,511,617	\$ (3,944,303)	\$ 893,061,216	\$ 11,714,465	\$ 904,775,681
Appropriation of 2020 earnings	-	-	-	7,504,207	-	(7,504,207)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	(1,025,611)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,025,611	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(32,923,025)	-	-	-	-	-	-	-	-	(32,923,025)	-	(32,923,025)
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	-	-	(11,665)	-	-	(26,903)	-	(2,076)	-	-	-	-	-	-	(40,644)	-	(40,644)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(554,511)	-	-	-	-	-	-	-	719,914	165,403	(176,506)	(11,103)
Net income for the year ended December 31, 2021	-	-	-	-	-	139,514,082	-	-	-	-	-	-	-	-	139,514,082	1,375,228	140,889,310
Other comprehensive (loss) income for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(3,188,242)	(55,239,956)	(12,020)	589,308	1,000,149	249,745	(37,746,946)	-	(94,347,962)	72,100	(94,275,862)
Total comprehensive income (loss) for year ended December 31, 2021	-	-	-	-	-	139,514,082	(3,188,242)	(55,239,956)	(12,020)	589,308	1,000,149	249,745	(37,746,946)	-	45,166,120	1,447,328	46,613,448
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	3,834,335	-	(3,834,335)	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(204,498)	269,423	-	-	-	-	-	(64,925)	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(984,706)	(984,706)
BALANCE, AT DECEMBER 31, 2021	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 2021 earnings	-	-	-	14,275,164	-	(14,275,164)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	(52,628)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	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	-	-	(104,319)	-	-	-	-	-	-	-	-	-	-	-	(104,319)	-	(104,319)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(623,579)	-	-	-	-	-	-	-	731,063	107,484	(109,072)	(1,588)
Net income for the year ended December 31, 2022	-	-	-	-	-	37,359,360	-	-	-	-	-	-	-	-	37,359,360	602,754	37,962,114
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	5,624,950	(116,041,219)	614,414	460,602	(131,013)	1,311,727	(236,094,611)	-	(344,255,150)	(61,224)	(344,316,374)
Total comprehensive income (loss) for year ended December 31, 2022	-	-	-	-	-	37,359,360	5,624,950	(116,041,219)	614,414	460,602	(131,013)	1,311,727	(236,094,611)	-	(306,895,790)	541,530	(306,354,260)
Issuance of ordinary shares for cash	15,000,000	-	37,500,000	-	-	-	-	-	-	-	-	-	-	-	52,500,000	-	52,500,000
Share-based payment transactions	-	-	677,978	-	-	-	-	-	-	-	-	-	-	-	677,978	42	678,020
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(10,376,705)	-	10,376,705	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	(15,364)	-	-	-	-	-	15,364	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	434,614	434,614
BALANCE, AT DECEMBER 31, 2022	\$ 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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 49,947,792	\$ 159,526,371
Adjustments for:		
Depreciation expense	4,472,857	4,111,453
Amortization expense	3,071,207	3,286,342
Bad debt expense	4,777,580	3,484,370
Loss (gain) on financial assets and liabilities at fair value through profit or loss	462,987,914	(125,960,769)
Interest expense	24,356,980	12,930,863
Net gain on derecognition of financial assets at amortized cost	(10,365,022)	(37,416,140)
Interest income	(250,519,506)	(207,813,024)
Dividend income	(27,521,113)	(22,306,890)
Net change in insurance liabilities	353,292,935	336,991,049
Net changes in other provisions	40,449,731	(5,767,139)
Compensation cost of share-based payments	678,020	-
Share of profit of associates and joint ventures accounted for using the equity method	(2,265,986)	(1,806,724)
Gain on reclassification using the overlay approach	(254,281,014)	(39,313,145)
Loss on disposal and retirement of property and equipment	15,643	9,975
Gain on disposal of investment properties	(2,369)	(23,700)
Gain on disposal of assets held for sale	(440,613)	-
Gain on disposal of investments accounted for using the equity method	(358,539)	(167,748)
Loss (gain) on disposal of investments	6,775,085	(26,532,879)
Expected credit loss (reversal of expected credit loss) on financial assets	4,682,547	(2,299,198)
Gain on changes in fair value of investment properties	(2,094,495)	(957,835)
Net changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(8,406,645)	(11,737,020)
Decrease (increase) in financial assets at fair value through profit or loss	294,868,000	(16,019,550)
Increase in financial assets at fair value through other comprehensive income	(495,374,571)	(105,890,639)
Increase in debt instruments at amortized cost	(181,326,295)	(66,414,804)
Decrease (increase) in financial assets for hedging	1,208,290	(157,643)
Increase in receivables	(3,122,185)	(12,366,383)
Increase in loans	(213,073,325)	(149,313,340)
Increase in reinsurance assets	(3,493,052)	(2,646,202)
Decrease in other financial assets	2,091,129	2,366,619
(Increase) decrease in other assets	(444,697)	3,991,220
Increase deposits from the Central Bank and banks	22,704,065	8,474,115
Decrease in financial liabilities at fair value through profit or loss	(399,877,010)	(98,353,852)
Increase (decrease) in financial liabilities for hedging	3,719,654	(328,623)
(Decrease) increase in notes and bonds sold under repurchase agreements	(5,104,445)	27,528,309

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
(Decrease) increase in payables	(6,578,073)	8,552,337
Increase in deposits and remittances	313,476,036	256,160,990
(Decrease) increase in provisions for employee benefits	(23,492)	39,727
Increase (decrease) in provisions	40,334	(45,153)
Increase (decrease) in other financial liabilities	25,523,435	(11,378,375)
(Decrease) increase in other liabilities	<u>(18,750,158)</u>	<u>5,706,826</u>
Cash used in operations	(264,283,371)	(111,856,209)
Interest received	243,285,551	208,731,688
Dividends received	28,304,737	23,172,239
Interest paid	(22,615,640)	(14,416,154)
Income tax paid	<u>(10,946,182)</u>	<u>(33,115,959)</u>
Net cash (used in) generated from operating activities	<u>(26,254,905)</u>	<u>72,515,605</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(17,202,630)	(33,909,657)
Proceeds from disposal of financial assets at fair value through other comprehensive income	15,688,232	33,464,578
Acquisition of financial assets at fair value through profit or loss	(967,522)	(1,082,603)
Proceeds from disposal of financial assets at fair value through profit or loss	523,372	581,550
Proceeds from capital reduction of financial assets at fair value through profit or loss	-	14,800
Acquisition of investments accounted for using equity method	(2,308,500)	(414,500)
Proceeds from disposal of investments accounted for using equity method	595,743	307,166
Acquisition of subsidiaries (Net of cash acquired)	(415,958)	-
Proceeds from capital reduction of investments accounted for using equity method	170,887	404,415
Proceeds from disposal of assets held for sale	723,700	-
Acquisition of property and equipment	(4,179,942)	(2,728,904)
Proceeds from disposal of property and equipment	195,217	1,608
Acquisition of intangible assets	(743,023)	(733,320)
Proceeds from intangible assets	40,988	-
Acquisition of investment properties	(8,201,702)	(11,576,015)
Proceeds from disposal of investment properties	36,891	117,100
(Increase) decrease in other assets	(36,876,827)	2,564,385
Dividends received	<u>95,134</u>	<u>97,878</u>
Net cash used in investing activities	<u>(52,825,940)</u>	<u>(12,891,519)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in funds borrowed from the Central Bank and banks	(1,076,000)	-
Increase in commercial paper payable	10,410,000	23,950,000

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Proceeds from issuance of financial debentures	693,116	-
Repayment of financial debentures	(10,384,260)	(7,000,000)
Increase in borrowings	3,598,444	70,853
Repayment of the principal portion of lease liabilities	(1,705,048)	(1,548,493)
Increase (decrease) in other liabilities	4,019,118	(2,889,289)
Dividends paid	(49,483,159)	(36,313,949)
Issuance of ordinary shares for cash	52,500,000	-
Acquisition of interests in subsidiaries	(911,234)	(605,519)
Changes in non-controlling interests	<u>(1,071,062)</u>	<u>(676,345)</u>
Net cash generated from (used in) financing activities	<u>6,589,915</u>	<u>(25,012,742)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>1,052,650</u>	<u>(394,137)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(71,438,280)	34,217,207
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>692,041,687</u>	<u>657,824,480</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 620,603,407</u>	<u>\$ 692,041,687</u>
Reconciliation of cash and cash equivalents:		
	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents presented in the consolidated balance sheets	\$ 412,013,900	\$ 467,635,057
Due from the Central Bank and call loans to banks qualified for cash and cash equivalents under the definition of IAS 7	170,513,016	147,163,570
Notes and bonds purchased under resale agreements qualified for cash and cash equivalents under the definition of IAS 7	<u>38,076,491</u>	<u>77,243,060</u>
Cash and cash equivalents at the end of the years	<u>\$ 620,603,407</u>	<u>\$ 692,041,687</u>

(Concluded)

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

Cathay Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

ASSETS	December 31		LIABILITIES AND EQUITY	December 31	
	2022	2021		2022	2021
CASH AND CASH EQUIVALENTS	\$ 7,943,654	\$ 633,233	COMMERCIAL PAPER PAYABLE, NET	\$ 73,880,000	\$ 58,510,000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	33,575,500	36,260,000	PAYABLES	15,901,806	6,024,616
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	195,035	143,491	CURRENT TAX LIABILITIES	3,947,034	7,057,511
RECEIVABLES, NET	4,121,685	1,466,748	BONDS PAYABLE	50,000,000	50,000,000
CURRENT TAX ASSETS	5,131,669	4,102,282	OTHER BORROWING	5,000,000	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	696,821,834	981,855,958	PROVISIONS	753,962	749,874
PROPERTY AND EQUIPMENT, NET	161,431	55,225	LEASE LIABILITIES	290,119	124,980
RIGHT-OF-USE ASSETS	289,676	123,677	DEFERRED TAX LIABILITIES	266,714	266,714
DEFERRED TAX ASSETS	333,745	35,604	OTHER LIABILITIES	270	579
OTHER ASSETS	306,016	96,202	Total liabilities	150,039,905	122,734,274
			EQUITY		
			Share capital		
			Ordinary shares	146,692,102	131,692,102
			Preference shares	15,333,000	15,333,000
			Capital surplus	215,318,047	177,244,388
			Retained earnings		
			Legal reserve	73,747,059	59,471,895
			Special reserve	150,768,651	150,716,023
			Unappropriated earnings	230,331,762	267,799,001
			Other equity	(233,350,281)	99,781,737
			Total equity	598,840,340	902,038,146
TOTAL	\$ 748,880,245	\$ 1,024,772,420	TOTAL	\$ 748,880,245	\$ 1,024,772,420

Cathay Financial Holding Co., Ltd.

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

	For the Year Ended December 31	
	2022	2021
REVENUE		
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 45,374,122	\$ 141,760,801
Other operating income	<u>1,301,593</u>	<u>1,298,450</u>
Total revenue	<u>46,675,715</u>	<u>143,059,251</u>
EXPENSES AND LOSSES		
Operating expenses	(1,922,878)	(1,766,470)
Other expenses and losses	<u>(3,778,808)</u>	<u>(736,471)</u>
Total expenses and losses	<u>(5,701,686)</u>	<u>(2,502,941)</u>
INCOME BEFORE TAX	40,974,029	140,556,310
INCOME TAX EXPENSE	<u>(3,614,669)</u>	<u>(1,042,228)</u>
NET INCOME	<u>37,359,360</u>	<u>139,514,082</u>
OTHER COMPREHENSIVE (LOSS) INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	1,234	(10,692)
Gain on equity instruments at fair value through other comprehensive income	51,544	27,291
Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	(27,416,729)	12,233,990
Income tax relating to items that will not be reclassified subsequently to profit or loss	(247)	2,139
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	<u>(316,890,952)</u>	<u>(106,600,690)</u>
Other comprehensive loss for the period, net of income tax	<u>(344,255,150)</u>	<u>(94,347,962)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (306,895,790)</u>	<u>\$ 45,166,120</u>
EARNINGS PER SHARE		
Basic	<u>\$ 2.58</u>	<u>\$ 10.34</u>

Cathay Financial Holding Co., Ltd.

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

	Other Equity													Total Equity	
	Share Capital			Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	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		Others
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings									
BALANCE AT JANUARY 1, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,256,053	\$ 51,967,688	\$ 149,894,910	\$ 169,606,342	\$ (15,464,009)	\$ 106,207,840	\$ 347,871	\$ (1,478,705)	\$ (1,966,279)	\$ 11,097,089	\$ 102,511,617	\$ (3,944,303)	\$ 893,061,216
Appropriation of 2020 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	7,504,207	-	(7,504,207)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,025,611	(1,025,611)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(32,923,025)	-	-	-	-	-	-	-	-	(32,923,025)
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	-	-	(11,665)	-	-	(26,903)	-	(2,076)	-	-	-	-	-	-	(40,644)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(554,511)	-	-	-	-	-	-	-	719,914	165,403
Net income for the year ended December 31, 2021	-	-	-	-	-	139,514,082	-	-	-	-	-	-	-	-	139,514,082
Other comprehensive (loss) income for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(3,188,242)	(55,239,956)	(12,020)	589,308	1,000,149	249,745	(37,746,946)	-	(94,347,962)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	139,514,082	(3,188,242)	(55,239,956)	(12,020)	589,308	1,000,149	249,745	(37,746,946)	-	45,166,120
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	-	3,834,335	-	(3,834,335)	-	-	-	-	-	-	-
Others	-	-	-	-	(204,498)	269,423	-	-	-	-	-	(64,925)	-	-	-
BALANCE AT DECEMBER 31, 2021	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	-	-	(104,319)	-	-	-	-	-	-	-	-	-	-	-	(104,319)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(623,579)	-	-	-	-	-	-	-	731,063	107,484
Net income for the year ended December 31, 2022	-	-	-	-	-	37,359,360	-	-	-	-	-	-	-	-	37,359,360
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	5,624,950	(116,041,219)	614,414	460,602	(131,013)	1,311,727	(236,094,611)	-	(344,255,150)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	37,359,360	5,624,950	(116,041,219)	614,414	460,602	(131,013)	1,311,727	(236,094,611)	-	(306,895,790)
Issuance of ordinary shares for cash	15,000,000	-	37,500,000	-	-	-	-	-	-	-	-	-	-	-	52,500,000
Share-based payment transactions	-	-	677,978	-	-	-	-	-	-	-	-	-	-	-	677,978
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(10,376,705)	-	10,376,705	-	-	-	-	-	-	-
Others	-	-	-	-	-	(15,364)	-	-	-	-	-	15,364	-	-	-
BALANCE AT DECEMBER 31, 2022	\$ 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

Cathay Financial Holding Co., Ltd.

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

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 40,974,029	\$ 140,556,310
Adjustments for:		
Depreciation expenses	150,518	141,502
Loss on of financial assets at fair value through profit or loss	2,684,500	185,500
Interest income	(1,278,822)	(1,271,181)
Dividend income	(7,594)	(7,265)
Interest expenses	1,025,775	521,517
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(45,374,122)	(141,760,801)
Loss on disposal and retirement of property and equipment	266	338
Compensation cost of share-based payments	10,230	-
Changes in operating assets and liabilities		
Receivables	5,400	-
Other assets	(522)	(300)
Payables	52,821	76,472
Provisions	7,640	635
Other liabilities	(309)	(46)
Cash used in operations	(1,750,190)	(1,557,319)
Interest received	1,278,079	1,271,155
Dividends received	7,594	7,265
Interest paid	(1,141,152)	(535,387)
Income tax paid	(890,462)	(1,960,532)
Net cash used in operating activities	(2,496,131)	(2,774,818)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity the method	(55,000,000)	-
Acquisition of property and equipment	(125,332)	(9,649)
Disposal of property and equipment	-	127
Increase in other assets	(93,915)	(38,846)
Dividends received	41,771,476	18,722,781
Net cash (used in) generated from investing activities	(13,447,771)	18,674,413
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper payable	15,370,000	20,260,000
Increase in other borrowings	5,000,000	-
Repayments of the principal portion of lease liabilities	(132,518)	(127,687)
Issuance of ordinary shares for cash	52,500,000	-
Dividends paid	(49,483,159)	(36,313,949)
Net cash generated from (used in) financing activities	23,254,323	(16,181,636)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,310,421	(282,041)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	633,233	915,274
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 7,943,654	\$ 633,233

【Appendix 】

Cathay Financial Holding Co., Ltd. Earnings Distribution Plan of the year 2022

Unit : NT Dollar

Item	Amount
(I) Unappropriated earnings at the beginning of the period	203,972,685,432
Net income of the current period	37,359,360,246
Less: Any items other than net profit- Disposal of equity instruments measured at fair value through other comprehensive income	(10,376,704,114)
Add: Any items other than net profit- Net effect of fair value by disposal of investment property (Note 1)	25,935,618
Less: Changes in recognition of subsidiaries, affiliates and joint ventures using the equity method	(623,579,526)
(II) Any items other than net profit after tax plus any items other than net profit	26,385,012,224
Less: Legal reserve	(2,638,501,222)
Less: Special reserve – net effect of investment property at fair value (Note 1)	(840,131,195)
Less: Special reserve – Net deduction of other shareholders' equity (Note 2)	(226,879,065,239)
(III) Distributable earnings	0

Note1: Pursuant to the Financial Supervisory Commission (FSC) Letters No. 10310000140 dated February 19, 2014 and No. 1030006415 dated March 18, 2014, companies that account for investment properties using the fair value method are required to provide special reserves for any fair value gains that have the effect of increasing retained earnings. Subsequently, when the fair value of the investment property declines, or when the investment property is disposed of, the company may reverse the increase.

Note2: According to Jin-Guan-Zheng-Fa-Zi No. 1090150022 Letter dated March 31, 2021, for the net amount of other shareholders' equity deduction recognized in the current year, for the net income after tax of the current period with addition of the items other than net income after tax of the current period, it is included in the amount of the undistributed earnings for the current period, and special reserve of the same amount is appropriated. In case of any deficiency, it is appropriated from the undistributed earnings of last period. Furthermore, according to Jin-Guan-Yin-Fa-Zi No. 11102279031 letter dated November 4, 2022, during the distribution of the distributable earnings, the financial holdings company shall appropriate special reserve of the same amount with respect to the change in the fair value of the financial assets reclassified by the insurance subsidiary.

【Appendix 】

Description of the long-term fund raising proposal

- I. Issuance of common shares and preferred shares via domestic cash capital increase
 - A. In this cash capital increase proposal, we plan to issue common shares and preferred shares either through book building or public subscription.
 - B. Via book building
 1. If book building is adopted, apart from reserving 10% to 15% of the total number of newly issued shares for subscription by the Company's employees (including employees of the subsidiaries specified by Article 30 of the Financial Holding Company Act), as required by Article 267 of the Company Act, the remaining shares shall be offered publicly via book building with existing shareholders abstaining from exercising their priority subscription rights with respect to the new shares in accordance with Article 28-1 of the Securities and Exchange Act. The Chairman is authorized to place any portion of the new issued shares not subscribed to by the Company's employees for subscription in the full quantity by designated individuals at the issue price.
 2. According to provision of law, the issue price of common shares shall be no less than 90% of the simple arithmetic average closing price of the common shares of the Company for either one, three or five consecutive business days before pricing date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction. (If changes in the laws should be coordinate the pricing adjustments.). The Board of Directors and/or Chairman of the Board shall determine the actual issue price based on the pricing principles set out in the paragraphs above, the status of the book building in consultation with the underwriter, as well as on the conditions of the market where the securities are issued and regulatory requirements.
 3. The determination of issuance price of preferred shares shall be within the variation scope of 10% of theoretical price pursuant to Article 12 of "Self-Regulation Rules Governing Underwriter Members of Taiwan Securities Association Guiding Issuance Companies to Offer and Issue Securities." The board of directors and/or the chairman is authorized to determine the price with the underwriter after taking into consideration book building consolidation, the situation of the issuance market, and the relevant laws and regulations.
 4. Since the preferred shares issued this time may not be transformed into ordinary shares, if it is conducted by issuing preferred shares, there will be no effect of diluting the equity of shareholders. If it is conducted by issuing ordinary shares, it will account for 9.3% of current outstanding shares of the Company calculated with the ordinary issuance limit of 1.5 billion shares. Although the equity of shareholders will be partially diluted, it is expected to enhance the competitiveness and improve the operational efficiency of the Company. This is because the estimated fund will meet one or more purpose of enhancing the financial structure of the Company, increasing capital adequacy ratio of the Company, repaying loans, and coping with the long-term development strategy. It will not cause significant impacts on the ordinary equity of shareholders.

C. Via public offering

1. If public offering and distribution is adopted, apart from reserving 10% to 15% of the total number of newly issued shares for subscription by the Company's employees (including employees of the subsidiaries specified by Article 30 of the Financial Holding Company Act) and also allocating 10% for subscription by the general public in accordance with Article 28-1 of the Securities and Exchange Act, the remaining shares shall be available for subscription by existing shareholders based on their respective percentages of shareholding in the Company on the subscription reference date. The Chairman is authorized to place any portion of the newly issued shares not subscribed to by the Company's employees or existing shareholders for subscription in the full quantity by designated individuals at the issue price.
2. According to provision of law, the issue price of common shares shall be no less than 70% of the simple arithmetic average closing price of the common shares of the Company for either one, three or five consecutive business days before pricing date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction. (If changes in the laws, should be coordinate the pricing adjustments.). The Board of Directors is authorized to assign the ex-dividend date as the valuation reference date.
3. The determination of issuance price of preferred shares shall be within the variation scope of 10% of theoretical price pursuant to Article 12 of "Self-Regulation Rules Governing Underwriter Members of Taiwan Securities Association Guiding Issuance Companies to Offer and Issue Securities." The board of directors and/or the chairman is authorized to determine the price with the underwriter after taking into consideration the situation of the issuance market and the relevant laws and regulations.

D. The capital raised in this cash capital increase plan is expected to be used for the following: strengthening the Company's financial structure, enhancing the Company's capital adequacy ratio, repaying loans or one or more purposes for the development of the Company's long-term strategies. The capital raised is expected to enhance the Company's competitiveness and improve our operational efficiency, and it will have a positive impact on shareholders' equity.

E. We ask that shareholders' meeting authorize the Board of Directors and/or the Chairman of the Board to consider the content of the cash capital increase proposal (including but not limited to the actual issue price, offering terms, project items, amount of capital raised, schedule of completion, expected benefits and other matters relevant to the proposal), make all necessary adjustments based on market conditions and regulatory requirements, work out the final details and implement the proposal. If the cash capital increase proposal must be changed as ordered by the regulatory authority or required by the circumstances, we also ask that the Board of Directors and/or the Chairman be given full authorization to carry out the corresponding changes.

F. For matters not covered herein, the Board of Directors and/or the Chairman shall proceed with full authorization and in accordance with relevant laws and regulations.

- II. Cash capital increase by issuing common shares and participation in the issuance of GDR
- A. If participation in the issuance of GDR is adopted for the cash capital increase and issuance of common shares, apart from reserving 10% to 15% of the total number of newly issued shares for subscription by the Company's employees (including employees of the subsidiaries specified by Article 30 of the Financial Holding Company Act), as required by Article 267 of the Company Act, the remaining of the newly issued shares shall be allocated for participation in the issuance of GDR with existing shareholders abstaining from exercising their priority subscription rights with respect to the new shares in accordance with Article 28-1 of the Securities and Exchange Act. The Chairman is authorized to place any portion of the newly issued shares not subscribed to by the Company's employees for subscription in the full quantity by designated individuals at the issue price, or reallocated it to the original securities that are participating in the issuance of GDR.
- B. Pursuant to relevant domestic laws and regulations, the issue price for the common shares that are participating in the issuance of GDR for cash capital increase shall be no less than 90% of the simple arithmetic average closing price of the common shares of the Company for either one, three or five consecutive business days before pricing date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction. However, in the event of changes in domestic regulations, corresponding changes to the above formula shall also be made.
- The Chairman or a designated person by the Chairman shall be authorized by the Board of Directors to determine the actual issue price based on actual market conditions, domestic laws and regulations and common practices in the market where the securities are issued, as well as in consultation with the underwriter.
- C. The above pricing methods are compliant with relevant domestic laws, regulations and common practices in the market where the securities are issued, and the basis on which pricing is determined should be reasonable.
- D. The issue price for the common shares that are participating in the issuance of GDR for cash capital increase is determined based on the market price of the Company's common shares traded in domestic stock exchange market. It remains that the original shareholders may purchase the Company's common shares in domestic stock exchange market at a price close to the GDR issuance price. Since the original shareholders don't bear any exchange rate or liquidity risk, this arrangement is not expected to have any negative impact on the interests of the original shareholders. The capital raised in this cash capital increase plan is expected to be used for the following: strengthening the Company's financial structure, enhancing the Company's capital adequacy ratio, repaying loans or one or more purposes for the development of the Company's long-term strategies. The capital raised is expected to enhance the Company's competitiveness and improve our operational efficiency, and it will have a positive impact on shareholders' equity.
- E. We ask that shareholders' meeting authorize the Board of Directors and/or the Chairman of the Board to consider the content of the cash capital increase proposal (including but not

limited to the actual issue price, offering terms, project items, amount of capital raised, schedule of completion, expected benefits and other matters relevant to the proposal), make all necessary adjustments based on market conditions and regulatory requirements, work out the final details and implement the proposal. If the cash capital increase proposal must be changed as ordered by the regulatory authority or required by the circumstances, we also ask that the Board of Directors and/or the Chairman be given full authorization to carry out the corresponding changes.

- F. In conjunction with the issuance of common shares for capital increase in cash and participation in GDR issuance, we request that the Board of Directors authorize the Chairman or a designated people by the Chairman to represent the Company in signing all documents related to the participation in the issuance of GDR as well as in handling all required matters related to the participation in the issuance of GDR.
- G. For matters not covered herein, the Board of Directors and/or the Chairman shall proceed with full authorization and in accordance with relevant laws and regulations.